

Subject: Response to 'assurance on <IR>' documents

Hi,

Please find our response to the feedback request on 'Assurance on <IR> - An introduction to the discussion':

Practical implementation challenges

Q1 What priority should be placed on assurance in the context of driving credibility and trust in <IR>?

A: It should be given a high priority, as companies doing integrated reporting currently do not have any options that fully cover this type of report.

Q2 What are the key features of assurance that will best suit the needs of users of integrated reports in the years to come?

A: Key features are

- The ability to have one meaningful assurance statement covering all aspects of the report incl. financial and ESG statements and narrative/qualitative information
- Integrated assurance teams covering the competences needed to ensure solid business understanding and competences covering the ESG dimensions of performance
- Defining at a principles level what high quality data is from an ESG perspective by aligning with financial reporting processes (using internal controls etc.). It should not be descriptive in terms of which disclosures, but should use principles like the ones below:
 - Defining the principles of consolidation
 - Defining the accounting policy
 - Determining materiality level (tolerable error)
 - Selecting the relevant entities in scope for internal controls
 - Use a top-down, risk-based approach

Competent practitioners

Q3 Is the availability of suitably skilled and experienced assurance practitioners a problem in your jurisdiction and if so what needs to be done, and by whom, to remedy the situation?

A: Assurance practitioners are trained in the existing standards and guidance documents developed by the assurance sector and if the standards are not sufficient, then neither will the skills of the assurance provider be. New standards are needed and the standards/guidance documents must be taught in the relevant educational institutions. The suitable skills also goes back to the lack of integration within the assurance teams – there is a distinct divide between the people conducting the financial audit and the ESG assurance.

Q4 What needs to be done, and by whom, to ensure the quality of assurance on <IR> is maintained at a high level, including practitioners' adherence to suitable educational, ethical (including independence), quality control and performance standards?

A: The various accounting/auditing organisations must obviously be involved ensuring dissemination and adherence to the various elements that come with an audit/assurance assignment.

Robust internal systems

Q5 Is the robustness of internal systems a problem, and if so what needs to be done, and by whom, to remedy the situation?

A: This could pose a potential challenge as systems maturity can vary greatly and it is our experience that the external assurance provider finds it difficult to get an in-depth enough insight into systems and being able to discern whether the systems are strong enough. From a data perspective we have aligned our ESG reporting processes with that of financial reporting and thereby ensuring a high level of data quality. This alignment has proven to be a good investment as the reporting process has greatly improved. Should you like to know more about what we have done I'll be more than happy to share our process and methodology.

Q6 Is assurance likely to be a cost effective mechanism to ensure credibility and trust over (a) the short medium term; (b) the long term?

A: If designed correctly, then yes.

The cost of assurance

Q7 If so, what needs to be done, and by whom, to maximize the net benefits of assurance?

A: To maximise the net benefits, a clear and concise standard must be agreed upon. The assurance teams must be integrated and work closely together to ensure knowledge sharing and a common business understanding incl. also internal systems and management processes as well as an understanding of the business context in the World – this is a management decision from the assurance provider when putting the team together, but something that we have actively pushed as well to get the most value out of the process. The assurance statement is in its current format not very insightful and ideally it would be great if we could go from two to one statement – we currently have one for the financial statements and one for the management review and the ESG data.

Methodology issues

Q8 Should assurance standard setters develop either or both (a) a new assurance standard; (b) guidance, to ensure consistency of approach to such issues?

A: Both will be needed.

Q9 Should any such standard/guidance be specific to <IR>, or should it cover topics that are also relevant to other forms of reporting and assurance, e.g., should a standard/guidance on assuring narrative information, either in an integrated report or elsewhere, be developed?

A: One of the biggest challenges is assuring the quality and materiality of the narrative information and the quality of the internal management systems. Developing a general standard for this would be meaningful.

Q10 What are the (a) key challenges and (b) proposed approaches that assurance standard setters should consider with respect to:

- Materiality? (a) understanding what is material to the business (not just from a general sector perspective) but also to context within in which the company operates, (b) have in-depth interviews with senior management representing different business areas – not just the CEO and CFO. This should not be a long and tedious process, but should be conducted to get better insights. In addition a media search could be conducted at sector level and for the specific company ensuring balanced conversations. In addition the assurance provider

could ask a selected few key external stakeholders (investors) what they expect to see included.

- The reporting boundary? (a) a tricky one as some performance is measured up- or down-stream in the value chain. (b) the reporting boundary should be consistent to the extent possible and must be clearly stated in the accounting policies. If the reporting boundary varies for some of the disclosures, then this must be clearly stated in the accounting policy.
- Connectivity? (a) getting the overview of how issues/performance/strategy etc. actually connects and is the connectivity accurately communicated in the report and are there 'blind spots' (disconnectivity), (b) Again, it comes back to having a thorough business understanding building on the competences of an integrated assurance team and a close dialogue with the business.
- Completeness? (a) same comment as for materiality and reporting boundary
- 1. Narrative reporting and 2. future oriented information? (a1) assuring narrative reporting can be difficult, but reports should be able to document the various statements in the narrative reporting, (1b) guidance should be provided on what solid documentation is ie. preferably from a 3rd party and less desirable is internal emails (depending on what they contain of course) etc. Absolute terms like 'always' and 'never' should be avoided in the narrative as they are difficult to document. The assurance provider must offer guidance to the reporting company on what good documentation looks like and what will not 'fly'. (2a) a key challenge is being comfortable for the reporting company to actually disclose the future oriented information and from an assurance providers perspective the challenge is determining if the method used to determine the future oriented information is appropriate and in line with the assurance providers knowledge of the company in its given context, (2b) inspiration should be sought from the financial standards on what determines outlook and then that must be fitted in a way to work for <IR> as well.

Q11 What other technical issues, if any, specific to <IR> should be addressed by assurance standard setters?

A: How ESG data quality is ensured.

Level of assurance

Q12 What are the (a) key challenges and (b) proposed approaches that assurance standard setters should consider with respect to:

- Reasonable assurance?
- Limited assurance?
- Hybrid engagements ?
- Agreed-upon procedures engagements?
- Other approaches?

Using existing assurance

Q13 What are the (a) key challenges and (b) proposed approaches that should be considered and by whom, to ensure assurance on <IR> pays due regard to other assurance processes?

A: (a) the current standards do not fully cover the needs of <IR> to our knowledge, (b) it must be explored what currently exists and how much can be utilised in this context, but it cannot/must not be a process, where <IR> is squeezed into existing

standards at all costs, if what exists does not fully cover. The accountant profession must move with <IR>, as it is here to stay.

Please do not hesitate to get back to me should you have any questions.

Best, Cora

Cora Olsen
ESG Data Manager
Corporate Stakeholder Engagement

Novo Nordisk A/S
Novo Allé
DK-2880 Bagsværd
Denmark
+45 4444 8888 (phone)
+45 30 79 66 35 (mobile)