



By email: uk.srs@businessandtrade.gov.uk

15 September 2025

Dear UK SRS consultation team

USS response: *Developing an oversight regime for assurance of sustainability-related financial disclosures*

USS welcomes the opportunity to respond to this consultation on the development of an oversight regime for assurance of sustainability-related financial disclosures.

About USS

Universities Superannuation Scheme (USS) was established in 1974 as the principal pension scheme for universities and higher education institutions in the UK. We work with around 330 employers to help build a secure financial future for almost 577,000 members and their families. We are one of the largest pension schemes in the UK, with total assets of around £76.8bn (at 31 March 2025).

Key points to note

Our responses to the consultation questions are set out on the following pages, which we have also submitted directly via the online portal. We would, however, like to take this opportunity to emphasise four key points in the development of sustainability reporting assurance, namely that:

- Lessons are learnt in relation to how the financial audit market has developed over time and the resulting outcome being a concentration in four key firms that conduct the majority of audit work;
- Sustainability reporting and financial reporting should be treated with equal robustness in terms of policies, processes and quality;
- Expectations of the transition from limited assurance to reasonable assurance and then to full audit should be clearly communicated; and
- Audit, Reporting and Governance Authority (ARGA) needs appropriate processes and resources in place in order to oversee and enforce the proposed regime effectively and ensure its successful implementation.

Responses to questions

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

Yes. Creating the correct environment that ensures there is competition in the market is important. We believe that sustainability assurance providers should register with ARGA /FRC (Financial Reporting

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Council). In doing so, these firms should pass a predetermined test or accreditation process to ensure they meet a base standard required for conducting 'reasonable' and/or 'limited' assurance, as well as audit. This would help ensure a minimum standard is achieved and users have trust and confidence in the reported information. assurance, as well as audit. This would help ensure a minimum standard is achieved and users have trust and confidence in the reported information.

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

We prefer an opt-in approach given that the only drawback of note for not choosing this method would be fewer competing firms than there otherwise may have been. We consider that those that choose to opt-in are demonstrating a commitment to sustainability assurance and reporting at the outset. This will help to ensure the high quality of the work undertaken, and the sustainability reports themselves.

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

We favour the government taking a profession agnostic approach. This would provide the opportunity for greater competition in the market. In our experience lack of capability and experience is a limiting factor in the sustainability assurance market at present so a profession agnostic approach would open up the market to providers with the skills and experience required to undertake assurance of sustainability-related financial disclosures. That said, we also think that sustainability assurance providers should be sufficiently qualified to translate qualitative and quantitative sustainability considerations into financial statements and assurance/audit work.

We envisage that companies may appoint their existing audit firms to provide sustainability assurance, but non-audit firms should be a legitimate choice of companies should they feel that they will be best served by a specialist provider. This may be the case where the audit firm does not possess in-house sustainability skills, knowledge or expertise and, as such, works with a third-party specialist sustainability assurance provider. In any event, the primary contracted firm should be responsible for all work carried out, irrespective of whether or not certain elements are subcontracted to third parties.

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 firms, including sole traders, should be able to register as sustainability assurance providers. Please see our response to question 1. In the absence of an accredited sustainability professional qualification (such as the ACA for ICAEW Chartered Accountants), we do not believe it appropriate for individuals to register as sustainability assurance providers.

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

We recommend that registered firms should comply with these three base principles:

- Integrity;
- Objectivity; and
- Professional competence.

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

Key stakeholders should be consulted on any significant changes. These would include the companies being assured, assurance providers themselves as well as key users of the sustainability reports (i.e. investors).

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.

Yes, we agree. The current and future reporting standards are expected to be an intrinsic part of companies' sustainability reporting. Therefore, a professional and working knowledge and expertise of multiple standards, including TCFD and UK SRS, is critical to being able to conduct appropriate assurance services.

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

We agree. A global standard is important given the worldwide nature of the information being reported, the multi-jurisdictions where companies often operate, as well as a wider market need for a consistent approach where outliers can be readily identified.

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

ARGA should co-ordinate globally with the various standard setters, regulators and enforcement agencies. Much has been achieved over the past few years in consolidating the myriad of sustainability-related standards, frameworks and regulations – which is considered a significant positive for users of sustainability reports. There are benefits to seeking high assurance standards across financial and sustainability reporting and having common standards will help with this.

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

Being clear in relation to ARGA's enforcement approach, including sanctions, is critical to the success of sustainability assurance. The factors to consider should be consistent with those that are applied to both audit and auditors of traditional financial statements, for example under the Audit Enforcement Procedure.

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 recognise that in the short-term (two years) sustainability assurance should be voluntary for companies. We also understand that limited assurance will be a chosen approach. However, we believe that within the next three years, reasonable assurance should be the *expected* approach with full audit considered a "gold standard." Fundamentally, sustainability factors have been an increasing part of investors' decision-making processes over the past two decades. Reported information is therefore very important given the investor reliance on the quality of this information. We appreciate that it may be necessary to conduct a deliberate exercise with the primary purpose of determining investors' expectations in relation to assurance and audit. This would also help ensure that the merits and limitations of different approaches are understood.

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.

We think a natural barrier to the appointment of smaller specialist providers may arise from companies appointing their existing statutory audit firms to provide sustainability assurance. The main reasons being that this approach may be considered less disruptive and more cost effective. Our own assurance work over TCFD reporting was awarded to our existing audit provider for these reasons. We welcome

the opportunity for greater competition in the audit market, however ARGAs should consider natural barriers to entry to firms providing CSRD assurance engagements.

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.

Due to the high level of the non-audit services cap, we have not known this to be a barrier to accessing or providing sustainability assurance.

We hope you find this helpful as you continue to consider this important topic. Please let us know if we can provide any additional information or input.

Yours sincerely

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