



The City of London Law Society



The Law Society

Department for Business and Trade's consultation on developing an oversight regime for assurance of sustainability-related financial disclosures.

City of London Law Society response

17 September 2025



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Response to the Department for Business & Trade Consultation:
Developing an oversight regime for assurance of sustainability-related financial disclosures

A. Introduction

This submission has been prepared by a working group of the Planning & Environmental Law Committee of the City of London Law Society (the **CLLS**). The CLLS represents approximately 17,000 City lawyers through individual and corporate membership. Member firms advise a wide range of domestic and international businesses, giving the society a strong interest in the development of a coherent, internationally viable regime for the assurance of sustainability-related financial disclosures.

We understand the UK Government's aim of positioning the UK as a global centre for sustainable finance and recognise the UK government's ambition to enhance integrity and trust in the sustainability-related information produced for financial markets in conjunction with the enhanced ISSB-aligned sustainability disclosures regime. Our comments focus on the legal, governance, and implementation issues most likely to affect UK and global businesses in the event of the introduction of the proposed voluntary sustainability assurance registration regime and early views on the suggested mandatory assurance for UK SRS. Justification of position is both from our experience of the current sustainability assurance market, particularly in relation to CSRD reporting, and restatement of evidence from the Financial Reporting Council's market study into the assurance of sustainability reporting (the **FRC market study**), the final report of which was published in February 2025¹.

The CLLS responds to a variety of consultations on issues of importance to its members through its 19 specialist committees. The CLLS is currently also responding to further related UK government consultations: (1) DESNZ consultation on climate-related transition plan requirements (the **Transition Plan Consultation**), and (2) Exposure Draft of UK Sustainability Reporting Standards (UK SRS S1 and UK SRS S2) (the **UK SRS Consultation**). Together our responses to these consultations are relevant and related in shaping the UK's sustainability reporting framework and such responses (in particularly, our overarching comments) have been coordinated across the working groups.

B. Overarching Comments

International Alignment

- It is of particular importance to UK companies with multijurisdictional operations (and investors who are present in, or considering investing into, the UK) that a UK sustainability assurance scheme recognises providers as being capable of providing high-quality assurance over multiple reporting standards including ESRS, ISSB and TCFD to facilitate global reporting across divergent standards and avoid the compliance cost of separate assurance for their various global sustainability reports.
- International alignment, designed to comply with sustainability assurance requirements from other regimes, will also allow registered UK sustainability assurance market participants to compete on a global basis (assuming other

¹[FRC market study: https://www.frc.org.uk/documents/7963/Assurance_of_Sustainability_Reporting_Market_Study_Final_Report.pdf](https://www.frc.org.uk/documents/7963/Assurance_of_Sustainability_Reporting_Market_Study_Final_Report.pdf)

jurisdictions take a similarly aligned approach that recognises UK assurance market participants).

Establishing a more diverse, competitive market

- The experience from CSRD has been that most large UK businesses use only a limited pool of accounting-based assurers because of existing relationships and brand recognition, limiting competition and marginalising smaller, specialist providers. One of the aims of the new regime should be to increase the number of suitable providers, particularly for use by larger UK multi-nationals.

Need for a single, coherent regime with clarity on the UK's regulatory position

- As highlighted in the FRC's report, the lack of clarity on the UK's regulatory position on sustainability reporting and assurance has hindered investment and innovation within the assurance market. International experience, such as the upcoming implementation of climate-related disclosures in California, illustrates the practical barriers to compliance and stakeholders are urging a pragmatic timeline for assurance.
- As set out in our responses to the Transition Plan consultation and the UK SRS Consultation:
 - Fragmentation of requirements across the Companies Act 2006, FCA Listing Rules, FCA ESG Sourcebook, SECR, potential transition-plan regulation, and now UK SRS could also lead to a fragmented and inefficient assurance market.
 - We recommend that the UK Government, in collaboration with relevant regulators, develops and maintains a unified framework or guidance document that clearly sets out the expectations pursuant to, and/or interaction of, sustainability-related disclosure and assurance obligations. We understand that such guidance was agreed to follow on from a determination as to the scope of mandatory reporting in alignment with the UK SRS, which is not being considered in this consultation.

C. Responses to Selected Consultation Questions

The paragraphs below adopt the numbering of the Consultation. Questions that raise purely commercial considerations and/or primarily raise technical or scientific issues have not been addressed here.

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

We support the government's core proposal for a voluntary registration regime for sustainability assurance provided that it empowers registered providers sufficiently to enable them to assure a global third-country report. For example, in relation to assurance of consolidated sustainability reporting where the parent company is established outside of the EU, the current version of CSRD requires firms to be "authorised to give an opinion on the assurance of sustainability reporting under the law governing that parent undertaking"². The proposed voluntary regime would need to be designed so that it both: (a) provides such "authorisation" as is *sufficient* for CSRD and similar purposes; and (b) is not otherwise *necessary* for sustainability assurers to provide services, to ensure it remains voluntary during this initial stage proposed by the government.

In justification of our view:

- We agree with the FRC's market study¹ that both UK and global businesses have struggled to assess whether existing assurance providers are suitably qualified to provide sustainability assurance. A registration regime, provided it is designed with a global outlook, should provide a suitable quality standard for the market and indirectly improve data reliability and internal risk management within businesses.
- Currently most large UK businesses use of only a limited pool of accounting-based assurers because of existing relationships and brand recognition, limiting competition and marginalising smaller, specialist providers. One of the aims of the voluntary regime should be to increase the number of suitable providers, particularly for use by larger UK business.
- We support the principle that, over time, a transition from a voluntary to a mandatory sustainability assurance regime may be appropriate. Similar to CSRD, phased implementation could be used with an initial 'limited assurance' level. The initial voluntary framework, together with insights gained internationally, will offer valuable experience and inform the effectiveness of any future shift to mandatory assurance requirements.

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

The main advantages include quicker implementation and consistency of quality, provided, as set out above, there is international equivalence enabling UK-based firms to compete for the global sustainability assurance market.

However, an opt-in approach which is not well-managed risks creating a two-tier market if take-up is slow or creates a barrier for any potential providers.

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

Yes. As the consultation notes, the multi-disciplinary nature of sustainability reporting requirements will require diverse professions to work together to deliver credible and high-quality assurance. This is analogous to the current approach to environmental due diligence which requires co-ordination of multiple specialist providers to provide a complete, cohesive picture.

² Article 19a(9), second subparagraph, point (b) and 29a(8), second subparagraph, point (b) of the Accounting Directive (2013/34/EU)

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.

[Not applicable]

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

As highlighted above, our view is that ARGAs' main principles should be international alignment, ensuring the regime's global credibility, and to be outcomes-focused, aiming for a high-quality, competitive market to support businesses with their sustainability assurance obligations.

Question 6 - How should ARGAs work with other organisations when developing a future registration regime?

As set out in the consultation, and in alignment with our comments on international alignment above, a close working relationship with the International Auditing and Assurance Standards Board and IOSCO is beneficial, focusing on International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements.

Additionally, we recognise the potential benefit of involving professional accounting bodies such as the ICAEW and ACCA, who are experienced in the regulation of assurance and would likely be able to provide experience across the regulatory spectrum.

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.

We agree that the UK's registration regime should recognise 'sustainability assurance providers' as being capable of providing high-quality assurance over multiple reporting standards. UK companies operate in a globalised economy and are increasingly subject to mandatory sustainability reporting requirements from different jurisdictions leading to duplication of reporting. Actions to facilitate efficient reporting will contribute to efforts to promote support for investment in the City of London.

A UK assurance provider should be able to assure not only against the forthcoming UK SRS and legacy TCFD recommendations, but also against the EU's ESRS and other ISSB-based standards being adopted globally, including for example in California. This should lead to lower overall costs and for UK market participants to be able to compete effectively internationally.

Question 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.

As set out above, international alignment should be a key feature of the proposed regime.

Question 9 - How should ARGAs exercise its proposed functions in respect of sustainability assurance standard setting in the future?

[Not applicable]

Question 10 - What factors should ARGAs consider when developing its approach to enforcement. Provide justification.

To enable sufficient participation in the voluntary market, enforcement should not be a barrier to entry but be proportionate and transparent to maintain the quality of provision.

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.

Yes, we agree with the principle that mandatory assurance of UK SRS disclosures is desirable in the long term, following the development of UK SRS and subject to the performance of the voluntary market. The issues of inconsistent quality and greenwashing risk set out in the FRC market study¹ are more likely to be remedied with a mandatory regime. Similar to CSRD, phased implementation could be used with an initial 'limited assurance' level.

What is meant by 'long term' will also need to be considered given the significant time and resources companies will need to expend, particularly on GHG emissions reporting (as mentioned in our response to the Transition Plan Consultation). A mandatory assurance requirement which is implemented a year or more after the disclosure obligation may be necessary; this view is reflected in international experience – see for example the Society of Corporate Governance submission in relation to the California climate disclosure legislation³ and the assurance roadmap in ACRA's consultation on implementation of the Sustainability Reporting Advisory Committee's Recommendation in Singapore⁴.

³ [US Society for Corporate Governance Letter in Response to CARB Information Solicitation - March 21, 2025](#)

⁴ [ACRA Response to public consultation on climate reporting and assurance roadmap for Singapore](#)

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.

CLLS members have anecdotal qualitative experience of where assurance providers have been excluded from competing for CSRD assurance engagements and, if helpful, would be happy to engage further on this point.

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.

CLLS members have anecdotal qualitative experience of the non-audit services cap being a barrier to accessing or providing high-quality sustainability assurance and, if helpful, would be happy to engage further on this point.

D. Conclusion

The CLLS welcomes the opportunity to comment and would be pleased to engage further as the UK sustainability assurance regime progresses.

A sustainability assurance market with international alignment, regulatory certainty and designed to increase competition will best serve UK companies, investors, and the broader economy.

For further information, please contact:

Paul Davies – Vice-Chair CLLS Planning & Environmental Law Committee

City of London Law Society
4 College Hill
London EC4R 2RB