



# AccountAbility

Setting the Standard for Sustainability

<Date>

Gareth Davies  
Permanent Secretary of the Department for Business & Trade  
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United Kingdom

**An AA1000 Licensed Assurance Provider's Response to the UK Department for Business & Trade's Consultation on Developing an Oversight Regime for Assurance of Sustainability-Related Financial Disclosures.**

Dear Gareth Davies,

We are an AccountAbility AA1000 Licensed Assurance Provider that provides sustainability assurance services using the AA1000 Sustainability Assurance Standard (AA1000AS v3). We are pleased to be consulted on this Oversight Regime for Assurance of Sustainability-Related Financial Disclosures proposal as it will impact our operations.

AccountAbility is a global standards-setter and consulting firm that works with businesses, investors, governments and multi-lateral organizations on ESG matters to achieve opportunities, advance responsible business practices and transform their long-term performance. AccountAbility's AA1000 Series of Standards, which can be downloaded for free on the AccountAbility website, are principles-based frameworks used by global businesses, private enterprises, governments, and other public and private organizations to demonstrate leadership and performance in accountability, responsibility, and sustainability. For over 30 years, organizations have come to rely on AccountAbility's standards to guide their approach to sustainability strategy, governance, and operations. The AA1000AS v3 is recognised globally, including in trusted, independent sustainability initiatives including the Carbon Disclosure Project (CDP) and Global Real Estate Sustainability Benchmark (GRESB) and is often used by us as providers to ensure or challenge alignment with other sustainability disclosures such as the Global Reporting Initiative (GRI) or Sustainability Accounting Standards Board (SASB). The AA1000AS v3 is also widely accepted by accountants and non-accountants as a satisfactory standard for providing assurance and is used across many different markets as highlighted by KPMG, GRI, UNEP and the Centre for Corporate Governance in Africa within their report titled '[Carrots and Sticks: Global Trends in Sustainability Reporting Regulation and Policy](#)'.

We would appreciate if the UK Department for Business & Trade consulted with AccountAbility as our representative body in further discussions to ensure not only our

Dubai

London

New York

Riyadh



operations but businesses such as ours across the UK are not negatively impacted by the decisions made by the Department.

Best regards,

**INSERT CONTACT**



**AccountAbility's Submitted Consultation Response to the UK Department of Business & Trade's Consultation on Developing an Oversight Regime for Assurance of Sustainability-Related Financial Disclosures**

**Q1.**

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

*Provider to draft response*

**Q2.**

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

*Provider to draft response*

**Q3.**

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

Yes. We agree with the UK government's approach to taking a profession-agnostic approach to sustainability assurance.

As a licensed assurance provider of the AA1000AS v3 we would like to share our experience working with the AA1000AS v3 and its elicencing requirements.

1. The AA1000 Assurance Standard (AA1000AS) is the leading methodology used by sustainability professionals worldwide for sustainability-related assurance engagements. This has been widely recognized as exemplified in a report by KPMG, GRI, UNEP and the Centre for Corporate Governance in Africa titled '[Carrots and Sticks: Global Trends in Sustainability Reporting Regulation and Policy](#)' which refers to AccountAbility's Assurance Standard as a globally adopted standard for sustainability assurance. The AA1000AS v3 provides organizations with a globally recognized, flexible framework for ensuring the accuracy and credibility of their sustainability efforts, helping them build trust and maintain transparency with stakeholders. The AA1000AS v3 is administered through AccountAbility-licensed assurance providers, ensuring the assurance process is conducted by experts with in-depth knowledge of sustainability reporting and management to guarantee credibility and accuracy.
  - a. AccountAbility's license agreement for assurance providers and code of practice also ensure conformity with the technical abilities, independence and ethical practices of both assurance providers and individuals involved in sustainability assurance engagements.
  - b. AccountAbility has measures in place through the elicencing platform that require providers to submit pre-engagement checks and assurance statement pre-issue quality checks as appropriate testing methods to maintain this high compliance and quality of advice for reporting organizations.



2. AccountAbility has a required qualification for individuals carrying out assurance engagements, the Certified Sustainability Assurance Practitioners (CSAP) which has three levels: lead, practicing and associate (LCSAP, PCSAP, ACSAP). For more information on the requirements for each and how AccountAbility takes a profession-agnostic approach, please see the website - <https://www.accountability.org/standards/training/aa1000-individual-certification>. Key to note is that these individuals must have sustainability specific expertise and to keep the certification valid, show evidence of continued professional development in this field annually.

Further, as reporting frameworks such as the ESRS - which affect some UK companies, adopt a "double materiality" perspective, companies must report both on their impacts on people and the environment, not limited to how social and environmental issues create financial risks and opportunities for the company. This means that sustainability assurance providers need to be competent beyond the assurance of sustainability-related financial disclosure standards and financial effects related to sustainability risks (which finance professionals maybe better suited for).

Several of our clients request the AA1000AS v3 due to its forward-looking approach and focus on stakeholders both through a principles-based approach (The AA1000 AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact which govern the AA1000 Series of Standards).

**Q4.**

**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.**

*Provider to draft response*

**Q5.**

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

In line with our own values and those of our partner, AccountAbility, we believe that a sustainability focused approach is the best suited to ensure that all registered sustainability assurance providers are trained and possess sufficient certifiable expertise to assess the disclosure of sustainability related information in line with key assurance standards. For example, we adhere to AccountAbility's criteria for this through obtaining a CSAP training qualification with a provider that has been preapproved by AccountAbility or demonstrate suitable prior experience. We must also renew our qualification through demonstrating clear continual development in the sustainability and assurance field annually. ARGA should determine these eligibility criteria and the principles it should employ when establishing a registration regime, including but not limited to qualifications, competence, ethics and independence.

We also believe that a principles-based framework is an important value of an overseeing body. AccountAbility has the AA1000 AccountAbility Principles (Inclusivity,



Materiality, Responsiveness and Impact) all of which ground our work in line with the AA1000AS v3, specifically our requirements as providers and the assurance practices we must follow. This approach has been successful in assuring sustainability disclosures and resulting in a consistent quality of assurance carried out by us and other providers, thus making the assurance market more robust. The AA1000AS v3 also requires a more extensive assessment of an organization's strategy and program which we have found makes it especially beneficial for reporting organizations of all sizes (i.e. sustainability SMEs). This is because it offers a flexible, accessible, and user-friendly framework applicable to organizations of any size or sector, ensuring a comprehensive and forward-looking approach to sustainability management, performance and reporting.

ARGA ought to be mindful of setting guidance that may exclude assurance standards or impact sustainability expertise being involved in sustainability assurance. The sustainability assurance market benefits from having a varied involvement from the wider sector and ensuring that those who have expertise in setting sustainability agendas are the ones that are assessing them. We advocate for a fair and open sustainability assurance market and promotes the use of all relevant standards as they are meeting reporting organizations needs.

**Q6.**

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

When developing a future registration regime, ARGA will need to involve other organisations, without preference for those with significant financial and regulatory/advocacy influence, at all key stages to ensure an effective and equitable framework. These can include:

- a) Initial Consultation: Engage with key stakeholders, beyond professional accountancy bodies, and proactively invite comments from sustainability assurance standard setters, industry experts, and under-represented independent assurance practitioners, to gather input on the proposed registration regime and eligibility criteria.
- b) Drafting Proposals: Collaborate with these stakeholders to draft detailed proposals for the registration regime, to facilitate the alignment of criteria and processes with sustainability standards and best practices – not limited to future UK SRS disclosures.
- c) Public Consultation: Publish the draft proposals for public consultation, allowing a broader range of organisations and individuals to provide feedback. In addition to transparency of process, this stage is crucial for giving the opportunity to previously unheard voices to provide feedback and for identifying potential issues.
- d) Review and Revision: Analyse the feedback received during the public consultation and involve further discussions with key stakeholders to refine the criteria and processes to make necessary revisions to the proposals based on consensus.



- e) Implementation and Monitoring: Once the final proposals are approved, ARGA can work with professional bodies and integrate existing practices such as those used by AccountAbility's AA1000 Series to implement the registration regime.

We would welcome the opportunity to contribute to any of these recommendation areas and allow ARGA to leverage our experience to inform their future work.

**Q7.**

**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.**

Yes, we agree. We welcome the government's intention that registered UK sustainability assurance providers would be sufficiently qualified to provide assurance over a range of disclosure frameworks, including the TCFD, UK SRS or ESRS. **In fact, as an AA1000AS v3 licensed assurance provider in the UK, we provide this service today.**

However, we must stress to not create a new definition for 'sustainability assurance provider' that is too narrow in its use. Where the discussion paper suggests the potential creation of a legal concept of a 'sustainability assurance provider', we see a risk in that 'other disclosures intended for purposes other than financial decision-making (for example, company marketing) are out of scope of this proposal'. This is because this results in the exclusion of any sustainability disclosures and jurisdiction specific standards that are not intended for purposes other than financial decision making. By limiting us as assurance providers to operate within the scope of the new legal concept of 'sustainability assurance provider', there would be a strong limitation placed on our ability to perform wide-ranging sustainability assurance. This would narrow the scope of sustainability assurance in the UK market to assurance only over an entity's sustainability related financial disclosures.

**Q8.**

**Do you agree or disagree that sustainability assurance providers must follow UK-equivalent standards to ISSA 5000? Provide justification and, if you disagree, indicate whether any other standards are considered appropriate.**

We disagree with the obligation for assurance providers to solely follow the UK equivalent standards to ISSA 5000. We recognize the intended role that the ISSA 5000 (as a replacement to the ISAE 3000) will play in the sustainability assurance landscape. However, there is currently insufficient experience with the use of ISSA 5000 or the adequacy of our training requirements so we argue that there should be a broader landscape of assurance standards that we can follow. The AA1000AS v3 for example is an alternative, globally adopted standard for sustainability assurance that has been applied successfully and internationally as highlighted through a report produced by KPMG, GRI, UNEP and the Centre for Corporate Governance in Africa titled 'Carrots and Sticks: Global Trends in Sustainability Reporting Regulation and Policy' which highlights AccountAbility's Assurance Standard as one of the central standards for assurance used across many markets. ISSA 5000 and AA1000AS v3 slightly differ from one another with the ISSA 5000 focusing on using evidence-based assessments to determine the accuracy of sustainability reporting whilst the AA1000AS v3 includes an



evidence-based approach to determine the accuracy of information whilst also offering assurance that is more stakeholder centric and includes adherence to AccountAbility Principles, therefore more effectively managing and encouraging sustainability performance. It also has a strong system to monitor adherence to the AA1000AS v3 through independent quality checks including the pre-engagement check and the assurance statement pre-issue check by the standard setter, AccountAbility. Both the ISSA 5000 and the AA1000AS v3 are unique and can be utilized for different purposes as highlighted through AccountAbility's recent publication of the draft bridging document comparing the [two](#). For this reason, we believe that solely focusing on the UK equivalent standards to ISSA 5000 will place a strong limitation on the UK assurance market and restrict the flexibility that UK organizations have in their choice of preferred assurance.

Globally, the AA1000AS v3 is an internationally recognized assurance standard as highlighted through analysis conducted by the International Federation of Accountants who include the AA1000AS v3 as one of the main standards for sustainability assurance. Specifically considering the UK context, we are 1 of 29 UK-based assurance providers that are currently licensed with AccountAbility showing how its inclusion will greatly impact not only our work but also the current UK assurance market. Our registration as a UK based assurance provider licensed by AccountAbility can be found on the AccountAbility website: <https://www.accountability.org/standards/aa1000-licensed-assurance-providers>. We would welcome the opportunity to be a part of a discussion with ARGA on why aligning to the ISSA 5000 only would compromise an open and fair market in the UK. The requirements set by IESBA in using ISSA 5000 can exclude sustainability professionals which could impact the overall quality of sustainability reporting and assurance in the UK thus likely limiting the assumed growth of the UK assurance market.

#### **Q9.**

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

Our professional opinion is that ARGA should exercise its role as a body of oversight to the UK assurance market rather than providing stringent regulations. This entails their role as determining which providers can be accepted under their registration scheme. We recommend this approach as we have seen its success-first hand in meeting AccountAbility's standards and requirements to provide assurance engagements and reports using the AA1000AS v3.

We believe that there are currently enough requirements of auditors on the market such as those outlined by the European Commission in their FAQs on the Accounting Directive, Audit Directive, Audit Regulation, Transparency Directive, ESRS and Sustainable Finance Disclosures Regulation. The European Commission includes the following requirements:

- Training and examination
- Continuing education
- Quality assurance systems





- Professional ethics, independence, objectivity, confidentiality and professional secrecy
- Appointment and dismissal
- Investigations and sanctions
- The organisation of the work of the independent assurance services provider, in terms of sufficient resources, personnel and maintenance of client records
- Reporting irregularities

This aligns well with the AA1000AS v3 requirements of:

- Code of practice which includes, but is not limited to, due care, diligence, objectivity, transparency, disclosure of competence, statements of independence and impartiality and ensure sufficient resource allocation.
- Licensing agreement which is between AccountAbility as the standard setter and the assurance provider
- Certified Sustainability Assurance Practitioner (CSAP) qualification including the training and renewal of certification requirements
- AccountAbility issue resolution process

This shows that ARGA does not need to create new requirements but instead by creating a register they can include standards that are in alignment with the European Commission's approach and the AA1000AS v3, or equivalent. We argue this because the intention of all sustainability assurance practices should be to maintain a fair and open market. We would welcome continued consultation and engagement with ARGAs as a regulator so that they do no harm to existing practitioners and businesses.

**Q10.**

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

*Provider to draft response*

**Q11.**

**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.**

*Provider to draft response*

**Q12.**

**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.**

*Provider to draft response*





**Q13.**

**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.**

*Provider to draft response*