



Department for
Business & Trade

Closed consultation

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

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This publication is available at <https://www.gov.uk/government/consultations/assurance-of-sustainability-reporting/developing-an-oversight-regime-for-assurance-of-sustainability-related-financial-disclosures>

General information

Consultation details

Opened:

25 June 2025

Closing date:

17 September 2025

How to respond

You can [respond online](https://ditresearch.eu.qualtrics.com/jfe/form/SV_4ORirYG9L02Mm58)

(https://ditresearch.eu.qualtrics.com/jfe/form/SV_4ORirYG9L02Mm58).

1. Developing a disclosure and assurance framework for sustainability-related financial disclosures

Introduction

1.1. Making the transition to an economy that is climate resilient and sustainable is essential for long-term economic growth. One of the 5 missions of this government is to make the UK a clean energy superpower – delivering clean power by 2030 and accelerating to net zero. This will support growth through the creation of hundreds of thousands of good jobs across the UK and protect our economy from the future price shocks that reliance on fossil fuels creates, while delivering a range of social and health benefits.

1.2. Within this context, the government has set out its ambition for the UK to be the world leader in sustainable finance. This includes delivering a regulatory framework to support sustainable growth and enable the private sector to realise the opportunities of the transition. According to Bloomberg New Energy Finance (BNEF), the UK will need to see £130 billion of total

investment into the transition each year on average to 2050 to stay on track for their Net Zero Scenario, the majority of which will need to come from the private sector. [\[footnote 1\]](#) This is over double the 2024 level of low carbon investment. [\[footnote 2\]](#) To meet this investment gap, government, regulators and industry will need to work in partnership, to put in place the policy and legal frameworks to support investment decisions. An important objective of this work is to deliver decision-useful and credible information about sustainability and climate-related financial risks and opportunities to investors. This is also fundamental to building and promoting secure and sustainable growth.

1.3. As part of the Mansion House package in November 2024, [\[footnote 3\]](#) HM Treasury (HMT) set out the steps that government is taking to strengthen the UK's attractiveness as a destination for inward investment and as a centre for sustainable finance. This included a consultation seeking views on the development of a UK Green Taxonomy, [\[footnote 4\]](#) and acted on a recommendation from the Transition Finance Market Review by co-launching the Transition Finance Council with the City of London Corporation. In addition, the government is taking forward measures to enhance integrity and trust in the sustainability-related information produced for financial markets. HMT has published draft legislation regarding the regulation of environmental, social and governance (ESG) ratings providers, [\[footnote 5\]](#) while the Department for Energy Security and Net Zero is consulting on the implementation of integrity principles for voluntary carbon and nature markets. [\[footnote 6\]](#)

1.4. Alongside this work, the government is committed to delivering decision-useful sustainability-related financial information to the financial markets. It is a well-established principle that investors need rigorous and comparable financial information regarding the future prospects of the companies in which they invest. As an extension of this principle, the government is keen 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. At present, requirements are already in place through climate-related disclosure obligations introduced in 2022. Reflecting significant international developments in recent years, the government is considering how to build on those requirements to create an enhanced regime for sustainability-related financial disclosures that is fit for the future.

1.5. The development of an enhanced UK sustainability disclosures regime will support the government's ambitions for long-term sustainable growth, creating greater awareness across the economy regarding the systemic risks that market participants face and how they should be managed. At the same time, for regulation to be effective, government must actively consider the needs of businesses and the impact of regulation upon them. Reporting entities require time to put in place processes and systems to disclose information, while the UK's legal frameworks and organisational structures

require modernisation to reflect changes in reporting and assurance practices. In addition, the government is keen to ensure that future requirements fit together in a coherent, proportionate and cost-effective manner. This is aligned with the objectives of the government's ongoing wider review of non-financial reporting, which aims to streamline and modernise the UK's currently complex legal framework, contributing to the government's ambition to reduce the costs of regulation for business by 25%. [\[footnote 7\]](#) As a result, the government's focus when designing a future regulatory regime is limited to those economically-significant entities where there is likely to be strong public and investor interest.

1.6. With these considerations in mind, the government is taking a phased approach to modernising the UK's framework for corporate reporting, ensuring that market participants have sufficient opportunity to influence the UK's future legal framework. The first phase consists of 3 consultations:

- The first consultation seeks views on the exposure drafts of UK Sustainability Reporting Standards (UK SRS), [\[footnote 8\]](#) which are based on the standards published by the International Sustainability Standards Board (ISSB™) in June 2023. The UK SRS will serve as the foundation for the UK's future sustainability disclosures regime and this consultation is the culmination of the UK's process to assess the suitability of the ISSB Standards for use in the UK. Throughout this process, international comparability has been a priority and the government has aimed to limit divergence from the ISSB Standards as far as possible, reflecting the efforts of many jurisdictions around the world to converge around a single set of standards. [\[footnote 9\]](#) As a consequence, the consultation proposes some minor amendments to the standards, to reflect their use in a UK context, while retaining the advantages of international comparability that the ISSB Standards are intended to achieve. In addition, the consultation seeks views on the costs and benefits of UK SRS – which will inform future government decisions on whether to require economically-significant companies to disclose information in accordance with UK SRS.
- The second consultation – the subject of this page – focuses on providers of assurance over sustainability-related financial disclosures following the conclusion of the Financial Reporting Council's (FRC) recent market study on this theme. [\[footnote 10\]](#) In particular, the government is seeking views on a proposal to introduce a registration regime operated by the Audit, Reporting and Governance Authority (ARGA) once established. This will form part of the government's work to strengthen audit and corporate governance. [\[footnote 11\]](#) The regime would recognise assurance providers as being capable of assuring information disclosed against UK SRS, European Sustainability Reporting Standards (ESRS) and any jurisdictional standards that are aligned to the ISSB Standards.
- The third consultation – published by the Department for Energy Security and Net Zero – seeks views on the government's manifesto commitment on the theme of transition planning. [\[footnote 12\]](#) This consultation seeks

stakeholder views on how transition plan requirements should be taken forward and the government is particularly keen for views on the role of transition plans alongside UK SRS.

1.7. Collectively, these consultations represent the first step in developing a UK sustainability reporting framework that is fit for the long term. There will then be further phases of consultation, which will cover proposals on sustainability reporting and assurance. This work will be complemented by a consultation that will focus on streamlining the UK's current non-financial reporting framework under the Companies Act 2006, as announced out by the Secretary of State for Business and Trade in October 2024. [\[footnote 13\]](#) The consultation, delivered as part of the non-financial reporting review, will focus on updating the structure of the Annual Report so that it can integrate sustainability related reporting requirements, whilst also removing redundant and duplicative requirements that have built up over the years. The updated framework will seek to ensure that only information that is decision-useful is required to be disclosed and that this is provided in a format that best meets the needs of investors and other users. In doing so, the non-financial reporting review aims to support growth and the UK's international competitiveness, while contributing to the government's ambition to achieve a 25% reduction in the costs of administrative regulation for business. We welcome any early views on how government can achieve these ambitions and encourage stakeholders to engage with the forthcoming consultations.

1.8. In taking forward this package of reform, there are close links between the remits of the government, the Financial Conduct Authority (FCA) and FRC. We are therefore working closely across departments, and with FCA and FRC to ensure that any future requirements are implemented in a co-ordinated manner, and that decisions carefully consider the international competitiveness of the UK's capital markets. Unless respondents request otherwise, responses to the first phase of consultations will be shared with these organisations and other UK government departments. [\[footnote 14\]](#) We also encourage stakeholders to respond to a forthcoming consultation from the FCA on proposals to require the use of UK SRS within FCA listing rules.

1.9. Finally, the government recognises that companies and investors would benefit from as much information as possible regarding the timeframes for possible future requirements coming into effect. Subject to future decisions, we intend to provide a roadmap of any future regulatory changes as part of the subsequent phases of consultation. In the meantime, it is important to note that sustainability disclosure and sustainability assurance requirements that may be introduced via the Companies Act 2006 will be dependent on future legislation. However, future reporting requirements introduced by the FCA can come into effect earlier and, as stated previously, the FCA has indicated that it intends to consult separately on its approach to introducing disclosure requirements for listed companies.

FRC market study on Assurance of Sustainability Reporting

1.10. In February 2025, the FRC published the conclusions of its Assurance of Sustainability Reporting market study.^{[\[footnote 15\]](#)} which found significant stakeholder appetite for greater regulatory oversight of the assurance market. The government is grateful for this work and recognises that market participants are seeking greater clarity on its intentions in this area. In particular, the government notes the demand from many respondents for regulatory oversight of providers of sustainability assurance.

1.11. The market study examined:

- how well the UK sustainability assurance market is functioning
- whether this market is delivering desirable outcomes including high-quality assurance with minimal burdens and costs on business
- how the market may develop in future.

The final report reflects feedback received via written responses to the FRC's invitation to comment, published in March 2024, and through its extensive stakeholder engagement activities throughout the second half of 2024. In addition, the final report provides market data on the use of sustainability assurance in the FTSE 350. The market study's main findings are as follows:

- at present, there is a wide variety and choice of sustainability assurance providers in the UK, but there are concerns over the consistency in the quality of the assurance provided
- there is a growing preference among the largest companies to use the Big Four audit firms (Deloitte, EY, KPMG, and PwC) to carry out sustainability assurance, which could have implications for future choice
- there are concerns about the immaturity of the UK sustainability assurance market and that a lack of clarity on the UK's regulatory position could hinder investment, planning and capacity development; according to many stakeholders, there is a need for more education and communication to bridge gaps in knowledge and understanding of sustainability assurance within the market
- there could be a risk that without an established regulatory framework, including appropriate monitoring and oversight, the UK sustainability assurance market may not produce consistent, high-quality sustainability information for decision-making

Purpose of this consultation

1.12. Assurance is critical to the government's mission of delivering credible and decision-useful sustainability-related financial information to the financial markets. The government is committed to supporting the growth of the UK's sustainability assurance market and to putting in place regulatory structures to ensure that assurers have the necessary skills and qualifications to undertake high-quality sustainability assurance engagements. These regulatory structures will provide greater oversight of sustainability assurance providers and drive trust in the market.

1.13. The Companies Act 2006 provides for the oversight of assurance over financial accounts, by way of regulating statutory auditors. However, equivalent arrangements for the oversight of providers of assurance for sustainability-related financial disclosures do not exist. The government is considering how to address this gap and is closely monitoring global developments, noting that several jurisdictions have established arrangements for the registration of providers of sustainability assurance or are currently formulating policy. [\[footnote 16\]](#)

1.14. The purpose of this consultation is to progress the first phase of policy development regarding sustainability assurance, in response to the market study. Specifically, through the consultation, we are seeking views on the proposal to create a registration regime for those who offer assurance services for sustainability-related financial disclosures in the UK. Following this consultation, the government will continue to consider whether further measures should be pursued.

1.15. The main features of this proposal are as follows:

- The government will create a new category of 'sustainability assurance provider', qualified to provide third-party assurance over an entity's sustainability-related financial disclosures. This category will be profession agnostic, with the result that both audit and non-audit professionals and firms will be able to be registered as providers if they are qualified according to relevant criteria that will be set by ARGA. A profession-agnostic approach to sustainability assurance has been promoted internationally, including by the International Organization of Securities Commissions (IOSCO). [\[footnote 17\]](#) This approach recognises that a broad range of skills will likely be needed to perform effective assurance of sustainability-related financial disclosures and aims to provide opportunity for the emergence of new sustainability assurance providers, including but not limited to statutory auditors.
- Sustainability assurance providers would be overseen by ARGA who will be responsible for registering these providers, setting the eligibility criteria

for registration, monitoring their performance and, where necessary, taking proportionate enforcement action when they perform poorly. The government sees these functions as consistent with the vision of Sir John Kingman's proposals for a strengthened regulator^{[\[footnote 18\]](#)}, with powers to drive high-quality corporate reporting in the interests of the UK public and investors.

- Registration would recognise an assurance provider as being capable of conducting high-quality assurance of disclosures against UK SRS, the Task Force on Climate-related Financial Disclosures (TCFD), European Sustainability Reporting Standards (ESRS), and any other domestic standards that are based on ISSB disclosures.

1.16. At this stage, the government anticipates that the proposed registration regime will operate on a voluntary basis, with market participants opting in to registration rather than the government making registration a precondition to offering assurance services. The government anticipates that it will be in the self-interest of assurance providers to opt in to this regime: reporting entities will be more likely to seek the services of registered providers than unregistered providers. This voluntary regime will also support assurance providers who are offering services to multinational companies that are making disclosures in accordance with a range of sustainability-related disclosure frameworks.

1.17. ARGA would consult on detailed elements of the regime, once established. We also expect that the regime's requirements will evolve over time as market practice develops, and in response to future developments in sustainability disclosure frameworks both in the UK or overseas.

1.18. In the long term, the government will also consider the need for requirements that mandate assurance of company disclosures against UK SRS, subject to government endorsement of the standards. To inform this question, we also welcome early views on whether there is a desire from stakeholders for assurance over UK SRS. Under a mandatory assurance scenario, the government may consider that registration with ARGA would be required in order to provide sustainability assurance of these disclosures. The government plans to consult on implementation of UK SRS reporting for companies following the conclusion of the endorsement phase and we will look to consider any future arrangements for assurance obligations in more detail at that time. In doing so, the government will also consider how any decisions might impact on the competitiveness of the UK's regulatory regime and listing markets.

Structure and next steps

1.19. To explore the proposals outlined, the remainder of this consultation is divided into 2 sections:

- Section 2, 'A registration regime for UK sustainability assurance providers', seeks views on the government's proposal to establish a voluntary registration and oversight regime for sustainability assurance providers by creating a new legal category of 'sustainability assurance provider' separate from the statutory auditor, with ARGA responsible for registration and oversight. We invite stakeholders to comment on how ARGA should exercise its powers in relation to sustainability assurance setting qualifications and standards, as well as monitoring, enforcement and competition.
- Section 3, 'Looking ahead', seeks views on how the government should consider the role of assurance of future UK SRS disclosures, noting the government will consult separately regarding any future requirements for assurance over UK SRS reporting in due course. It also addresses the main issues raised in the FRC market study regarding interactions with Europe's Corporate Sustainability Reporting Directive (CSRD) requirements and the non-audit services cap.

1.20. The government will consider all responses to this consultation in due course and implementation is subject to future government decisions. If agreed, implementation will require changes to legislation and therefore timing of the regime, will be subject to Parliamentary approvals and passage.

1.21. Outcomes of this consultation will also feed into broader government work to establish ARGA. It is important to note that this proposal does not amend FRC's existing powers regarding oversight and enforcement of the UK audit market.

Responding to this consultation

1.22. This consultation will be open for 12 weeks from 25 June 2025 to 17 September 2025. You can [answer the questions online](https://ditresearch.eu.qualtrics.com/jfe/form/SV_4ORirYG9L02Mm58) (https://ditresearch.eu.qualtrics.com/jfe/form/SV_4ORirYG9L02Mm58). Enquiries can be sent to uk.srs@businessandtrade.gov.uk. A full list of questions can be found at the end of this page.

1.23. As previously stated, unless respondents request otherwise, responses to this consultation will be shared with the FCA, FRC, and UK government departments. You can also access the Department for Business and Trade's [public consultations privacy notice](https://www.gov.uk/government/publications/public-consultations-privacy-notice) (<https://www.gov.uk/government/publications/public-consultations-privacy-notice>).

1.24. The UK government is responsible for the operation and regulation of business entities across Great Britain. Previously, Northern Ireland has agreed that, while the operation and regulation of business entities remains a transferred matter within the legislative competence of Northern Ireland, amendments to the Companies Act 2006 and legislation regulating business entities should be made in the same terms for the whole of the United Kingdom. Therefore, although this consultation does not include any legislative proposals, its contents are relevant for the whole of the UK.

2. A registration regime for UK sustainability assurance providers

2.1. The FRC's market study found that stakeholders strongly believe the sustainability assurance market would benefit from regulatory oversight. The government agrees with this conclusion, and we are seeking stakeholder views on whether ARGAs, when established, should have powers to register and oversee sustainability assurance providers in a way that is consistent with its powers over statutory auditors. Under this proposal, ARGAs would have responsibility for:

- determining the qualifications and criteria that they must meet to be registered
- monitoring and regulating providers where they fail to meet expectations

2.2. This section describes the main features of the proposed registration regime, and the government welcomes initial views from stakeholders on how this regime should operate. When established, ARGAs will also consult on the detailed elements, such as the qualifications and eligibility criteria that will need to be met to become registered.

2.3. Overall, the proposed registration regime is designed to increase transparency for companies looking to engage a suitably qualified sustainability assurance provider for assurance over its sustainability-related financial disclosures. The FRC market study found that companies currently struggle to assess whether existing assurance providers are suitably qualified for sustainability assurance engagements. Under the proposed regime, companies could refer to ARGAs' public sustainability assurance register to identify qualified providers. We expect ARGAs will work with industry to ensure that requirements for registration take into consideration the needs of companies and investors for high-quality assurance provision, as well as market capacity to provide sustainability assurance over time. This will be important to ensure registration is achievable given the level of skills and expertise in the market at any given time.

2.4. The regime is also intended to support UK sustainability assurance providers to compete with assurance providers in other jurisdictions. By becoming registered with ARGAs, they can signal that they meet the UK government's standards for provision of assurance across a range of sustainability-related disclosure frameworks, including UK SRS, TCFD and ESRS. This aims to address concerns that the government currently does not officially recognise sustainability assurance providers, which may act as a barrier for UK assurance providers to meet the European requirements for sustainability assurance under its CSRD.

Establishing a register of sustainability assurance providers

2.5. The FRC market study found that many companies reported difficulties determining the suitability of sustainability assurance providers and assessing their likely quality, especially when appointing a new provider. It also highlighted stakeholder calls for certainty of regulatory expectations for conducting assurance of sustainability-related financial disclosures.

2.6. In response, the government is proposing to create a voluntary registration regime of sustainability assurance providers, which companies can use to identify qualified sustainability assurance providers. ARGAs would maintain and publish the register of sustainability assurance providers and determine the conditions that registered assurance providers must uphold. The purpose of this register would be to provide transparency for companies looking to obtain sufficiently qualified sustainability assurance services in the UK. The register would be made available to the public, in a similar manner to the FRC's existing work to maintain and publish the Public Interest Entity (PIE) Audit Register. The latter is a public list of auditors that are registered to undertake PIE audit work.

2.7. At this stage, the government envisages that registration to become a sustainability assurance provider, and a company's usage of a registered sustainability assurance provider, would be voluntary. Successful operation of the regime will therefore rely on assurance providers seeing value in registering with ARGAs. The government also sees this voluntary approach as consistent with its vision for ARGAs to act as an 'improvement' regulator for the foreseeable future, supporting assurance providers in their efforts to grow and playing a convening role to share best practice while the market develops. We also believe this voluntary approach provides an opportunity for a registration scheme to develop as best practice in assurance provision evolves over time.

2.8 In the long term, the government will also consider whether to go beyond the voluntary approach outlined previously. To inform future

decisions, we would therefore welcome stakeholder views on the opt-in approach and whether registration should be a necessary legal requirement for those providing services to UK companies where there is strong public and investor interest. We will also consider this question alongside the broader question of whether to make assurance a legal requirement for those entities that might be subject to requirements to report information in accordance with UK SRS in future.

Questions

1. Do you agree or disagree with the government's core proposal to create a voluntary registration regime for sustainability assurance? Provide justification.
2. In your view, what are the advantages and disadvantages of the opt-in approach?

Creating the category of 'sustainability assurance provider'

2.9. The emergence of international sustainability-related financial disclosure standards represents a major development in corporate reporting, bringing together sustainability professionals and financial professionals to give a rounded view of an entity's sustainability-related financial risks and opportunities. For example, the ISSB's Standards and the draft UK SRS provide a rigorous framework for companies to disclose financially-material information about the anticipated financial effects related to sustainability risks. Similarly, Europe's ESRS standards require a significant range of information to be disclosed across a number of sustainability topics, including environmental protection, social responsibility and human rights.

2.10. Just as the preparation of sustainability disclosures brings together individuals from different professional backgrounds, assurance of sustainability-related financial disclosures often requires a wide range of technical expertise, including financial, social, environmental science and corporate governance skillsets. For example, an informed assessment of the exposure of a company's assets to flood risk will not be achievable without individuals with sufficient knowledge of physical geography and flood management.

2.11. Within this context, the government is proposing to create the legal concept of a 'sustainability assurance provider', distinct from the profession of statutory auditor. This legal concept will be at the heart of the new

registration regime. The government has chosen to take this profession-agnostic approach to ensure the registration regime has the flexibility to accommodate the different skills required to conduct sustainability assurance. The government does not intend to exclude statutory auditors from the market, as these engagements require both financial and sustainability expertise. However, it is important that the sustainability assurance regime enables a broader scope of skills and qualifications given the breadth of information being assured.

Question

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

Role of firms and individuals

2.12. The government would welcome stakeholder views to understand whether sustainability assurance providers should include both firms and individuals operating in the market. For financial audits, both individual auditors and audit firms may be registered as statutory auditors for this purpose (that is, eligible for appointment as a statutory auditor and to sign audit reports on the financial statements of UK companies), so long as they meet the relevant qualification and registration requirements. The government is keen to understand whether stakeholders envisage a similar model for sustainability assurance or whether an alternative approach is desirable. When considering this question, we also encourage stakeholders to consider:

- how a registration regime can be designed to deliver the appropriate levels of accountability where a sustainability assurance engagement may fail to meet high standards
- how a registration regime could balance accountability with the reliance on multiple individuals contributing skills and expertise during an assurance engagement

Question

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.

ARGA's role in operating the registration regime

2.13. Under the government's proposals, ARGA will be given responsibility for operating the registration regime and establishing the eligibility and qualifications criteria that will underpin it. In practice, ARGA would be expected to undertake a function similar to how the professional accountancy bodies currently register and accredit statutory auditors. Currently, the FRC acts as the Competent Authority and is responsible for oversight of these bodies but delegates its registration and accreditation functions to the bodies. Once established, ARGA will consult on proposed specific eligibility criteria in due course. We expect these criteria to evolve over time as the market matures.

2.14. At this stage, the government would welcome early views on how ARGA should determine these eligibility criteria and the principles it should employ when establishing a registration regime. In particular, the government is aware that there are many organisations with expertise in supporting providers that offer sustainability assurance and audit services, and we would welcome views on how those organisations could contribute to ARGA's future work to develop the registration regime and the criteria and qualifications underpinning it.

Questions

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

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

Scope of information being assured

2.15. Overall, the objective of the government's proposal is to support a consistent quality of assurance over sustainability-related financial disclosures in the UK, in particular disclosures made in accordance with UK SRS. However, we also envisage the registration regime will support UK assurance providers to access business opportunities overseas or where UK companies are currently subject to sustainability assurance requirements that originate in other jurisdictions. For example, some large UK-parent companies are within the scope of the European Union's CSRD

if they are listed on an EU regulated market or meet certain revenue thresholds. These entities are required to obtain limited assurance of their disclosures against ESRS from a third-party assurance provider from their first reporting year.

2.16. Therefore, the government intends that registered UK sustainability assurance providers would be sufficiently qualified to provide assurance over a range of disclosure frameworks, including the TCFD, ESRS, UK SRS, and any other jurisdiction-specific standards that are in line with International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards. Other disclosures intended for purposes other than financial decision-making (for example, company marketing) are out of scope of this proposal.

Question

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.

Use of sustainability assurance standards

2.17. It is a legal requirement for financial audits to be conducted in accordance with ethical and technical standards. In a similar manner, the government also intends that, as a condition of registration (as a sustainability assurance provider), the provider must conduct assurance engagements in accordance with international ethical and technical standards for sustainability assurance.

2.18. The government supports the International Auditing and Assurance Standards Board's (IAASB) International Standard on Sustainability Assurance (ISSA) 5000 General Requirements for Sustainability Assurance Engagements. This standard is considered the global benchmark and its use is supported by the IOSCO to provide high-quality assurance for sustainability information. Importantly, the standard requires practitioners to follow a strong ethical framework and is designed to be used across a range of sustainability information by both professional accountant and non-accountant assurance practitioners.

2.19. The government is planning to make ARGA responsible for setting audit standards in the UK and this function would extend to setting technical and ethical standards for sustainability assurance. This role would include consideration of how closely UK standards align with international

standards. Further detail on these plans will be set out in due course. In the meantime, FRC is currently consulting on a draft UK version of ISSA 5000 for voluntary use in the UK. [\[footnote 19\]](#)

2.20. The government recognises that this is an active space, and we are interested in hearing views on how ARGA should exercise its proposed sustainability assurance standard setting functions over time, including the desired level of UK leadership in this space internationally. In particular, the government is keen to hear how stakeholders would like standards to be developed in future and whether there are gaps that ARGA or international standard-setters should attempt to address in the coming years.

Questions

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.

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

Oversight and enforcement

2.21. The government intends to ensure that ARGA will have the powers and resources it needs to give investors and companies confidence that registered sustainability assurance providers are operating within the requirements of the regime. Powers that would be available for use by ARGA would include a range of sanctions, such as the ability to issue fines and de-register providers, and an ability to undertake inspections and reviews, in line with powers ARGA would have in respect of its other enforcement regimes.

2.22. The government recognises that sustainability assurance is relatively nascent, and the success of the registration regime relies on voluntary registration. Therefore, the government expects ARGA to take a regulatory approach that encourages and assists providers to build capacity over time, consistent with the approach of an improvement regulator. ARGA would be responsible for issuing guidance and support for providers, acting as a convener that shares knowledge and best practice. Enforcement action should prioritise where there are instances of egregious wrongdoing, strong public interest or suspected greenwashing.

Question

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

3. Looking ahead

3.1. As stated in the introduction, the government intends to issue a consultation on requiring economically-significant companies to make disclosures in accordance with UK SRS, following the endorsement consultation. As part of this consultation, we will also consider whether to mandate assurance for those entities that might be subject to future disclosure requirements.

3.2. When considering this question, the government will also work closely with the FCA to consider the views of those stakeholders who rely on sustainability-related disclosures when raising finance and making investments within the UK's capital markets. To inform the government's future consultation, this section seeks early views on the advantages and disadvantages of mandating assurance of disclosures made in accordance with UK SRS.

3.3. In addition, this section seeks evidence from stakeholders on some of the issues that are sometimes cited as barriers to providing sustainability assurance services, including specific aspects of the EU's CSRD and the non-audit services cap. The government is aware that issues will persist in the short term, given it would take some time to implement the proposed registration regime and mandatory assurance obligations. Therefore, this feedback will inform the government's consideration on whether there are any interim actions that can be taken prior to implementation of broader reforms.

Mandating assurance over future UK SRS disclosures

3.4. Overall, the feedback to the FRC's market study indicated there is stakeholder support for the introduction of mandatory assurance requirements over sustainability-related financial information. Respondents noted that a consistent baseline of assurance across company disclosures would ensure greater consistency across reports and thereby deliver greater levels of confidence in sustainability-related financial disclosures across companies and the market as a whole. Separately, some stakeholders have also indicated that the assurance of sustainability and climate-related financial disclosures is desirable to safeguard against

greenwashing, thereby supporting investor confidence and ensuring the effective allocation of capital that is necessary as society moves towards net zero.

3.5. At the same time, some respondents to the FRC's market study highlighted reservations regarding the introduction of mandatory assurance requirements. For example, some stakeholders noted that there are significant costs associated with assurance, while others noted that entities should have flexibility to determine the level of assurance that is appropriate in the context of their company. The government is considering the FRC's market study and will indicate its view on mandatory assurance at a later date.

3.6. The government welcomes early views on whether mandatory assurance requirements should be introduced in respect of those companies that might be subject to UK SRS disclosure obligations. When considering this question, we particularly encourage stakeholders to consider whether sufficient levels of trust can be established through other means, including voluntary assurance or through company transparency regarding the approach they have taken to assurance.

3.7. Where possible, we also invite feedback regarding implementation considerations, including the level of assurance (limited or reasonable), desired timelines for phasing-in assurance requirements or associated costs to businesses. Note that these matters will be considered in depth as part of the future phase of consultation, subject to future government decisions.

Question

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.

Interactions with EU CSRD

3.8. The market study also highlighted that the absence of a UK registration regime for sustainability assurance was preventing UK assurance providers from providing assurance for large UK-parent companies with operations in Europe. Currently, subsidiary entities of UK-parent companies can access an exemption from European reporting requirements, on the condition that the parent company's disclosures satisfy CSRD requirements. These requirements state that reporting by the parent company must be

accompanied by an assurance opinion by a person or firm authorised either under the national law of the non-EU company's home country or of a member state.

3.9. The proposed establishment of a sustainability assurance registration regime will resolve this issue in the long term, as registration with ARGA for the purposes of providing assurance over sustainability-related financial disclosures would satisfy current or any future CSRD requirements. However, implementation of the regime requires changes to primary legislation and the government recognises that the barriers outlined will remain in place until the registration regime is in operation. The government is considering whether it is possible to resolve this issue in the interim period and we would welcome further evidence on the scale of the issue and the impact it has on UK companies and service providers.

Question

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.

Interactions with the non-audit services fee cap

3.10. Currently, the UK-assimilated version of the EU audit regulation applies a fee cap on the statutory auditor of a public interest entity (PIE), which means it may not receive fees deriving from permitted non-audit services that exceed 70% of average of the audit fees for the preceding 3 years. The original purpose of this regulation was to mitigate the risk that statutory auditors may have conflicts of interests due to a desire to gain future non-audit advisory work or retain ongoing work. Currently, the provision of sustainability assurance services is treated as a permitted non-audit service for the purpose of the cap, meaning it is included as part of the 70% calculation.

3.11. In response to the FRC's market study, some audit firms noted current non-audit services cap regulations may act as a barrier to providing sustainability assurance services. The government has not decided whether to make a broader change to the cap so that sustainability assurance is no longer part of the fee-cap calculation in cases where an entity seeks assurance on a voluntary basis. However, we would welcome views on this question and any evidence that respondents can offer in relation to the current operation of the fee cap.

3.12. The government wishes to clarify that sustainability assurance services would not be included for the purposes of the fee-cap calculation in cases where an entity is required by UK law to obtain assurance over sustainability-related financial disclosures.

Question

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.

Annex: list of consultation questions

1. Do you agree or disagree with the government's core proposal to create a voluntary registration regime for sustainability assurance? Provide justification.
2. In your view, what are the advantages and disadvantages of the opt-in approach?
3. Do you agree or disagree with the government taking a profession-agnostic approach to sustainability assurance? Provide justification.
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.
5. In broad terms, what are the main principles that ARGAs should consider when developing a registration regime for sustainability assurance providers?
6. How should ARGAs work with other organisations when developing a future registration regime?
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.
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.
9. How should ARGAs exercise its proposed functions in respect of sustainability assurance standard setting in the future?

10. What factors should ARGA consider when developing its approach to enforcement. Provide justification.
 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.
 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.
 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.
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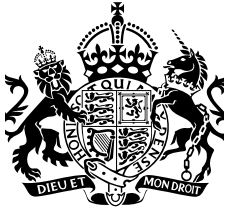
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9. To understand developments in other jurisdictions, please see [IFRS - Use of IFRS Sustainability Disclosure Standards by jurisdiction](https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/use-by-jurisdiction/) (<https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/use-by-jurisdiction/>). Regular updates of jurisdictional updates are also provided by the UK Sustainability Disclosure Technical Advisory Committee as part of regular meeting updates, see 'TAC Update June 2025' as the latest example at [UK Sustainability Disclosure TAC Meetings and Summaries](https://www.frc.org.uk/library/external-groups/uk-sustainability-disclosure-tac/uk-sustainability-disclosure-tac-meetings-and-summaries/) (<https://www.frc.org.uk/library/external-groups/uk-sustainability-disclosure-tac/uk-sustainability-disclosure-tac-meetings-and-summaries/>).
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