

SfH Insights:

Assurance on ESG reporting in the social housing sector



July 2025

Introduction

The increasing scrutiny of ESG data from investors and other stakeholders has led to a significant transformation in how businesses, including those in the social housing sector, report on their sustainability and social impact. Report assurance is starting to play a critical role in enhancing the credibility of these ESG reports, ensuring stakeholders can trust the information provided.

Sustainability reports in our sector are already well established - with the sector having developed its own reporting framework under the Sustainability Reporting Standard for Social Housing (SRS).

To date we haven't seen a strong demand for assurance from key stakeholders that provide investment in the sector. But with ongoing work by the International Sustainability Standards Board (ISSB) about how to implement the IFRS S1 and S2 sustainability and climate-related disclosures, this remains a 'live' area to consider.

What is sustainability assurance?

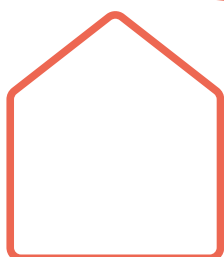
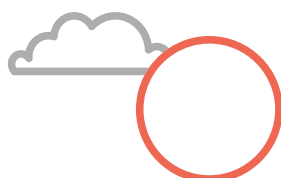
Sustainability assurance is an external and independently carried out check of an organisation's sustainability disclosures. The aim of sustainability assurance is to affirm that the sustainability information presented by a company is credible and accurate, giving confidence to investors and other stakeholders who rely on this information for decision-making.

The process is akin to traditional financial audits, where the aim is to provide stakeholders with confidence in the reported financial statements. Audits systematically examine the accounts to determine whether the financial statements show a true and fair view of the organisation. Similarly, sustainability assurance involves an analysis of an organisation's internal processes, procedures and operations. It provides a layer of trust and validation of an organisation's external ESG disclosures.

There are a number of standards that cover the basic principles and procedures of assurance, including ISAE 3000 (International Standard on Assurance Engagements) ISSA 5000 (International Standard on Sustainability), and AA1000 Assurance Standard (developed by Accountability.org).

Assurance can be provided at two different levels of robustness:

- **Limited assurance:** This level of assurance analyses a company's internal processes of compiling information. The analysis may involve reviewing data at an aggregated level and is less comprehensive compared to reasonable assurance. A "negative" conclusion is provided, assuring stakeholders that there are no material misstatements in the disclosures.
- **Reasonable assurance:** This level of assurance analyses a company's internal processes of compiling information and is performed with a higher level of scrutiny than limited assurance. More intensive analysis is performed, with substantial evidence gathered and a thorough examination completed. A "positive" conclusion is provided, communicating to stakeholders that the information is presented fairly.



How does EU legislation on sustainability assurance affect the UK?

Sustainability assurance in the UK is not yet a standard 'product' and not currently subject to mandatory requirements. However, in the EU the Corporate Sustainability Reporting Directive (CSRD) mandates limited assurance over sustainability reporting. This assurance applies to all sustainability information reported under the CSRD including a company's compliance with the directive itself starting at a limited assurance level. The introduction of CSRD marks a significant step change in reporting with more companies impacted and more scrutiny than before.

UK companies that have a material EU subsidiary could already be caught by the requirements. They will need to obtain limited assurance, but with an expectation of moving to reasonable assurance by the end of the implementation period for CSRD, which is expected to be 2028. The assumption is that companies will provide two years of limited assurance and then move to reasonable assurance within two more years.

These CSRD requirements are likely to result in a significant increase in demand for ESG assurance work. However, UK audit practices could be restricted in their ability to provide assurance services to EU companies, given the current 70% fee cap placed on non-audit services. It is critical for the UK assurance market to develop in line with changing reporting expectations to manage the impact of EU reporting, as well as changing expectations in the UK.



What is the UK Government's consultation on the assurance of sustainability reporting?

As of recently, the UK is taking a stand on sustainability assurance. In February 2025, the Financial Reporting Council (FRC) published its findings from a market study related to assurance of sustainability reporting. The study identified significant demand for stronger regulatory oversight of assurance providers.

In June 2025, the Government released 3 landmark **consultations** relating to sustainability reporting, transition planning and assurance of sustainability-related disclosures. The **assurance-related consultation** seeks feedback on a proposal for the Audit, Reporting and Governance Authority (ARGA) to be given responsibility for creating a voluntary registration regime for entities that offer third-party assurance services for sustainability-related disclosures. The Government's stated aim of this proposal is to increase trust in the UK sustainability assurance market and support companies with identifying qualified sustainability assurance providers.

The consultation also seeks feedback on:

- The creation of a new category of sustainability assurance provider, recognised as capable of assuring future UK Sustainability Reporting Standards (SRS) disclosures, European Sustainability Reporting Standards and other sustainability standards based on ISSB requirements
- The proposal that a registration regime will operate on an "opt-in" basis, in the short-to-medium term.
- Whether or not the Government should require assurance over sustainability disclosures, and
- Whether registration should be made necessary in order to provide assurance.

The UK Government's consultation on assurance of sustainability reporting, in addition to the two other related consultations, will close on 17th September 2025.

Are there any benefits of assurance reporting?

Assurance would bring rigour and reliability to ESG reports, benefiting registered providers and their stakeholders. But there is a cost to assurance, which will ultimately impact the sector's capacity to deliver new homes and invest in existing ones. Any assurance reporting needs should therefore be proportionate and demonstrate value added.

The key benefits are:

- **Builds Trust:** Independent assurance reports make ESG data in social housing more credible and trustworthy for stakeholders.
- **Prevents Greenwashing:** Assurance ensures ESG claims are genuine, reducing the risk of misleading or exaggerated statements.
- **Improves Risk Management:** The process helps housing providers spot and address risks in their ESG practices before they become issues.
- **Boosts Data Quality:** Assurance encourages better data collection and reporting, leading to more accurate and transparent ESG disclosures.
- **Supports Best Practice:** Reports help align ESG disclosures with sector standards (like the Sustainability Reporting Standard), making them more useful and comparable.

To be able to deliver assurance reporting on our ESG reports, there are a number of challenges we'd need to resolve:

1. **Consistency in Reporting:** While the sector has the SRS which provides the guidance as to which metrics should be published, we don't have universally accepted standards for the reporting. However, the Spring 2025 update to the SRS guidance has taken steps to removed the ambiguity of response in many of the criteria, making them possible to Assure.
2. **Resource Constraints:** Many Housing Providers operate on tight budgets. This could limit their ability to invest in comprehensive assurance processes. Particularly smaller Housing Providers are likely to struggle to afford the services of third-party auditors, potentially leading to less rigorous reporting
3. **Complexity of Social Metrics:** Measuring social impact is inherently complex, involving qualitative data that can be difficult to quantify. This complexity can pose challenges for auditors being asked to provide assurance on such metrics
4. **Significant investment required by assurance companies:** because of the continued evolution of ESG reporting and assurance, those firms that are in the market have to invest heavily to ensure they are on top of emerging trends and regulations. Such investment isn't feasible for all audit firms and can easily add to the cost of obtaining assurance.



Voluntary assurance – sector activity to date

Some Housing Providers have already chosen to assure elements of their SRS reports. To-date there appear to have been two main drivers for this:

1. Requirement to assure a sustainability metric as part of a sustainability linked financial product.
 - Housing Providers with a Sustainability Linked Loan (SLL) linked to specific KPI will typically need to get this value assured. Both ISAE 3000 and AA1000 assurance standards have been used to delivery this.
2. Desire to ensure their ESG reports are high quality
 - Housing Providers who want to be best-in-class, and proactively reach out to lenders who might value this extra scrutiny on their data.

What does the future look like?

In conclusion there isn't a one size fits all approach as yet to ESG assurance. Not all criteria in the SRS are currently 'assurable' but that shouldn't stop us considering the benefits and preparing to assure the criteria that are essential for our ESG strategies.

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