Norges Bank Investment Management

Department for Business and Trade
Old Admiralty Building, Admiralty Place
London
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United Kingdom

Date: 17.09.25

DBT consultation on an oversight regime for assurance of sustainability-related financial disclosures

We refer to the invitation to comment on the Department for Business and Trade's consultation on developing an oversight regime for assurance of sustainability-related financial disclosures. We appreciate the opportunity to contribute our investor perspective on a possible voluntary registration regime for assurance providers and the long-term direction for assurance of UK SRS disclosures.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global (the fund). NBIM is a globally diversified investment manager with 19,754 billion Norwegian Kroner at end 2024, of which 1,137 billion (ca GBP 80 billion) invested in the United Kingdom. As a long-term investor, we consider our returns over time to be dependent on sustainable economic, environmental and social development, as well as on well-functioning, legitimate and efficient markets. We are active investors in over 65 countries and require reliable, consistent, and comparable financial information across global capital markets.

We strongly support the ISSB as the global baseline of investor-focused standards for sustainability-related financial disclosures. The ISSB standards share the same conceptual foundations as the International Accounting Standards Board (IASB) financial reporting standards. Investors will be able to receive sustainability-related financial information that is concurrent, connected and complementary to financial statements. This is critical for us to formulate a holistic view of a company's performance and prospects over different time horizons and inform our investment decisions, risk management processes and stewardship activities.

Sustainability disclosures should be subject to similar governance procedures as financial disclosures, with a final signoff from the board. For investors to confidently use sustainability-related financial information, it needs to be readily accessible and subject to similar quality controls as other information that companies provide to financial markets, where applicable. A growing number of corporates are obtaining external assurance on their sustainability reports, and several jurisdictions have adopted or are considering mandatory assurance requirements. Whilst we currently rely on our portfolio companies' internal governance process to enhance the reliability of their disclosures, we believe that external assurance has a key role to play in improving reliability and bringing sustainability-related financial disclosures on par with financial statements. We support the use of the International Standard on Sustainability Assurance 5000 (ISSA 5000) issued by the International Auditing and Assurance Standards Board for the purposes of such external assurance. Basing assurance practices on a global standard will enhance investors' trust and confidence in sustainability-

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related financial disclosures across jurisdictions and help mitigate greenwashing risks. We welcome the standard's flexibility in accommodating both limited and reasonable assurance engagements, and its profession-agnostic nature for use by both professional accountants and other assurance practitioners.

We agree with the government's proposal to create a voluntary registration regime for sustainability assurance, as a starting point towards establishing mandatory assurance requirements in the future. The future registration regime could increase transparency on providers' qualifications for companies seeking to engage a sustainability assurance provider. However, we believe that given the high level of voluntary sustainability assurance among FTSE 250 companies, UK authorities could consider a more ambitious approach and directly introduce mandatory assurance requirements, rather than a voluntary opt-in regime as an intermediate step. A practical approach could be to introduce mandatory assurance one or two reporting cycles after the introduction of mandatory sustainability reporting, to allow firms to get familiar with SRS-aligned reporting in the first place. The scope of such mandatory assurance could also be limited to a selected number of metrics, such as GHG emissions reporting, and broadened over time.

We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

Yours sincerely

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Consultation questionnaire

1. Do you agree or disagree with the government's core proposal to create a voluntary registration regime for sustainability assurance? Provide justification.

   We agree with the government's proposal to create a voluntary registration regime for sustainability assurance, as a starting point towards establishing mandatory assurance requirements in the future. The future registration regime could increase transparency on providers' qualifications for companies seeking to engage a sustainability assurance provider. However, we encourage the UK government to take a more ambitious approach by introducing mandatory assurance requirements, in line with other jurisdictions.

2. In your view, what are the advantages and disadvantages of the opt-in approach?

   We agree with the government's assessment that successful operation of the regime will rely on assurance providers seeing value in registering with ARGA. If successful in directing companies towards registered providers, the mechanism might create an incentive for registration, thus supporting regulatory oversight and an overall improvement in market practice. However, we believe that given UK market capacity and the high level of voluntary assurance among FTSE 250 companies, UK authorities could consider a more ambitious approach by mandating assurance requirements directly, rather than introducing a voluntary opt-in regime as an intermediate step. A practical approach could be to introduce mandatory assurance one or two reporting cycles after the introduction of mandatory reporting, to allow firms to get familiar with SRS-aligned reporting in the first place. The scope of such mandatory assurance could also be focused on a narrower scope or selected number of metrics, such as those on emissions reporting, and broadened over time.

3. Do you agree or disagree with the government taking a profession-agnostic approach to sustainability assurance? Provide justification.

   Yes, we agree with the government's intention to take a profession-agnostic approach to sustainability assurance. Whilst the FRC market study finds that the proportion of engagements of FTSE 100 and FTSE 250 companies carried out by statutory auditors has been rising, the UK sustainability assurance market is still characterized by a variety of providers. As an investor, we do not have a view on whether assurance engagements should be carried out by CPA firms or non-CPA firms, as long as the engagement follows similar quality standards.

4. Do you agree or disagree that both individuals and firms should be able to be registered as sustainability assurance providers? Provide justification and explain whether any specific requirements are needed to ensure appropriate accountability.

   We agree with the proposal to allow registration by both individuals and firms. This would be consistent with the approach taken for financial audits, where both individual auditors and audit firms can be registered, subject to the relevant requirements.

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5. In broad terms, what are the main principles that ARGA should consider when developing a registration regime for sustainability assurance providers?

   ARGA could consider similar principles to those applied in the registration and accreditation regime for statutory auditors, i.e. professional education and training, quality assurance and ethical requirements.

6. How should ARGA work with other organizations when developing a future registration regime?

   N/A

7. Do you agree or disagree that the UK's registration regime should recognize 'sustainability assurance providers' as being capable of providing high-quality assurance over multiple reporting standards (that is, TCFD, UK SRS, ESRS)? Provide justification.

   We agree that the UK's registration regime should recognize sustainability assurance providers as capable of providing assurance over multiple reporting standards. These include TCFD, ESRS, UK SRS, and any other jurisdiction-specific standards, as noted by the consultation paper, but also additional global standards and frameworks that have been used in a voluntary manner in the UK, such as SASB, GRI or the more recent TNFD. This would allow UK companies to engage a UK-registered provider for a variety of reports, including both those mandated by UK authorities and those which might be produced on a voluntary basis. Whilst disclosures made in accordance with the UK SRS might constitute the majority of assurance engagements for UK providers going forward, some companies might also seek to obtain assurance on reports developed in accordance with SASB or other voluntary frameworks in advance of, or irrespective of mandatory reporting requirements. We also agree with the FRC's observation that some UK-parent companies might be subject to sustainability assurance requirements set by other jurisdictions, notably the EU, given the scoping in criteria of the Corporate Sustainability Reporting Directive.

8. Do you agree or disagree that sustainability assurance providers must follow UK-equivalent standards to ISSA 5000? Provide justification and, if you disagree, indicate whether any other standards are considered appropriate.

   Yes, we agree that sustainability assurance providers must follow UK-equivalent standards to ISSA 5000. Basing assurance practices on the ISSA 5000 global standard will improve the quality and consistency of engagements, thus enhancing investors' trust and confidence in sustainability-related financial disclosures across jurisdictions and helping to mitigate greenwashing risks.

9. How should ARGA exercise its proposed functions in respect of sustainability assurance standard setting in the future?

   We support the government's intention to make ARGA responsible for setting audit standards in the UK, including for sustainability assurance. We believe that ARGA should consider the relevant international standards, i.e. those set by IAASB and IESBA, provide input to the

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international standard setting process and share best practices with its jurisdictional counterparts.

10. What factors should ARGA consider when developing its approach to enforcement. Provide justification.

    N/A

11. Do you agree or disagree that assurance of UK SRS disclosures is desirable in the long term? Explain your view and also indicate whether there are any implementation approaches (for example, timelines for phasing-in requirements) or alternative measures to regulation that the government should consider.

    A growing number of corporates are obtaining external assurance on their sustainability reports, and several jurisdictions have adopted or are considering adopting mandatory assurance requirements. Whilst we currently rely on our portfolio companies' internal governance process to enhance the reliability of their disclosures, we believe mandatory assurance of UK SRS disclosures will improve reliability and help bring sustainability-related financial disclosures on par with financial statements over time. We therefore strongly agree that mandatory assurance of UK SRS disclosures is desirable, and would encourage the UK government to consider introducing this in the medium rather than long term, in line with other jurisdictions. Jurisdictions are adopting different approaches to assurance, for example by initially requiring limited assurance and moving to reasonable assurance over time, or alternatively limiting the scope of assurance to a subset of information in the sustainability report, typically GHG emissions. We believe that similar phasing-in requirements, which enhance the scope or level of assurance over time, are a pragmatic way to ensure capacity building and address preparer concerns whilst providing regulatory certainty. In line with our public expectations of portfolio companies on climate change, we expect reasonable assurance for Scope 1 and 2 emissions information and limited assurance for the rest of climate disclosures. We expect sustainability disclosures beyond climate to be similarly subject to external assurance[1].

12. Provide evidence where assurance providers have been excluded from or where you anticipate future barriers to competing for CSRD assurance engagements, due to a lack of UK registration regime or other reasons. Where possible, include quantitative estimates of the scale of impact on UK companies.

    N/A

13. Provide evidence where the non-audit services cap has been a barrier to accessing or providing high-quality sustainability assurance. Where possible, include quantitative estimates of the scale of impact.

[1] Global standards for corporate sustainability-related financial disclosures | Norges Bank Investment Management

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