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Dear Andrew,

Response to consultation on developing an oversight regime for assurance of sustainability-related financial disclosures

Deloitte LLP welcomes the opportunity to respond to the Department for Business and Trade (DBT) consultation on developing an oversight regime for the assurance of sustainability-related financial disclosures. We strongly support the government's ambition to establish the UK as a global leader in sustainable finance, echoing the UK's leadership at COP26 in welcoming the formation of the International Sustainability Standards Board (ISSB). The creation of a register could in time be a helpful step to underpin the provision of decision-useful, comparable sustainability information for investors, facilitating efficient capital allocation in support of resilient businesses and economies. Within the current dynamic landscape, we encourage the government to allow companies to mature in their reporting and use of assurance to better inform any oversight regime.

The UK's diverse sustainability assurance market includes engagements for sustainability reports aligned with international frameworks, on bespoke metrics for specific businesses and sectors, and in the financial sector on green bonds and product labelling. A voluntary register would allow assurance practitioners to demonstrate their commitment to high-quality engagements, setting a precedent for balancing quality and growth as the assurance market expands into areas like artificial intelligence assurance.

While we understand DBT's focus on "premium reporting" for public interest entities (PIEs) using established frameworks like the proposed UK Sustainability Reporting Standards (UK SRS) or EU Corporate Sustainability Reporting Directive (CSRD) requirements, we recommend a broader approach. A narrow registration regime would miss the opportunity to build trust and confidence across all sustainability-related information. Assurance of metrics and management-defined

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information remains vital, regardless of the move towards established reporting standards. Therefore, we suggest that the performance of assurance engagements in compliance with a relevant standard (e.g., International Standard on Sustainability Assurance (ISSA) 5000) should be the primary registration criterion.

A phased approach is essential to support a robust and effective UK sustainability assurance market. Beginning with a voluntary register for all sustainability assurance providers allows for market learning and evidence gathering before considering mandatory registration. We recommend the government make publicly listed companies' sustainability reporting under established standards, the first consideration in this regard. This phased approach mirrors the proportionate implementation of UK SRS, balancing the need for decision-useful, consistent and globally comparable sustainability information with measured implementation.

Any register should enhance market quality and transparency, acting as a quality mark and facilitating informed choices for buyers of assurance services. Crucially, it should provide equivalence for CSRD accreditation, reducing costs and time burdens for UK businesses captured by the CSRD requirements, maintaining competitiveness, attracting investment, and fostering sustainable growth.

Any registration framework must prioritise demonstrable skills, knowledge, and experience for all providers, regardless of background, aligning with international best practice and supporting the growing demand for integrated audit and sustainability assurance services. A tiered system brought in over time as the market demands it, could accommodate varying levels of expertise.

The introduction of monitoring and enforcement mechanisms contributes to the maintenance and enhancement of quality. We believe the focus should be on firm-level registration, with future individual registration considered as capacity and experience build up, and the utility and value of the register becomes clear. However, in the context of audit, we note the direction of travel is towards a supervision framework that is focussed on firm level controls, rather than the individual. As this evolves, the consistency of approach should be kept under review. Therefore, firm registration feels an appropriate starting point.

A well-designed registration regime will contribute to a robust and trustworthy UK sustainability assurance market, supporting UK competitiveness and reducing business costs. We strongly encourage the government and the Financial Conduct Authority (FCA) to promptly outline plans for mandatory reporting and assurance requirements, particularly for listed companies. Clear timelines and phased implementation details will allow businesses to plan effectively. The UK SRS presents an opportunity to navigate the complexities of global regulatory changes. The reporting regime should focus on decision-useful information, avoiding a "box-ticking" approach, reducing greenwashing, and enabling accurate risk pricing and informed capital allocation decisions. We believe ISSB Standards should be adopted with minimal modification to facilitate the transition to UK SRS, with assurance requirements to follow in further support of consistent, comparable and robust information.

The Appendix below sets out our detailed responses to the consultation questions and would welcome the opportunity to expand on any of our comments. If you have any questions, please contact Philippa Kelly philippakelly@deloitte.co.uk or Charlotte Drain cdrain@deloitte.co.uk.

Yours sincerely

A handwritten signature in blue ink that reads "Allee Bonnard". The signature is written in a cursive, flowing style.

Allee Bonnard

UK Managing Partner Audit & Assurance

Deloitte LLP

Appendix: Responses to detailed questions

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

We welcome the core proposals outlined in the consultation document: to create a voluntary register and a new category of sustainability assurance provider to help enhance the quality and transparency of the sustainability assurance market.

We support the objectives of a register which will enable sustainability assurance practitioners to demonstrate their commitment to quality and which will facilitate informed choices, made with confidence, by buyers of sustainability assurance services. Alongside these broader aims, there is an acute need for a UK registration mechanism which supports UK practitioners' ability to perform Corporate Sustainability Reporting Directive (CSRD) assurance engagements. Against this background, a registration regime may serve a number of purposes; we encourage the government to provide clarity on the scope and purpose of the voluntary register, and how it is envisaged this will be achieved.

There should be a period of time to understand the market demands and use of the register on a voluntary basis to evidence that mandatory registration remains the preferred outcome across the market. The government should prioritise their consideration of how the register may evolve based on the type and complexity of the work undertaken. This may be particularly pertinent in the context of engagements on required reporting prepared in accordance with established standards or working with publicly listed companies.

The register may also serve as a mark of quality, clearly defined and guided for its proper use by sustainability assurance providers within specific subject matter areas. This is important given the government's stated aim of increasing competition for sustainability assurance and facilitating the entry of smaller firms and non-audit firms into the already broad market. The benefits of registration should be clearly articulated such that the incentive for these firms to register is clear.

A register should facilitate a mechanism deemed equivalent by jurisdictions implementing the CSRD and enable UK sustainability assurance practitioners to be accredited for the performance of CSRD assurance engagements and provision of a CSRD assurance report. This is needed to eliminate the additional cost and time burden for UK reporters of sourcing an auditor or Independent Assurance Service Provider (IASP) registered in Europe. This benefits businesses and supports economic growth.

Any register's design must balance UK market needs with CSRD accreditation requirements (including skills, experience, qualifications, and quality management systems), using a streamlined, transparent process. A tiered system may be necessary for clarity and to allow future expansion into other non-financial assurance areas (such as AI and product labelling), ensuring long-term relevance.

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

The opt-in approach to Audit, Reporting and Governance Authority (ARGA) registration for sustainability assurance providers appears pragmatic, with several key advantages and disadvantages to consider within the context of the UK market.

Advantages:

- **Opportunity for equivalence:** The opt-in system provides an opportunity to establish equivalence with other sustainability registration requirements, such as those in Europe. This facilitates international collaboration and avoids unnecessary barriers to market entry for firms already registered elsewhere.
- **Early demonstrators of quality:** The opt-in approach allows firms already confident in their ability to meet high-quality standards to register immediately. This provides a readily available pool of high-quality providers for the market to see and choose from, building early trust and confidence in the system.
- **Phased improvement and capacity building:** Firms needing time to improve their standards and build capacity before registration can do so at their own pace. This phased approach avoids a potentially disruptive immediate mandate, allowing for a more measured and sustainable transition to higher quality sustainability assurance across the market.

Disadvantages:

- **Delayed market-wide adoption:** A voluntary system may take considerable time for a broad range of firms to join the register. From the outset, there will need to be a clear articulation of the benefits of registration, both for providers and buyers and users of assurance. This will take time to be created, disseminated and digested by the market. This could further slow uptake which could delay the overall improvement in quality and consistency of sustainability assurance services across the UK market.
- **Perpetuation of quality gaps:** The longer it takes for firms to register, the greater the risk that gaps in quality sustainability assurance (and associated cost variations) will persist. This could undermine market confidence and hinder the development of a truly robust and reliable sustainability assurance sector. However, clear expectations and a transparent implementation plan would allow further maturation by preparers of information, and for the market to understand and influence where they want the bar for quality to be.
- **Potential for a dual market:** An opt-in system creates the possibility of a "dual market" - one with regulated, monitored, and enforced standards, and another operating outside this framework. This dual market could lead to confusion among users, potentially devaluing the sustainability assurance provided by registered firms and hindering the overall effectiveness of the system.

To mitigate the disadvantages, ARGA might consider several strategies including:

- **A tiered system:** A tiered registration system, as discussed previously, could allow for different levels of registration based on the scope of services offered and the standards met. This would address concerns about market concentration and allow for a more inclusive and effective system. The UK sustainability assurance (and broader assurance) market is vast, with specialised forms of assurance provided by specialist practitioners through to assurance of broader general use reporting prepared pursuant to established sustainability reporting frameworks and standards.
- **Targeted outreach and support:** Proactive outreach and support, particularly for smaller or less established firms, may encourage timely registration. This could include guidance, training, and resources to help firms meet the registration requirements. We welcome the reference to ARGA's role in this regard within the consultation document.
- **Phased implementation with clear timelines:** Setting clear timelines and milestones for registration can help accelerate market-wide adoption. This could involve a phased approach, with different requirements for different categories of providers.
- **Transparency and communication:** Clear and consistent communication about the benefits of registration and the standards required can help build trust and encourage participation. Publicly highlighting the registered providers and their capabilities can also help to promote the value of the register.

While the opt-in approach offers several advantages, particularly in terms of facilitating a gradual and less disruptive transition, FRC/ARGA must actively address the potential disadvantages through strategic planning, proactive support for firms, and clear communication. A well-executed opt-in approach, coupled with effective mitigation strategies, as well as a clear articulation of the benefits of registration, can pave the way for a robust and trustworthy UK sustainability assurance market.

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

The government's proposed profession-agnostic approach to registering sustainability assurance practitioners presents a complex matter with various potential implications. While neither fully endorsing nor rejecting the profession-agnostic element, we strongly emphasise that any successful registration framework must prioritise demonstrable skills, knowledge, and experience as its core components. We highlight the below considerations as key:

- **The multifaceted nature of sustainability:** Effective sustainability assurance demands a diverse skillset encompassing financial, social, environmental, and governance aspects. No single professional background encompasses all necessary expertise. Prioritising skills, knowledge, and experience ensures that practitioners possess the necessary capabilities.
- **International best practice:** Internationally recognised bodies such as the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for

Accountants (IESBA) advocate for a skills-based approach. While a profession-agnostic approach is one way to achieve this, the fundamental principle is the demonstrable possession of the necessary skills and experience. Focusing on these core competencies ensures alignment with global best practices and promotes consistent quality.

- **Market development and integrated services:** The dynamic and evolving nature of the sustainability assurance market necessitates a flexible approach. A focus on skills, knowledge, and experience allows the market to adapt as new expertise and methodologies emerge. There is a particular need for integrated skills across assurance, finance and sustainability subject matters when considering assurance engagements in relation to information prepared under sustainability reporting standards and frameworks. A skills-based approach enables the aforementioned tiering of the register in contemplation of where an integrated skillset would be required, and where it may be less relevant. However, we observe a growing demand for greater connectivity between the work of the statutory auditor and the sustainability assurance provider, and for core audit and assurance skills to be integrated with sustainability expertise. The 2025 international Federation of Accountants (IFAC) Report shows that in 2023, where assurance reports were provided by an audit firm in the UK, in 79% of cases it was provided by the same firm as the statutory auditor (up from 71% in 2022, 63% in 2021 and 60% in 2020). Deloitte has also seen increased interest by companies in an integrated service delivery for the statutory audit and sustainability assurance, leveraging the inherent synergies that arise from adopting this approach. This growing demand highlights the need for a registration framework that supports the development of integrated skillsets and the capacity to deliver these comprehensive services. Growing and strengthening the capacity for an integrated service will require continued investment by various stakeholders across the market.
- **Avoiding a two-tier market:** A skills-based approach, regardless of whether it is profession-agnostic, aims to prevent a two-tiered market by ensuring all registered practitioners meet a minimum standard of relevant competence, firstly in professional assurance standards (e.g., International Standard on Sustainability Assurance (ISSA) 5000) and then the subject matter of the assurance engagement (e.g., UK SRS or an environmental standard). This focus on competency, rather than professional background, promotes consistent quality across the board.
- **Incentives for registration:** The success of a voluntary register depends on providing sufficient incentives for practitioners to register. Highlighting the value of demonstrating skills, knowledge, and experience through registration will help attract a broad range of qualified professionals. The register should clearly articulate the different sustainability assurance bases (agreed upon procedures, limited, reasonable) to aid informed decision-making by purchasers.

While the profession-agnostic aspect of the government's proposal warrants further consideration, the overarching principle of prioritising skills, knowledge, and experience is paramount and relevant across the whole of the assurance market and the practitioners that comprise it. Any registration framework must ensure that registered practitioners possess the necessary competencies to deliver high-quality sustainability assurance services. The government should actively engage with stakeholders to understand their concerns and tailor the registration requirements to effectively attract and retain qualified professionals, regardless of their background. This approach, coupled with support for the development of integrated audit and sustainability assurance services and

recognition of specialist services, will build trust and confidence in the sustainability assurance market.

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 that both individual sustainability assurance practitioners (allowing sole practitioners to register) and firms should be able to register as sustainability assurance practitioners. In the case of a firm, both the firm and individuals leading engagements could be held accountable for their work. Registration should initially be focused at the firm level. Data regarding the use of the register should be collected and analysed in order to consider the most appropriate way to enable individual accountability. For example, firm registration could consider the mechanisms in place to determine appropriate signing practitioners, and individual accountability could be delivered through the effective operation of the firm's mechanisms, without necessitating individuals to be registered by name.

While individual registration may be necessary in certain circumstances (e.g., an individual operating as a sole practitioner or as required by law and regulation), prioritising firm registration offers several advantages:

- **Alignment with existing frameworks:** The FRC, as part of its Future of Supervision review, is proposing a shift towards more monitoring of a firm's system of quality management rather than the individual. While this is under consideration in the context of audit, we believe a firm focused approach in the context of sustainability assurance would be more pragmatic and efficient, avoiding the immediate administrative and cost burdens associated with establishing a new individual registration scheme.
- **Broadened participation:** Prioritising firm registration, alongside individual registration, better supports the government's objective of broadening participation in sustainability assurance. The market is broad and should be considered holistically, this approach allows a wider range of organisations, including smaller firms and consultancies, to engage in the market without the immediate hurdle of individual registration requirements.
- **Phased implementation:** A phased approach, starting with firm registration, allows for a more measured and less disruptive implementation of the regime. This approach allows ARGAs to gain experience and build capacity before implementing a more complex individual registration system. This aligns with the government's phased approach to modernising the UK's corporate reporting framework.
- **Meet international requirements:** Appropriately developed, a UK regime could enable individuals to be registered and demonstrate they meet EU requirements, as transposed and adopted within relevant jurisdictions.

Accountability and future development:

- To ensure appropriate accountability, regardless of whether the registration is at the firm or individual level, ARGA should establish clear standards and mechanisms for monitoring and enforcement.
- While individual registration might be considered a medium-to-long-term goal, particularly given requirements such as those under the CSRD, a clear articulation of any path towards individual registration, inspection, monitoring, and enforcement (see question 10) is crucial. This transparency will build practitioner confidence in the voluntary registration process and establish clear expectations regarding future requirements. This phased approach, focusing initially on firm registration while planning for future individual registration, offers a balanced and practical path towards a robust and effective sustainability assurance regime in the UK.

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

Our response to this question provides our initial views on how the proposed registration regime should operate. We understand that ARGA will consult further on additional elements following its establishment, and we look forward to contributing to those discussions.

In light of the broader uses for, and the continued growth in the importance of, non-financial information, we believe ARGA should consider the potential precedents created within this register which may, or should, be applicable to any and all types of non-financial assurance practitioners. Currently, the term “sustainability” is broadly used across the market, with wide ranging assurance services, for example in relation to product labelling and environmental standards. It may be desirable for the scope and purpose of the register to extend beyond sustainability-related financial information prepared pursuant to sustainability reporting frameworks and standards. However, achieving this requires addressing key definitional challenges.

The term 'sustainability' lacks a universally agreed-upon definition, hindering its consistent application. Before expanding the register's scope beyond sustainability-related financial information, a clear and consistent definition of 'sustainability' itself must be established. This definition should ideally align with established standards and frameworks such as the International Sustainability Standards Board (ISSB) standards, the European Sustainability Reporting Standards (ESRS) or Global Reporting Initiative (GRI) Standards, amongst others.

Critically, in developing its thinking in this space, the Financial Conduct Authority (FCA) and ARGA must recognise that the existing market and scope of sustainability assurance extends beyond traditional environmental and social issues to encompass a wide range of subject matter and specialised forms of assurance. This includes, for example, green bonds, specialised standards compliance, product labelling and governance, with a diverse range of providers. A comprehensive definition of 'sustainability assurance' will, clarify which engagements fall under its umbrella. Furthermore, consideration will be needed, in time, of the range of developing areas for which assurance may be sought, e.g., cybersecurity, AI, and internal controls and what oversight regime is required to ensure a consistent approach to quality for these and providing users comfort across a range of assurance areas.

We highlight below some more specific areas ARGA may wish to consider in the development of the registration regime.

Quality and ethical requirements of non-audit firms

As further discussed in our answer to question 8, for consistency and quality across the market, all sustainability assurance practitioners performing engagements on subject matter prepared according to sustainability reporting standards and frameworks should adopt the ISSA 5000 in due course. The new standard, alongside the existing International Standard on Assured Engagements (ISAE) 3000, mandates that the firms providing sustainability assurance under these standards adhere to a code of ethics that meets or exceeds the International Ethics Standards Board for Accountants (IESBA) requirements. They also require that firms follow a quality control standard at least as rigorous as International Standard on Quality Management (ISQM) (UK) 1.

Audit firms operate within an existing supervisory framework, which requires, amongst other things the application of international standards for systems of quality management (ISQM (UK) 1), and ethics including, but not limited to, independence. These standards are built into audit firms' internal systems, processes and methodologies. However, these requirements do not apply to non-audit firm assurance providers, resulting in a lack of consistency in quality across the UK market.

Training and education of sustainability assurance practitioners

Several professional bodies, including the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Chartered Accountants of Scotland (ICAS), now integrate sustainability reporting and assurance into their core curricula. They are also developing additional specific certificates or qualifications which can provide continuing professional development (CPD) in sustainability.

Existing professional bodies may wish to consider whether they could provide training, exams and qualification to non-audit firms and non-chartered accountants to bring the market closer to a level playing field, in terms of qualifications and expertise.

Oversight and enforcement

Oversight and enforcement can play a role in an effective registration regime which supports market confidence. See further our response to question 10. Furthermore, we welcome the explicit responsibility for ARGA to issue guidance and support providers.

Buyers of sustainability assurance

ARGA should consider how the register can help buyers and users of sustainability assurance make well-informed decisions. This may include educational considerations, such as on the different types of sustainability assurance and standards, and how to interpret ethical, independence and quality statements. This would have to be developed by a neutral party and be fact-based rather than judgemental.

Additionally, we believe the term “sustainability assurance practitioner” should be used, as opposed to provider. An assurance practitioner obtains assurance and provides an assurance report, rather than “providing assurance” therefore practitioner is the more accurate term in this context and more aligned to international standards such as those developed by the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for

Accountants (IESBA). It may also reflect the importance of the role of the individual practitioner and their responsibilities in conducting assurance engagements (ethics, professional judgement, competence).

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

ARGA's success in developing a robust and effective registration regime for sustainability assurance providers hinges on its collaborative engagement with various stakeholders. The approach should be multifaceted and should incorporate a range of strategies including:

Collaboration with existing regulatory bodies:

- **Financial Reporting Council (FRC):** Given the FRC's existing expertise in audit oversight and its recent market study on sustainability assurance, close collaboration will be helpful. ARGA should leverage the FRC's knowledge and experience to avoid duplication of effort and ensure alignment with existing regulatory frameworks. This collaboration should extend to sharing data, insights, and best practices. We recognise the existing close working relationship between the government, Financial Conduct Authority (FCA) and FRC, and further support the coordinated efforts of these bodies.
- **FCA:** The FCA's role in regulating financial markets necessitates close collaboration with ARGA. Alignment of ARGA's registration regime with any future FCA listing rules on sustainability assurance is needed to ensure consistency and avoid conflicts.
- **British Standards Institution (BSI):** Consider the BSI's work, particularly regarding the proposed standard related to AI assurance. This is relevant as AI increasingly impacts sustainability data collection and analysis. The principles embedded within the BSI's work on AI assurance can inform the development of robust standards for sustainability assurance.
- **Recognised Supervisory Bodies (RSBs):** Consider the role of RSBs in learning, accreditation, and monitoring. Their diverse approaches can inform ARGA's strategy for verifying businesses not affiliated with an RSB and the type of supporting information required for registration.
- **ICAEW, ICAS and other professional bodies:** Work with the profession, including ICAEW, leveraging its specific experience in registering and monitoring individuals and firms across various accountancy services (e.g., probate). This experience is valuable for establishing efficient registration and monitoring processes for sustainability assurance providers.

Engagement with industry stakeholders:

- **Professional bodies:** Accountancy bodies, such as ICAEW and ICAS, play a vital role in educating and training professionals, including as noted above on sustainability reporting and assurance. ARGA should engage with these bodies to ensure any qualification requirements are "fit for purpose" and that ongoing CPD adequately addresses the evolving needs of sustainability assurance.

- Assurance service providers: Direct engagement with existing and potential sustainability assurance providers is vital. ARGA should consult on the detailed elements of the regime, including eligibility criteria and qualifications. This collaborative approach will ensure the regime is practical, achievable, and reflects industry best practices.
- Companies and investors: ARGA should actively seek input from companies and investors to understand their needs and expectations. This will help ensure the registration regime enhances transparency and trust in the market.

International cooperation:

- International standard setters: Alignment with international sustainability assurance and reporting standards is crucial for ensuring international comparability and facilitating cross-border operations. ARGA should actively engage with international standard setters to ensure the UK regime is consistent with global best practices.

Transparency and communication:

- Throughout the development process, ARGA should maintain open and transparent communication with all stakeholders. Regular consultations, public forums, and clear communication of the regime's development will foster trust and ensure broad buy-in. Developing a roadmap setting out plans and providing transparency, including on key milestones, will give clarity on the direction of travel, allow stakeholders to make plans and investments with confidence, and enable a proportionate and structured transition to a new regime.

Addressing the risk of disparate regimes and standards:

- The principles embedded within the sustainability assurance register must be congruent with those expected of assurance practitioners across all non-financial subject matters. Consistency helps avoid confusion for users of sustainability assurance reports and to enhances the value and understanding of sustainability assurance at a time when it remains misunderstood. Disparate regimes and standards—whether reporting standards, assurance standards, or ethics standards—risk undermining the credibility and effectiveness of the entire system. ARGA should actively work to ensure harmonisation and clarity across all relevant standards.

By adopting this collaborative approach, ARGA can develop a registration regime that is effective, efficient, and enjoys broad support from all stakeholders. This collaborative approach is vital for building a robust and trustworthy UK sustainability assurance market.

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.

We agree that any registration regime should recognise sustainability assurance providers as capable of providing high-quality assurance across multiple reporting standards. However, the list of examples provided (TCFD, UK SRS, ESRS) is not exhaustive. Many other frameworks and

standards exist, and new ones are likely to emerge. The flexibility to encompass a broad range of reporting standards supports any regime's long-term viability and relevance. We suggest the performance of assurance engagements in compliance with a relevant standard (e.g., ISSA 5000) should be the primary registration criterion. Following this criterion, assurance practitioners would also be required to demonstrate skills and knowledge surrounding the subject matter (whether reporting framework, financial product labelling, or environmental standards).

While we believe this capability should be a useful (and indeed, necessary) outcome of the register, we also recognise that not all providers will necessarily seek registration for work across some or all reporting standards or frameworks. Some providers may choose to specialise in specific areas, while others may offer a broader range of services. This suggests a tiered approach to registration might be beneficial, allowing for clearly defined specialist categories within the register. For example, tiers could cover established standards and frameworks, specialised metrics, financial products and non-financial product labelling depending on how ARGA sees the segmentation of the market and the matrix of skills needed across subject matter. As such a provider specialising in assurance against the UK SRS (tier 1) might not need to then additionally register in respect of green bonds assurance.

As noted in our response to question 5, the UK has a significant existing ESG assurance market which includes assurance against reporting standards but also many specialised forms of assurance with a diverse range of providers. Restricting the register's purpose solely to assurance against a limited set of reporting standards would be overly restrictive and could limit the register's overall value and usefulness. The regime should be designed to accommodate the diverse needs of both providers and users, allowing for specialisation while maintaining a clear and transparent system for identifying qualified providers across the broader landscape of sustainability reporting. Implementing a regime covering a diverse range of providers will likely be challenging and we would encourage, for example, collaborations with other regulators and various trade associations, to support rollout.

Where reference is made to “other disclosures” intended for purposes other than financial decision-making as out of scope of the registration regime, this should be clarified so that there is a common view of the type of information in scope.

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.

The UK's diverse sustainability assurance market, comprising audit, consultancy, and boutique firms, currently lacks a clearly defined or established baseline (including scope, use of assurance standards or quality approach) for sustainability assurance engagements, which is a significant contributor to a wide expectation gap amongst stakeholders. To directly address the sustainability assurance standards elements of this, the FRC launched a consultation in May 2025 on a UK version of the ISSA 5000. The proposed ISSA (UK) 5000 aims to establish a voluntary UK baseline for sustainability assurance engagements, ensuring alignment with internationally recognised best practices and promoting greater transparency and comparability across the sector.

As noted in our response to the FRC's consultation on the adoption of ISSA 5000 in the UK, stakeholder demand for consistent, comparable and reliable sustainability information is evident, underscored by reports from the IFAC¹ and Ceres² highlighting the lack of decision-useful climate data due to inconsistent sustainability assurance quality. In that response, we note the risk of voluntary adoption and therefore support the mandatory use of the standard noted within this consultation.

However, we note the transition to ISSA 5000 from existing practices may require consideration, potentially necessitating a calibrated or tiered registration regime depending on its intended purpose. Compliance with the provisions within ISSA 5000 from the outset may not be congruent with market opening measures and therefore the voluntary registration of non-audit providers may be deterred. The creation of a tiered register will enable those who do not wish to, or are unable to demonstrate the required competences to, perform an assurance engagement in accordance with ISSA and IESBA standards to register. This could be through the creation of a specialist category of practitioners with its own clearly identified competencies.

Where sustainability assurance is being provided on information produced pursuant to the aforementioned reporting standards, we agree that ISSA 5000 will be the standard of choice.

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

Overall, we would like to see ARGA use its proposed functions to support the broader aims of enhanced resilience and for sustainable growth in the UK, with a focus on transparency and stakeholder protection.

While considering the mandating of standards or other requirements, we would encourage ARGA to remain focused on the public interest and the users of sustainability information and assurance reporting. As noted, we believe focusing the public interest entity (PIE) definition on companies needing increased scrutiny, such as those posing systemic risks or reliant on public funds, may be beneficial. This approach aligns with the recent UK consultation on introducing ISSA 5000, which incorporates ethical standards, suggesting limited scope for further short-term action.

We recommend ARGA should play an ongoing role in the UK implementation of globally developed sustainability assurance and ethics standards, and could also contribute to and influence future developments, such as contributing to the work of the global standard setters as they develop application guidance. ARGA has a key role to play in setting and communicating clear expectations of how assurance standards should be implemented in the UK. This will not only benefit existing providers applying new standards, but also give potential new entrants the clarity needed to enter the market.

As noted in our response to the consultation on the introduction of UK Sustainability Reporting Standards (UK SRS), the standards should allow for a proportionate and risk-focused approach to reporting to streamline and drive sustainability reporting and assurance which is valued by users.

¹ The State of Play: Sustainability Disclosure and Assurance. Five Year Trends & Analysis (2019-2023), IFAC, 12 May 2025

² Closing the Gap: Investor Insights into Decision-Useful Climate Data Assurance, Ceres, 24 January 2024

Finally, considering ARGA's potential expansion to a broader population of assurance practitioners, these firms should be included in the standard-setting due process and broader stakeholder engagement.

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

As noted within our response to question 4, regarding the registration of individuals as well as firms, we believe any approach to enforcement needs careful consideration and appropriate phasing in. The existence of an enforcement regime may have a deterrent effect on voluntary registration. We believe any enforcement regime should be subject to an agreed timeline and be separately consulted on in advance of implementation to ensure there is the required clarity and transparency to enable an effective regime.

An enforcement regime must ensure a level playing field so that all sustainability assurance practitioners would be subject to equivalent expectations regardless of their size, scale or area of practice.

Any enforcement regime would need to contemplate the different levels of sustainability assurance. Enforcement in the context of a limited assurance engagement will look and feel different to enforcement in the context of, e.g., a PIE audit as the nature of the negative conclusion means it may be reached in a broader range of acceptable ways. Therefore, any approach to enforcement may focus on whether the practitioner has demonstrably applied the relevant assurance standards in forming the sustainability assurance conclusion.

ARGA should also consider the respective responsibilities of preparers of sustainability information which are subject to assurance. This may be under a reporting standard assigning responsibility to management or directors for the information's content, or a self-defined basis of reporting which enables a company to present information in accordance with the criteria they see fit (if it meets the characteristics of suitable criteria). Given recent discussions with the Department for Business and Trade (DBT), and their consideration of including the directors' duty to approve and sign off the strategic report within the proposed directors' enforcement regime within a future Audit Reform and Corporate Governance Bill, this aspect of the ARGA bill will be particularly relevant.

We do not believe the disparity of accountability which currently exists in respect of financial statements audit, where the regulatory reach is only over individuals who are accountants, should be perpetuated in this context. We appreciate that balance is needed between accountability and avoiding a regulatory environment that discourages talented individuals from becoming directors. However, we believe enforcement in this context should not be seen as an additional burden or extension of duties, but about a regime that drives accountability for existing responsibilities.

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 Sustainability Reporting Standards (UK SRS) disclosures is an essential part of the sustainability reporting ecosystem. Any phase-in provisions should weigh in assurance readiness by preparers versus benefit to users. Other jurisdictions that are adopting sustainability reporting standards aligned with the ISSB Standards show a build-up of information subject to assurance over the initial years and a move to reasonable assurance within three to four years. For example, the Australian approach to assurance of Australian Sustainability Reporting Standards (ASRS) is multi-phased across years and subsets of companies. By contrast, the approach in Mexico is simpler, yet may be more burdensome for preparers, with no assurance in year one, limited assurance in year two and reasonable assurance in year three. It will only be after the initial reporting cycles that we can understand whether users of sustainability assurance reporting receive meaningful increase in benefit from incremental changes to the scope and level of assurance obtained year after year as requirements are phased in, or whether these changes will not be well understood by users of reporting.

Considering market readiness, of both preparers and sustainability assurance practitioners, and while other jurisdictions are at early stages, the government should be alive to learnings from experiences in other jurisdictions as they emerge. We would recommend a phased approach to assurance requirements for UK SRS. This approach should clearly delineate the scope of assurance, focusing on the usefulness of the information for both users and preparers. The duration of any phase-in periods should be determined through consultation with preparers, users and assurance practitioners, considering their respective needs, readiness and practical limitations. This includes a role for regulators in further user education on the difference between limited and reasonable assurance to reduce the expectations gap which exists with regards to the different levels. A transition from limited to reasonable assurance should be gradual, allowing preparers sufficient time to learn from the limited assurance process and to further develop the data and controls supporting reporting. This transition should consider the capabilities of both preparers and sustainability assurance practitioners, as well as user understanding, to ensure a realistic and effective implementation. A readiness assessment prior to mandating reasonable sustainability assurance may be informative.

We would also highlight that with effect from periods commencing on or after 1 January 2026, companies reporting under the UK Corporate Governance Code will be providing the new directors' declaration on the effectiveness of material controls which will include, to the extent the directors determine them to be material, controls over non-financial reporting. This could therefore include the controls around reporting under the UK SRSs. The new declaration does not have any specific requirements around the nature of sustainability assurance boards should obtain to support their declaration. As a result, boards are making their own decisions based on the level of comfort they require. In line with our comment above, we believe boards should make it clear what is and what is not assured and the nature of that sustainability assurance.

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.

The absence of a UK registration regime for sustainability assurance providers creates a significant barrier for UK firms competing for CSRD assurance engagements. This is particularly relevant for UK companies directly in scope of the CSRD or with in-scope subsidiaries in the EU.

We can illustrate this with a specific example:

Deloitte UK audited Entity A, a UK company with debt listed in an EU country. All previous audit and assurance work had been performed by the group team, and the audit opinion signed in the UK. At the initial planning phase of the engagement, it was hoped that a mechanism to allow UK auditors to sign CSRD assurance reports would be created. In advance of the year end under consideration, it was determined that this was not going to be possible and alternative arrangements would be required. Consequently, the Deloitte firm in the EU country where the debt was listed was engaged to provide the CSRD assurance report. This necessitated:

- Reissuing the engagement letter
- Onboarding a new team within the EU firm
- Creating and transmitting referral instructions from the EU firm to the UK team (who would have originally performed the work).

This additional layer of complexity and coordination resulted in a significant increase in the cost of delivering the service. In this specific case, the cost increased by approximately 20%.

While this is a single example, it highlights a broader issue: the lack of a UK registration regime creates unnecessary costs and administrative burdens for UK companies and their assurance providers. The scale of this impact is likely significant, affecting numerous UK companies with EU operations and potentially hindering their ability to compete effectively in the European market. Further quantitative analysis would be needed to determine the precise overall financial impact across all affected UK companies, but this example demonstrates the tangible costs associated with the current regulatory gap. The government's consultation acknowledges this issue and proposes a registration regime to seek to address it. The timely implementation of an accreditation mechanism is crucial to mitigate these costs and ensure UK firms can compete effectively in the growing sustainability assurance market.

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.

The current UK non-audit services (NAS) fee cap presents a significant barrier for UK assurance providers competing for CSRD engagements. This is particularly problematic because a number of large UK companies with EU operations fall under CSRD requirements. The cap's limitations are exacerbated by the size, scale, and complexity of CSRD assurance engagements, which often command substantial fees. These fees frequently exceed the permitted threshold under the NAS

cap, even when the assurance is mandated by EU law or regulation but not UK law. This contrasts with assurance on UK SRS, which would not be subject to the cap were it to be a mandatory requirement. However, it is our experience that companies seek voluntary assurance to get “assurance ready” and build up reporting capacity in anticipation of mandatory requirements. The NAS cap may constrain their ability to procure these services from their chosen provider where the provider will ultimately be the provider of the required assurance.

The inherent limitations of the NAS cap are further compounded by its broad definition of non-audit services, which includes audit-adjacent items like interim reviews. This broad definition captures services that are distinct from the core advisory services intended to be restricted by the cap. Independent assurance reporting, conducted in accordance with professional standards, is equally independent as a statutory audit and is often most efficiently performed by the statutory auditor. There is also benefit to the performance of assurance readiness engagements in preparation for mandatory assurance being performed by the statutory auditor where they are also to perform the mandated sustainability assurance. The current regulatory framework, however, prevents this in many cases.

The impact of the NAS cap is demonstrably significant. Consider this example:

Entity B: A UK company audited by an overseas Deloitte firm sought quotes for various levels of sustainability assurance: assurance readiness services, limited assurance on select metrics, and a full CSRD assurance. The CSRD assurance quote was approximately 45% higher than the group audit fee. The overseas Deloitte firm declined to quote for the full CSRD assurance on an independent basis due to the potential fee exceeding the NAS cap.

This case illustrates how the NAS cap directly excludes qualified and capable assurance providers from competing for CSRD engagements. The financial implications are substantial, not only for the individual company but also for the broader UK economy. A comprehensive, three-year analysis of the fee cap's impact on FTSE reporters is needed to provide a normalised view and quantify the overall financial consequences. The government's consideration of mandating assurance within a reasonable timeframe (as discussed) is needed to address this issue. Removing or significantly revising the NAS cap in the context of independent assurance would allow for a more competitive and efficient market, enabling UK assurance providers to fully participate in the growing demand for sustainability assurance services and better supporting UK companies' compliance with international regulations.