

# Assurance of Sustainability Reporting: Market Study



Financial Reporting Council

In March 2024 the Financial Reporting Council (FRC) launched its market study into the market for the assurance of sustainability reporting (sustainability assurance). The study will focus on 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, and how the market may develop in the future. This market study will centre on the impact of sustainability assurance across UK companies, considering how sustainability assurance impacts companies, investors and the wider assurance market.

## Background

84% of the FTSE 100 obtained some form of sustainability assurance in 2022.<sup>1</sup> The sustainability assurance market represents a fast-growing market that is serviced by a wide range of providers, including audit firms, sustainability consultancies and engineering firms.

In the UK some companies are required to provide climate-related financial disclosures alongside other sustainability related disclosures but there are no requirements for companies to obtain assurance over that information.

There are however developments in regulation internationally which require companies to obtain assurance over specific categories of information. These requirements could impact on UK companies.

The FRC wants to ensure the UK's market for sustainability assurance is working effectively, producing high quality assurance to support the production of useful, reliable reporting for investors, without creating undue burdens and costs on business. We want to understand if, and how, any developments in this market could affect the UK's statutory audit market. We want to ensure there is effective competition to help drive economic growth.

The findings from the study will also inform the FRC's wider policy and work related to sustainability assurance and may inform any future Government policy relating to sustainability assurance.

## Our approach

Our approach to this will be based around three themes:



### Choice and competition

We want to understand if UK companies have sufficient choice of sustainability assurance provider, what drives their choices, and if they have the information they need to make informed choices and receive high-quality assurance. We want to explore how their selection of provider affects competition, and how competition works in this market.

<sup>1</sup> Source: IFAC, State of Play in Sustainability Assurance: 2019-2022 Trends & Analysis, February 2024.



### **Market capacity, opportunities and barriers to entry/expansion**

We want to identify if there is sufficient capacity amongst suppliers to meet demand for sustainability assurance. Given the skilled staff required to deliver sustainability assurance, we will explore whether there are any labour market issues. We are interested in whether firms see opportunities in this market and if there are any barriers to entry and expansion.



### **Regulatory framework**

We want to understand how the changing regulatory requirements internationally could affect the UK's sustainability assurance market. We will be interested in stakeholders' views on what, if any, developments they would like to see in the UK market.

## **Who do we want to hear from?**

This marks the first time the FRC has undertaken a market study, and unlike other regulators operating with concurrency powers, this market study will be carried out on a voluntary basis. Stakeholders taking part in the market study will have the opportunity to work closely with the FRC to develop our understanding of the market and inform our approach to future work.

The FRC is keen to hear views from all parties including, but not limited to, the following:

- FTSE 350 listed companies
- Private UK companies
- Providers of sustainability assurance
- Investors
- Professional and industry trade bodies
- Sustainability consultancies
- Charities or think-tanks with an interest in sustainability



Submit a written response to the [market study](#).

Get in contact to take part in the FRC's sustainability assurance market study: [competition@frc.org.uk](mailto:competition@frc.org.uk).