Developing an oversight regime for assurance of sustainability-related financial disclosures

A public consultation issued by the Department for Business and Trade

Comments from ACCA to the Department for Business and Trade

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About ACCA:

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over 257,900 members and 530,100 future members in 180 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

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GENERAL COMMENTS

ACCA welcomes the opportunity to respond to the consultation from the Department for Business and Trade (DBT) on developing an oversight regime for the assurance of sustainability-related financial disclosures. The proposed regime supports the core objectives of the UK Modern Industrial Strategy and wider government priorities, including promoting long-term economic growth, increasing investment, and strengthening the UK's position as a global hub for financial and professional services. The regime should enhance the quality, consistency, and credibility of sustainability disclosures which will improve investor access to reliable, decision-useful information. This is essential for mobilising private capital toward productive, innovative, and sustainable sectors, and for enhancing the UK's ability to attract a greater share of internationally mobile investment.

We appreciate the Financial Reporting Council's (FRC) work to date and its considered approach to establishing a competitive and high-quality sustainability assurance market and we commend the DBT for seeking stakeholder input at this important stage.

We believe that the UK is well positioned to influence the sustainability assurance agenda both domestically and globally, building on its strong corporate governance framework.

In developing the regime and adopting sustainability assurance standards it is important to ensure international interoperability to support cross-border consistency and market confidence.

Progress on sustainability assurance must go hand in hand with the development of sustainability disclosures. We therefore welcome the recent release of the consultation on the UK Sustainability Reporting Standards (UK SRS S1 and S2), as well as the latest consultation on ISSA (UK) 5000 issued by the FRC. We agree that these consultations represent the first step in developing a UK sustainability reporting framework that is fit for the long term.

We support the Government's vision for ARGA to act as an 'improvement' regulator, supporting assurance providers in their efforts to grow. This is important given the nascent nature of the market and the ambitions of the UK's Industrial Strategy for growth of the financial services sector. ARGA can play a key role in bringing assurance providers together and sharing leading market practice. This will help the market to evolve.

In establishing ARGA and as the sustainability assurance market develops, proportionality is key. An approach and standards that are scalable and risk-based will help avoid unintended barriers to entry for smaller or emerging firms, encouraging a diverse, dynamic and competitive market capable of serving a variety of clients.

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

   ACCA supports the government's core proposal to introduce a voluntary registration regime for sustainability assurance. Given the current maturity of the market, a mandatory regime would be premature and likely see limited uptake. A voluntary approach provides space for assurance providers to build capability and adapt to new requirements, helping the market to grow. However, we stress the importance of recognising that other jurisdictions have moved into regimes with mandatory requirements for sustainability assurance which could cause reputation damage for the UK, i.e. seen as less robust or less internationally comparable.

   During this voluntary period, it is important for ARGA to adopt relevant standards, such as the proposed ISSA (UK) 5000, set benchmarks and establish mechanisms to monitor and evaluate registrants. It is also important to raise visibility and awareness around sustainability assurance to try and prevent the expectation gap that is often found in financial audit, i.e. the difference between what financial auditors actually do and what they're perceived to do.

   However, we recommend that the regime includes a clear pathway towards mandatory registration – where only registered providers can deliver sustainability assurance. Without this progression, ARGA's ability to influence market standards, enforce quality, and hold providers accountable will be limited.

   The transition to mandatory registration should be timed carefully. A suitable point to consider this may be once the UK SRS are finalised and have become mandatory for certain entities, and the assurance market is more developed and experienced.

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

   Advantages may include:

   - Lowers initial barriers, supporting a diverse and competitive market .
   - Doesn't preclude participation in the market from those that aren't registered.
   - Enables gradual scaling of oversight without disrupting existing services.

   Disadvantages may include:

   - Uptake may be limited, minimising the opportunity to influence the market.
   - May create a two-tier market where unregistered providers compete without oversight.

- Ability to monitor, evaluate and enforce limited only to registrants.

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

   We agree with the government's proposal for a profession-agnostic approach as it recognises the broad and deep expertise required for the diverse and technical topics covered by sustainability reporting. This approach also aligns with international practices, including those in the EU. It would be counterproductive for UK to do something misaligned with other jurisdictions.

   The primary goal is to ensure high-quality assurance, which requires expertise in both assurance techniques and the relevant subject matter, including its measurement and evaluation.

   We are supportive of a professional agnostic profession provided there is a level playing field when it comes to regulation. This can be split into two premises (as it is required by ISSA 5000 both the UK and International one). Firms should be subject to ISQM (UK) 1 and the provisions of the International Ethics Standards Board for Accountants (IESBA) Code related to sustainability assurance engagements which will be the relevant ethical requirements for the UK standard.

   Financial audit experience provides a knowledge of assurance techniques and transferable skills that are valuable for sustainability assurance. The oversight regime should include mechanisms to assess whether sustainability assurance providers - regardless of background - demonstrate these core competencies.

   These skills include:

   - **Applying professional scepticism and judgement** - this is vital in sustainability assurance engagements – where practitioners are required to assess evidence critically. Given the immaturity of sustainability reporting, it is likely to be even more important in sustainability assurance, where subjective statements often form part of sustainability reports and may not be backed up with sufficient appropriate evidence.
   - **Acting in accordance with ethical requirements -** auditors are bound by the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Accountants or by a local equivalent Code of Ethics and are regulated via their professional bodies. The ethical requirements and fundamental principles can foster trust when undertaking sustainability assurance engagements. Sustainability assurance providers may come across ethical dilemmas where experience gained from undertaking financial audits is relevant and helpful. While the nature of the ethical dilemma may be different, in the context of a

sustainability assurance engagement, the fundamental principles of integrity, objectivity, professional behaviour, confidentiality, professional competence and due care that auditors shall follow are still relevant and applicable.

- **Dealing with clients** - through their experience with financial audits, auditors gain valuable skills in dealing with clients, including when issues arise. This, of course, also stems from their duty of care as guided by the fundamental principles of the IESBA Code of Ethics for Accountants. They have also honed skills in areas such as project management, team management and client communication, all of which remain relevant when performing sustainability assurance engagements. Accountants are also governed by professional standards, have to demonstrate competencies and are held accountable.
- **Linking financial and sustainability information -** The link between financial and sustainability information is of vital importance when providing assurance. Sustainability assurance providers with experience in financial audits are usually well placed to link the financial information that is reported in the financial statements with the information in sustainability reports. This helps them identify areas that could be more susceptible to misstatements. Additionally, their understanding of what is included in the auditor's report can also provide them with further insights about areas that could be more susceptible to misstatements. For example, if the auditor's report includes a key audit matter, and sustainability information relating to that matter is also reported in the sustainability report, then the assurance practitioner is likely to link the two and be more sceptical when designing the procedures to obtain sufficient appropriate evidence. This is especially relevant as the government wishes to ensure that investors have information they need to make informed decisions about the sustainability-related risks and opportunities that would reasonably be expected to affect an entity's financial prospects.
- **Completing Continuous Professional Development (CPD)** – to maintain their competence and compliance with professional standards, accountants must complete CPD. This ensure their knowledge remains up to date. CPD requirements in relation to sustainability assurance could be included.

To maintain trust, credibility, and high-quality outcomes, it is essential that all providers—regardless of profession—meet consistent standards in both assurance practices and subject matter expertise.

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 recognise the benefits in having both individuals and firms registered as sustainability assurance providers.

   Registering firms offers advantages such as: strong governance and control frameworks, access to multidisciplinary teams, and the capacity to provide continuous service. It also gives ARGA a clear single point of accountability.

   Registering individuals brings access to: specialised technical experts with niche skills in complex sustainability areas, including access to individuals who may not be affiliated with established assurance firms.

   Together, registering both firms and individuals expands the pool of providers, allowing organisations to select assurance providers that best fit the complexity, scale, and nature of their sustainability reporting.

   It may be appropriate to apply different criteria for firms and individuals: firms could obtain registration based on governance, controls, procedures, competence, and overall credentials, while individuals could obtain accreditation based on their personal experience and technical skills.

   Given the current maturity of the market, a system that facilitates access to skilled individuals and competent firms is important.

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

   ARGA should consider the following principles:

   - **Risk-based approach** - oversight and regulatory interventions should be guided by an assessment of risk to the public interest, market integrity or assurance quality. ARGA should prioritise its supervisory focus and resources on providers working on higher-risk engagements. This would ensure that regulatory efforts are targeted, effective, and avoid unnecessary burdens. A risk-based model also supports adaptability as the market and reporting practices evolve.
   - **Proportionality** – the registration requirements and monitoring should be scaled according to the size and nature of the assurance provider —for example, distinguishing between SMEs/SMPs and global firms. Overly prescriptive rules or excessive costs could create real or perceived barriers to entry, limiting participation and narrowing the pool of registered providers. A

"one-size fits all" for oversight would not be appropriate, instead ARGA should consider scalability in its approach, for example, a sustainability assurance template for smaller entities.

- **Flexibility** – given the wide-ranging and evolving nature of sustainability reporting, the regime may consider allowing for accreditation in specific focus areas. A modular approach—such as issuing "competence badges" for areas like greenhouse gas (GHG) emissions—would enable providers to demonstrate expertise progressively and support targeted market needs. Registrants could have one or multiple badges.
- **Enablement –** as the sustainability assurance market is in its infancy and generally dominated by large firms. ARGA should work to upskill and empower new entrants in order to grow the market. ARGA may develop an incubator for organizations looking to enter the market, similar to the FRC's Audit Firm Scalebox. The incubator would provide opportunities for potential new entrants to network and learn from others as well as provide resources. ARGA can work to develop a pipeline of providers.
- **Adaptability and a phased approach** – as sustainability assurance is a rapidly developing field, ARGA must remain agile and responsive. A voluntary phase should be used to gather market feedback and refine processes - for example, testing assessment criteria or understanding how many "competence badges" are practical and meaningful before making anything mandatory.
- **Trust, Transparency and Certainty** – these principles lie at the heart of a healthy relationship between an oversight regime regulatory and the providers it oversees and help to build confidence. To deliver on transparency, there could be a publication of the assessment criteria used, a list of registered assurance providers, oversight procedures, and mechanisms for monitoring and enforcement.
- **Quality** – ARGA should consider the background of the individuals and firms, what qualifications they have and whether this aligns to the qualifications ARGA would expect to see. It is important that ARGA fosters and encourages the provision of high-quality sustainability assurance services.
- **Independence** - ARGA must be free from undue influence by assurance providers, industry participants, or political actors. Independence is critical to ensuring impartial, credible decisions and maintaining the integrity of ARGA.
- **Accountability** - ARGA should be held accountable to stakeholders through regular performance reviews, open reporting, and clear channels for feedback

or appeal. This ensures it remains effective, fair, and aligned with the public interest.

- **International alignment –** ARGA should be designed to support cross-border sustainability assurance services. This will promote global consistency, facilitate mutual recognition, and enhance the UK's competitiveness in the international assurance market.

ARGA should also consider whether initially its focus is being inclusive and growing the market or whether it is setting a high standard and ambitious criteria.

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

ARGA should adopt a collaborative approach when developing a future registration regime, drawing on the lessons from the Public Interest Entity (PIE) audit model. It should engage with firms already engaged in sustainability assurance to understand the professions - both within and beyond the accountancy sector – that are required to deliver a high-quality service. This may include experts in areas like land use, energy, or environmental science. This engagement will help ARGA to understand where cross-disciplinary input is needed and what skills are required. Where appropriate, ARGA could explore partnerships with the relevant professional oversight bodies working with these professionals.

We believe that responsibility for registration should lie with ARGA, or with the FRC initially if ARGA is still in the process of being established. However, ARGA could delegate functions such as supervision, training, and support - particularly for smaller or specialised providers – to other professional oversight bodies. Some of these oversight bodies may have existing accreditation mechanisms that ARGA could rely on. These partnerships should be underpinned by consistent standards and robust accountability to maintain quality and trust in the regime.

ARGA should also work with international equivalent organizations in sustainability assurance to ensure ease of providers completing international work.

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

The UK's regulatory regime has not yet scoped what would be subject to sustainability assurance such as for example whether a full sustainability report prepared in accordance with the UK SRS will be subject to assurance given that the proposal is to start on a voluntary basis, so this position is somewhat forward-looking at this stage. Therefore, we agree that the UK's registration regime should recognise sustainability assurance providers as capable of delivering high-quality assurance across multiple frameworks, provided that the eligibility criteria ensure that the assurance providers have adequate knowledge, experience and capacity in each framework they claim competence over.

In our view, ARGA should prioritise the UK SRS in the initial phase of the registration regime, while providing clarity on how those providing assurance over other reporting standards may be recognised. Multi-standard recognition could raise operational challenges as it would increase the volume and complexity of ongoing monitoring and other activities if multiple standards are being assessed. ARGA would require sufficient expertise to assess competence across multiple reporting frameworks.

Any such, it may be appropriate to introduce multi-standard recognition gradually and with clear criteria to ensure consistency and integrity of the regime.
As the market matures, ARGA may also collaborate with other jurisdictions for recognising sustainability assurance providers. A model similar to that used in audit may be appropriate - where individuals obtain qualifications within a specific jurisdiction, and cross-border recognition is facilitated through mutual recognition agreements or supplementary requirements such as additional exams or training.
While mutual recognition agreements could improve mobility across jurisdictions and standards, its development and maintenance would also require significant resources. For example, the current process for mutual recognition of audit qualifications is time-consuming and resource-intensive for the FRC.

A proportionate approach that supports multi-standard recognition without creating an undue administrative burden is key.

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.**
   We agree that sustainability assurance providers should follow the UK-equivalent standards to ISSA 5000, on the basis that ISSA 5000:
   - provides an internationally aligned assurance quality benchmark and international equivalence is very important.

- has been developed with consideration of the IFRS Sustainability Disclosure Standards and ESRS, this emphasises the future applicability of ISSA 5000.
- was designed to support the provision of assurance services by both statutory auditors and independent sustainability assurance providers.

ACCA are strong proponents of globally consistent standards with regard both to corporate reporting, audit and assurance.

ACCA and Chartered Accountants ANZ have collaborated to plan a series of practical guides to some of the key requirements of ISSA 5000. The first one, focussed on materiality, can be found here.

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

ACCA commends and supports a structured and transparent model for developing standards. A clear, consultative approach is essential to deliver high-quality, robust and user-friendly standards. Given the early stage of the sustainability assurance market, regular stakeholder engagement and open consultations will be critical to ensuring standards are effective, inclusive, and responsive to market needs.

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

ARGA should embed proportionality in its enforcement approach to maximise effectiveness, fairness, and trust. A “one size fits all” would be inappropriate in the context of the sustainability assurance market.

Proportionality allows ARGA to prioritise oversight and sanctions based on the severity and risk of non-compliance, ensuring resources are focused where they add the most value and avoid unnecessary action on minor breaches.

For registrants, it supports a diverse and competitive market by encouraging compliance without imposing disproportionate burdens—particularly on smaller providers or those from different professional backgrounds—thereby reducing barriers to entry while maintaining standards.

For wider stakeholders, a fair and measured approach enhances trust, promotes engagement, and reinforces the credibility and legitimacy of the oversight regime.

It is also important to recognise the difference between public interest and the breach of standard when developing the approach to enforcement.

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.

We agree that assurance of UK SRS disclosures is desirable to build trust and confidence in sustainability disclosures.

FRC/ARGA, the UK government and assurance professionals need to work together to provide clarity as to the level of assurance required as the UK adopts the UK SRS.

Given existing reporting burdens on firms and talent shortages across the accounting, auditing and sustainability assurance market, there needs be realistic consideration over the pace at which the UK progresses assurance requirements over non-financial information.

Clarity and clear communication on timelines for possible future requirements coming into effect is crucial. We commend DBT’s intention to provide a roadmap of any future regulatory changes as part of the subsequent phases of consultation.

12. **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.**

We agree with the DBT questioning the appropriateness of the non-audit services cap to ensure it does not inadvertently stifle innovation and a healthy provider market in the growing field of sustainability assurance.

The non-audit services cap aims to protect auditor independence and prevent conflicts of interest by limiting the amount of non-audit work audit firms can perform for their audit clients. However, the independence risks linked to sustainability assurance differ from those of traditional non-audit services. There is also a strong argument that sustainability assurance services are more akin to audit services than consultancy types non-audit services, that the cap tries to capture, and therefore should be excluded.

Moreover, since sustainability information often overlaps with financial data we would want to avoid a situation where audit firms are disincentivised to provide sustainability assurance services because of the cap. Having the same firm perform the financial audit and sustainability assurance may improve the quality and coherence of reporting without necessarily compromising independence.

Therefore, reconsidering or adapting the cap for sustainability assurance could support innovation and better serve evolving client and stakeholder needs while maintaining appropriate safeguards.

ACCA has a range of resources on sustainability assurance and has responded to various consultations, including:

- A case study: Demystifying materiality in accordance with ISSA 5000, July 2025
- Response to the FRC consultation on SME market study, April 2025.
- Response to the FRC consultation on Assurance of Sustainability Reporting Market Study – Emerging Findings, November 2024
- Comment letter to the Committee of European Auditing Oversight Bodies (CEAOB) regarding the CEAOB's draft non-binding guidelines on limited assurance on sustainability reporting under the CSRD in the EU, July 2024.
- Response to the IESBA's Exposure Draft on International Ethics Standards for Sustainability Assurance, May 2024.
- Response to Irish Auditing and Accounting Supervisory Authority's public consultation on the Proposal to Adopt a Sustainability Assurance Standard in Ireland, April 2024.
- Sustainability assurance – rising to the challenge, February 2023
- Global Talent Trends 2023, February 2023