Department for Business & Trade

Developing an oversight regime for assurance of sustainability-related financial disclosures

Government response to consultation

January 2026

Contents

Chapter 1: Overview **3**

Chapter 2: A voluntary registration regime for sustainability assurance practitioners **8**

Chapter 3: Scope **10**

Chapter 4: Who can register as a sustainability assurance practitioner? **12**

Question 3 summary and government response 12

Question 4 summary and government response 13

Chapter 5: Designing a registration regime **15**

Implementation considerations 15

Use of standards and standard setting 17

Chapter 6: Looking ahead **20**

Question 11 summary and government response 20

Question 12 summary and government response 21

Question 13 summary and government response 22

Annex A: List of consultation respondents (excluding individuals) **24**

Annex B: Respondent characteristics and data tables **27**

Respondent characteristics 27

Detailed breakdown of question responses 28

Annex C: Initial assessment of the Government's Response to the 'Developing an oversight regime for assurance of sustainability-related financial disclosures' consultation **30**

Background 30

Consultation process and key findings 31

Government response summary 32

Indicative impact analysis: impacts on businesses 33

Indicative impact analysis: impacts on economic growth 34

Alternative approaches considered 35

Overall assessment 36

Chapter 1: Overview

1.1 The government has set out its ambition to be a world leader in sustainable finance. This includes strengthening the UK's attractiveness as a destination for inward investment, by ensuring that corporate sustainability-related reporting is decision-useful and credible, thereby supporting investor confidence and trust. Independent third-party assurance plays a key role in building trust in this reporting. To ensure that sustainability assurance engagements meet the expectations of investors and businesses, it is important that the sustainability assurance market itself is robust and competitive.

1.2 In June 2025, the government released a consultation seeking views on proposals to strengthen regulatory oversight of providers of third-party assurance services for corporate sustainability-related financial disclosures. The consultation forms part of wider efforts to modernise the UK's corporate reporting framework, strengthen the FRC as regulator, and support the transition to a sustainable, net zero economy,

1.3 The consultation paper [1] set out proposals for a voluntary oversight regime for sustainability assurance practitioners, to be operated by the Financial Reporting Council (FRC), which at the time the consultation was published, the government planned to rename as the Audit, Reporting and Governance Authority (ARGA). The regime aims to build trust in the UK sustainability assurance market, ensure companies can identify qualified practitioners, and promote high standards and competition. The consultation also invited feedback on the role of assurance over future UK Sustainability Reporting Standards (UK SRS) disclosures, interactions with the EU's Corporate Sustainability Reporting Directive (CSRD)[2], and the operation of the UK's non-audit services fee cap.

Summary of responses

1.4 The consultation was open to the public for 12 weeks and received 99 formal responses. There were 60 respondents that responded only via an online form in Qualtrics, 26 respondents that responded via email only, and 13 respondents that sent an identical or near-identical response through both an online form and an email. Throughout the consultation window, DBT undertook a range of engagement activities, including roundtables with industry groups, bilateral meetings, and information sessions.

1.5 Respondents included a broad range of organisations and individuals from across the sustainability assurance ecosystem. Respondents represented accounting and audit firms, professional bodies, sustainability experts, independent assurance service providers (IASPs), the conformity assessment sector, industry associations, buyers and users of assurance services, regulators, and accreditation organisations. Sectors covered included financial services, environmental consulting, legal, manufacturing, and retail. A list of respondents can be found at Annex A, and a demographic breakdown of them at Annex B.

[1] Assurance of sustainability reporting - GOV.UK
[2] Corporate sustainability reporting - Finance - European Commission

1.6 We received broad support for the proposals set out in the consultation, with over 80% of respondents supporting the core proposition of establishing a voluntary registration regime for sustainability assurance providers. There was also majority support across all components of the proposal which included: taking a profession-agnostic approach, allowing both firms and sole practitioners to register, ensuring the scope of the regime covers multiple sustainability-related reporting frameworks, the use of standards, and a desire for assurance over UK SRS reporting in long term. The table below provides a summary.

Table 1: Quantitative breakdown of responses to key design questions*

Question	Disagree	Neither**	Agree
1. Do you agree or disagree with the government's core proposal to create a voluntary registration regime for sustainability assurance?	7	10	82
3. Do you agree or disagree with the government taking a profession-agnostic approach to sustainability assurance?	5	20	74
4. Do you agree or disagree that both individuals and firms should be able to be registered as sustainability assurance providers?	8	34	57
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?	2	22	75

*** Total responses across all questions = 99**

** Includes emailed respondents where respondents skipped certain questions and online form with blank responses.

1.7 Where respondents were asked to provide a direct indication of agreement or disagreement, these responses have been quantified and are presented in the table above. For responses received directly without a corresponding entry on the online form, responses have been coded as either agree or disagree only where explicitly stated. All other responses have been coded as 'neither agree nor disagree'. A detailed breakdown of responses is provided at Annex B.

Government response and next steps

1.8 In response to this feedback, the government will move forward with plans to establish a voluntary oversight regime for sustainability assurance in the UK, as envisaged in the consultation proposal. The regime aims to benefit practitioners that provide services to reporting entities, which result in an independent and third-party assurance opinion over sustainability-related financial disclosures. It will be developed by working with the market to ensure it promotes competition and growth, and that it supports the UK practitioners to capitalise on growing demand for these services both at home and overseas.

1.9 Sustainability assurance practitioners will be able to opt-in to the regime by registering with the financial reporting regulator, subject to meeting registration conditions. The register will be public, allowing registered practitioners to signal to the market they that have the relevant skills and experience for providing assurance services, as well as demonstrating their adherence to technical and ethical standards. The regulator will work with industry to develop eligibility criteria in due course, and we expect the criteria to evolve over time as the market matures. Alongside this, the regime will also include capacity building activities, such as issuing guidance and sharing best practice, to promote high standards for sustainability assurance engagements across the market.

1.10 The regime primarily intends to serve practitioners who currently, or would in future, undertake sustainability assurance engagements for large reporting entities within scope of any current or future TCFD or UK SRS requirements, or equivalent overseas requirements. Because of this, the regime will focus on practitioners that provide assurance over information disclosed in line with a range of internationally-recognised sustainability-related reporting frameworks. This accounts for the fact that UK sustainability assurance practitioners often work with reporting entities operating in multiple jurisdictions. Therefore, the regime is not intended to capture smaller or bespoke sustainability assurance service providers who do not provide assurance opinions at that level. However, these providers would not be excluded from registration, so long as they meet the conditions of registration.

1.11 The regime will increase transparency and confidence for reporting entities looking to engage a suitably qualified sustainability assurance practitioner. In addition, the regime is intended to support UK sustainability assurance practitioners to access business new opportunities both at home and overseas. By becoming registered, and opting-into the regulator's oversight and conditions of registration, practitioners can signal that they meet the UK government's standards for provision of assurance opinions for a range of sustainability-related disclosure frameworks, including:

- UK SRS
- TCFD standards
- European Sustainability Reporting Standards (ESRS)
- any jurisdictional standards that are aligned to the International Sustainability Standards Board (ISSB) standards

1.12 The regime will be operated by the FRC, and we intend to legislate to formalise these arrangements (maintaining the regime's voluntary status) as and when Parliamentary time allows. As detailed above, the consultation contained proposals for a registration regime to be operated by the FRC, after it was re-established on a proper statutory footing and renamed as the Audit, Reporting and Governance Authority (ARGA). However, the government has since taken the decision not to proceed with Audit Reform

Bill[3] to focus on delivering other important reforms to grow the UK's economy. This includes upcoming measures to modernise corporate reporting, which will be driven through the Modernising Corporate Reporting programme – please see the statement made by the Minister for Small Business and Economic Transformation on 20th January 2026 [4].

1.13 We will put the FRC on a proper statutory footing as and when parliamentary time allows. This will include establishing the sustainability oversight regime as one of the FRC's legislative functions. However, this is not necessary for the FRC to move forward with implementation. Therefore, in response to strong calls for swift action, we have tasked the FRC to move forward to establish an interim, non-legislative regime by mid-2026. The interim register will form the basis of the FRC's work to build up the conditions of registration over time to refer to specific quality characteristics.

Interim register of sustainability assurance practitioners by mid-2026

1.14 As a first step towards full implementation, the interim register will focus on providing transparency about the breadth of sustainability assurance expertise within the market, and on ensuring the FRC has the information necessary for it to develop regulatory expectations for sustainability assurance engagements in the future. It will comprise of a database of sustainability assurance practitioners with information about how they demonstrate adequate skills, knowledge and expertise for sustainability assurance engagements, validated by the FRC.

1.15 We have tasked the FRC to ensure the interim register is operational well ahead of the 1 January 2027 reporting year. Establishing the interim register by mid-2026 will support new appointments of sustainability assurance practitioners ahead of proposed this new wave of reporting, as we expect there we be increased demand for assurance services even if voluntary. Given the size and nature of entities within scope of climate and sustainability-related reporting requirements (either current or proposed), we expect the interim register to initially focus efforts on registration of sustainability assurance firms, over sole practitioners.

1.16 In January, the Financial Conduct Authority (FCA) published a consultation on updating the UK Listing Rules (UKLRs)[5] to refer to the UK SRS. As part of this, the FCA are consulting on requiring listed companies in scope of their UK SRS proposals to specify, in their annual financial report, whether or not they have obtained third-party sustainability assurance over their disclosures relating to UK SRS. It is up to the FCA to set out the specific format that any reporting in line with the UKLRs takes. However, it is our intention that our assurance regime will be available as an option to support companies when the FCA rules are in place.

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[3] Update on the Government's plans for audit reform legislation - GOV.UK
[4] Written statements - Written questions, answers and statements - UK Parliament)
[5] FCA Handbook

1.17 The FRC will provide further details on the development of the register in due course, including how organisations can get involved and contribute to the register's development.

Chapter 2: A voluntary registration regime for sustainability assurance practitioners

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

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

2.1 Questions 1 and 2 of this consultation sought to gauge overall support for a registration regime for sustainability assurance practitioners. Specifically, these questions sought to understand levels of support for a *voluntary, opt-in* registration regime.

2.2 Around 80% of respondents to the consultation agreed with the core proposal. The main reasons for agreement were that the regime would:

- promote competition and reduce market concentration
- enhance the credibility of the assurance market
- provide investors with greater confidence in assured information
- make it easier and less costly for companies to identify qualified practitioners

Many respondents called for prompt action in this area.

2.3 Proportionality was stated by the respondents to be the most common advantage of the opt-in approach. The respondents acknowledged that the market is relatively nascent and rapidly evolving, and that starting with a voluntary registration regime would avoid over-regulation and disrupting the current market in early stages. A voluntary oversight regime was said to also provide greater flexibility in developing a long-term approach. Some respondents acknowledged that this would minimise the risk of undue regulatory burdens (relative to a stronger intervention, particularly on smaller firms).

2.4 Of the few respondents who disagreed with the core proposal, the majority of these called for government to consider making the regime mandatory in the long term. This was also suggested by some respondents who agreed with the voluntary regime, arguing that a mandatory regime should be the government's long-term goal. Respondents cited concerns around the possibility of low take-up of the register, or concerns that it would cause a divergence in quality across the market. No respondents argued that there should be no registration regime of any kind.

2.5 The most common disadvantage raised by respondents was that a voluntary regime risks creating a two-tier market, whereby unregistered practitioners continue to provide assurance services without appropriate oversight and in the case there are 'bad actors' still operating, these will not face regulatory consequences. There were also concerns that this might cause confusion for preparers and users of reporting.

Government response

2.6 This feedback clearly demonstrates wide support the regime, and majority support for a voluntary registration regime initially. Therefore, the government **will move forward with the establishment of the oversight regime**.

2.7 The government notes concern about the risks associated with the voluntary approach, particularly low uptake and its ability to ensure a consistent quality across the whole market (not just registered practitioners). However, given the market is still relatively nascent and is rapidly evolving, we consider this to be a proportionate way forward. We expect FRC to prioritise developing a deep understanding of the sector, which will enable it to work with practitioners to grow and build capacity. We do not want the registration to create barriers to operating in the market, particularly for other types of sustainability assurance services that do not relate to annual corporate sustainability reporting.

2.8 The government and the FRC will monitor the effectiveness of the regime throughout implementation.

Chapter 3: Scope

Question 7 – Do you agree or disagree that the UK's registration regime should recognise 'sustainability assurance providers' as being capable of producing high-quality assurance over multiple reporting standards (that is, Task Force on Climate-related Financial Disclosure (TCFD) aligned requirements, International Sustainability Standards Board (ISSB) standards, UK Sustainability Reporting Standards (UK SRS), and European Sustainability Reporting Standards (ESRS))? Provide justification.

3.1 In terms of the sustainability-related disclosures the regime would refer to, the consultation proposed a broad scope that would encompass the range information required by multiple recognised sustainability-related reporting frameworks. It was acknowledged that a multi-framework approach would need to encompass an understanding of wide range of sustainability topics, as well as concepts of financial materiality (as per ISSB approach), and double and impact materiality (as per the ESRS approach).

3.2 The majority of respondents (around 75%) agreed with this proposal. These respondents argued that

- Multinational companies report under multiple frameworks across multiple jurisdictions. It is often considered preferable to appoint the same practitioner to assure all these disclosures, thereby streamlining efforts and reducing costs.
- Recognising registrants as able to provide assurance over multiple reporting standards will give these UK practitioners access to overseas opportunities, and allow UK practitioners to be recognised by the EU – see also responses to question 12.

3.3 Some respondents who agreed did so with caveats, such as a desire to prioritise assurance over UK SRS in first instance and expand scope include other frameworks further on in the development of the regime. Others argued that the ability for UK practitioners to provide assurance that meets the requirements of the EU's Corporate Sustainability Reporting Directive (CSRD) legislation should be prioritised, given the impact of CSRD reporting in the UK market and the desire of many UK practitioners to carry out assurance of companies that operate in the EU. Points were also raised about the regulator's capacity to assess multi-standard recognition, and a desire not to overburden the regulator.

3.4 Feedback from respondents who did not state a preference or disagreed suggested that it would be more helpful to recognise practitioners based on their ability to deliver assurance in accordance with recognised assurance standards, rather than reporting topics or frameworks. There were concerns that that this could cause confusion about who is able to assure which disclosures. Suggestions such as 'competency badges' were raised as a way to help mitigate this risk.

Government response

3.5 Recognising the broad support for ensuring quality assurance services over a range of sustainability topics, the government will proceed with a multi-framework approach as its preferred policy position. We will work with the FRC to ensure that the design of the

regime achieves this in practice. This is also important given feedback in response to question 12 on supporting UK assurance practitioners to be well positioned to provide assurance services under CSRD requirements.

Chapter 4: Who can register as a sustainability assurance practitioner?

Question 3 summary and government response

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

4.1 Question 3 sought views on the government's proposal to take a profession-agnostic approach to sustainability assurance – that is, the proposal to allow practitioners from multiple professions (i.e. financial auditors, sustainability experts, IASPs) to register as sustainability assurance practitioners, provided they are able to meet the prescribed registration requirements.

4.2 Many respondents (over 70%) stated that they agreed with the profession-agnostic approach. Almost all respondents reiterated the need for the regime to have rigorous and clear standards that all registered practitioners must meet, relating to skills, knowledge, experience, quality management, and ethics and independence. One of the most cited reasons for agreement was that this would recognise a wider pool of practitioners, increasing competition in the market and reducing costs for buyers of assurance services. Furthermore, respondents welcomed steps to ensure an equal playing field of rules and requirements across professions.

4.3 While broadly supportive, feedback also included some caveats. In particular, respondents asked that the registration criteria recognise the need for practitioners to understand the connectivity and differences between financial and non-financial sustainability information. Linked to this was a call to provide clear guidance for sustainability assurance engagements where the sustainability assurance practitioner is independent from the financial auditor.

4.4 On the other hand, some respondents noted that the regime should not inadvertently exclude non-audit practitioners through certain design choices. For example, the consultation proposed that registered practitioners would be required to use the UK version of the new International Standard on Sustainability Assurance (ISSA) 5000[6], developed by the International Auditing and Assurance Standards Board (IAASB). Some respondents stated that requiring this standard over other international standards for validation and verification of sustainability information, including those developed by the International Organization for Standardization (ISO)[7], could create barrier for independent assurance practitioners accessing the regime. Respondents suggested that the regulator permit the use of existing standards either permanently or for a transitional period.

[6] International Standard on Sustainability Assurance (ISSA) 5000 - *General Requirements for Sustainability Assurance Engagements*

[7] ISO - International Organization for Standardization

4.5 Five respondents selected 'disagree'. These responses explained that other jurisdictions have restricted sustainability assurance provision to financial auditors and that alignment in approaches across jurisdictions is desirable. Meanwhile, some respondents noted that that UK SRS requires only financially-material disclosures, making financial auditors best placed to assure these types of disclosure.

Government response

4.6 The government is encouraged by broad support for the proposal for a profession-agnostic regime. It is clear that there is already deep expertise and a wide range of practitioners operating in the market. As such, **the government will maintain its position that the regime will be profession-agnostic.**

4.7 The government notes the importance to ensure a level playing field for all practitioner types. We recommend that the FRC give this careful consideration and work closely with industry to co-create registration criteria that reflect the necessary skills, knowledge, and qualifications.

Question 4 summary and government response

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.

4.8 Question 4 sought views on whether the regime should open to both firms and individual practitioners. It was proposed in the consultation document that both should be permitted to register, following the approach for financial audit, which permits firms and sole practitioners, so long as they meet the relevant qualification and registration requirements.

4.9 Around half (57%) of respondents stated they agreed with the proposal to allow both firms and individual practitioners within the regime. As with the profession-agnostic approach (question 3), respondents cited an increase in the pool of practitioners and greater market capacity as reasons to allow the registration of both. Respondents supported allowing buyers to be able to choose a practitioner proportionate to their organisation's needs. However, others raised potential challenges associated with integrating existing registration and accreditation systems into a single oversight regime.

4.10 It was clear that quality should be the main driver for whether any practitioner should be registered. Some respondents pointed out that individual practitioners may struggle to meet registration requirements. For example, there were concerns that sole practitioners may struggle to meet the requirements of ISSA (UK) 5000, which includes meeting quality management standards equivalent to quality management standards for

audit firms[8]. On this basis some respondents suggested that the regime should focus on registering firms in the short-term, and transition to adding individuals in the longer-term.

4.11 We received several suggestions of ways to ensure accountability. The most common was to require responsible individuals within firms to also be on the register. It was cited that this would make it easier to attribute responsibility where disputes arise in engagements. One respondent highlighted the approach taken to registration by accountancy bodies operating in Ireland for the purposes of meeting CSRD requirements. Other respondents cited the FRC's Public Interest Entity (PIE) Auditor Register[9], which also registers both firms and responsible individuals within firms.

4.12 In addition, there were strong calls for registration requirements to include robust internal quality management systems, independence safeguards, and ethical requirements – suggesting this could be achieved through the proposed requirement for registered practitioners to follow ISSA (UK) 5000 on the basis that it requires adherence to quality management standards[10].

Government response

4.13 The government recognises the importance of swift action in establishing the regime. In the first instance, we will ask the FRC to prioritise the registration of firms. As mentioned in paragraph 0.15, the government intends the regime to primarily serve practitioners who currently or would undertake assurance (either voluntary or mandatory) of disclosures made under the Companies Act or UKLRs[11] or equivalent overseas requirements, and anticipates that these practitioners are likely to primarily be assurance firms rather than individual practitioners.

4.14 Consideration of registration for sole practitioners or individuals will be treated as a later-stage priority, informed by further market developments and stakeholder feedback.

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[8] Specifically, respondents noted that ISSA (UK) 5000 requires practitioners to follow the UK version of International Standard on Quality Management (ISQM) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements* or standards that are as least demanding as ISQM (UK) 1.

[9] Public Interest Entity (PIE) Auditor Registration

[10] See above.

[11] FCA Handbook

Chapter 5: Designing a registration regime

5.1 This chapter focuses on how the regulator should go about developing and operating the registration regime, including how the regulator should work with existing organisations, its approach to enforcement, and requirements around the use of standards and interoperability.

5.2 There is no government response to these questions, as the FRC will be responsible for taking forward the design of the regime. All feedback has been shared with the FRC (except where respondents opted out) who will take this into account throughout implementation.

Implementation considerations

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

Question 6 – How should ARGA work with other organisations when developing a future registration regime?

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

Summary of responses to question 5

5.3 Question 5 sought views on how the regulator should determine the eligibility criteria for registration, and the principles it should employ when establishing a registration regime. In response to question 5, the most supported principles were:

- ensuring the quality of assurance services: many respondents cited ensuring quality as a key principle to drive uniformity across the assurance market and set expectations for sustainability assurance engagements. To do this, respondents reiterated the need for the regulator to set clear, rigorous, and robust standards that apply to practitioners of all sizes and types, to ensure all have the requisite skills and expertise, as well as independence and quality control systems.
- acting with proportionality and flexibility: there were many calls for the regulator to consider and respond to changes in market capacity over time, including improvements in practices, methodologies and commercial circumstances. A suggestion was made that a post-implementation review should be carried out after an initial period, to assess if the regime is working as intended and if anything needs to be changed.
- transparency, impartiality, and consistency: many respondents called for regulatory clarity and clarity of the register itself, with clear messaging around the purpose, scope and extent of the register. One respondent raised the idea of ‘competency badges’ to help practitioners understand the capabilities of registered practitioners. Respondents were keen for the regulator to explain all actions and decisions taken, that these decisions should be fair, independent and objective.

- interoperability: multiple respondents called for alignment with regimes in other jurisdictions such as the EU. It was noted that UK sustainability assurance practitioners should be able to also satisfy requirements to provide assurance services in other jurisdictions. To operationalise this, some respondents called for equivalent training requirements. More broadly, respondents asked that the UK learn lessons from regimes in other jurisdictions, and from other related UK-based registration regimes such as the PIE auditor register.

Summary of responses to question 6

5.4 Question 6 sought views on how the regulator should work with other organisations when developing the regime. Respondents suggested engagement with a wide range of groups. This spanned:

- sustainability assurance practitioners across professions (including financial auditors and IASPs)
- relevant professional bodies, regulators, and standard setters
- data providers
- buyers of assurance services
- users of sustainability reporting.

5.5 The main reasons cited for engagement with these parties were

- to ensure the interests of the existing market across professions feed into the development of the regime
- to understand existing offers such as training and qualifications that a range of professional bodies have developed and which many practitioners have already undertaken

Some respondents requested that the regulator should avoid duplication and instead leverage the UK's existing accreditation system, overseen by the UK Accreditation Service (UKAS). It was argued this would reduce regulatory burdens and streamline oversight arrangements for UK-accredited practitioners. There was also a call to work with regulators overseas to ensure interoperability and alignment, and to learn from implementation challenges elsewhere.

5.6 Suggestions for how to engage with these groups included formal arrangements, like multi-stakeholder advisory groups, oversight committees, technical expert groups and advisory panels that could discuss emerging issues during the establishment of the regime and beyond. Alternatively, the regulator could explore partnerships with existing professional bodies, for which it currently has oversight responsibility. Some respondents called for delegation of some of the regime's functions to other oversight bodies - for example, oversight of financial auditors and development of training and qualifications. Some advantages included reducing costs and burdens on the regulator, as well as reducing duplication of oversight.

Summary of responses to question 10

5.7 Question 10 sought respondents' views on the factors the regulator should consider when developing its approach to enforcement. As outlined in the consultation document, it is intended that the regulator would have the powers and resources it needs to give investors and companies confidence that registered sustainability assurance practitioners are meeting the conditions of the regime. However, the intention is that the regulator act as an improvement regulator, encouraging and assisting the market to develop capacity, and reserving enforcement action for cases where there is egregious wrongdoing or strong public interest

5.8 The factors for consideration highlighted in the consultation feedback were:

- proportionality and a risk-based approach – the majority of respondents argued that any enforcement action should take into consideration contextual factors such as the severity of the degree of harm caused, the size and type of practitioner involved, how early in the existence of the registration regime the offence occurs, and public interest. A key reason for this was to be careful to not deter practitioners from registering. Others suggested that enforcement should not be applied with hindsight – that is, it should not be possible for the regulator to assess historic work against newly developed standards

- a phased approach – many respondents suggested that the enforcement could be strengthened it over time so that the market has time to adapt to requirements first. Suggestions included considering graduated enforcement models with no risk of legal repercussions in the first year of the regime or regulatory sandboxes, replicating the existing FRC Audit & Assurance Sandbox[12]

- a focus on continuous improvement and capacity building – there was broad support for acting as improvement regulator. The feedback provided suggestions of alternatives to enforcement action. This included development of guidance, constructive engagement with registered practitioners to prevent misconduct, and encouraging a culture of continuous learning and improvement by registrants

- transparency and fairness – respondents wanted enforcement decisions to be fair and communicated clearly. It was suggested this would help registered practitioners understand the expectations of the regime and help ensure public trust in the regime. Related to this was an ask for the regulator to provide clarity over ethics and independence requirements for practitioners

Use of standards and standard setting

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.

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

[12] Audit & Assurance Sandbox

5.9 What standards should be followed when undertaking a sustainability assurance engagement is a key area where stakeholders are seeking regulatory guidance. The consultation document proposed that a condition of registration would be that practitioners must follow the UK version of the international sustainability assurance standard, ISSA (UK) 5000, published in November 2025[13].

5.10 58 respondents agreed with the proposal. The main arguments made in support of ISSA (UK) 5000 were to ensure international alignment and quality. It was suggested that ISSA (UK) 5000 provides a high-quality benchmark and this would reinforce confidence among investors and other stakeholders in the quality of assurance engagements by these practitioners. Some respondents wanted mandatory use of ISSA (UK) 5000, irrespective of whether the obtaining of assurance itself is voluntary or mandatory.

5.11 Alternative views expressed that, while ISSA (UK) 5000 is supported, other standards should also be permissible as these are widely used and regarded in the market currently. Other respondents argued that they would prefer direct application of the ISSA 5000 standards rather than UK-equivalent versions.

5.12 Some respondents who disagreed with the proposal argued that, due to the nascency of the market and ISSA (UK) 5000, it is more appropriate for the FRC to continue to encourage voluntary adoption of these standards at this stage, and that the regime should not dictate what standards must be used by registered practitioners. It was suggested that this position could be monitored and periodically reviewed, with an opportunity to revisit making the standards a mandatory condition of registration.

Summary of responses to question 9

5.13 Question 9 sought views on how the regulator should exercise its standard setting functions more generally, noting the FRC's recent development and publication of ISSA (UK) 5000[14]. Main points of feedback included:

- alignment with, and contribution to, developments in international standard setting – respondents wanted the UK to take a leading and proactive role in international standard setting, as well as in the development of guidance. There was strong preference amongst respondents to minimise UK-specific deviations from international standards, unless these can be clearly justified – for example, where standards conflict with UK laws or regulations.
- stakeholder engagement and inclusivity – respondents wanted to be engaged throughout the standard-setting process, including as part of advisory panels and working groups, and through responding to future open public consultations.
- flexibility and a phased approach – respondents wanted standard setting to be agile and respond to evolving sustainability topics, sector-specific nuances, and

[13] ISSA (UK) 5000 Consultation
[14] ISSA (UK) 5000

emerging risks. Many recommended that standards be subject to regular reviews to ensure they remain fit for purpose.

- issuing guidance, help with capacity building, and supporting registrants – similar to comments made in response to question 5 and 10 above, respondents called for practice guidance, training, and capacity building for assurance practitioners, especially for smaller firms and new entrants. This guidance could include illustrative examples, FAQs, and sector-specific guidance to help practitioners to interpret and apply standards. This should facilitate best practice, knowledge transfer, and support continuous improvement in the market

Chapter 6: Looking ahead

6.1 The final section of the consultation document asked respondents to provide early views on the long-term future of sustainability assurance policy, and the value of companies reporting against UK SRS to also obtain assurance for these disclosures. It also sought more detailed evidence and feedback on key issues raised by the market which suggested the lack of regulation has created barriers to UK firms doing business, including impacts on UK assurers competing for CSRD assurance engagements, and the operation of the non-audit services fee cap.

Question 11 summary and government response

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.

6.2 In response to question 11 of the consultation, the majority of respondents (74) stated they agreed that assurance of UK SRS disclosures is a desirable long-term goal. Some reasons for this view included:

- A desire for financial and sustainability reporting to be treated comparably, particularly because the proposed UK SRS standards require calculating the financial impacts of sustainability risks
- Assurance is desirable to build trust and confidence in sustainability disclosures and ensure the reliability of such disclosures for investors. In connection with this, mandatory assurance would help ensure disclosures are meaningful, comparable, and consistent

6.3 In terms of the level of assurance that is needed, there was no clear consensus around the end goal. Some respondents stressed that reasonable assurance over sustainability reporting is difficult to implement in practice, even if it is desirable in some circumstances. Others argued that reasonable assurance should only be required where there is a clear business case and market appetite for this, and that the requirements should be driven by the needs of stakeholders.

6.4 Respondents across sectors supported a phased approach to any new requirements, ensuring that practitioners have sufficient time to develop the skills and resource to meet the demand for assurance services. They also highlighted the importance of giving companies the time to implement systems and controls and ensuring requirements do not introduce disproportionate burdens for small and medium-sized companies. Some respondents asked that mandatory limited assurance should be phased in with 2-3 years notice of its introduction.

6.5 Others, who disagreed with the idea of mandatory assurance in the long term, argued that given the cost of assurance, audit committees and boards should have the ability to choose the nature and scope of assurance to suit the needs of their companies. Some respondents suggested alternative approaches such as requiring reporting entities to publish an assurance statement setting out the level and extent of any assurance that has been obtained voluntarily, and that the name of the assurance

provider should be disclosed to provide transparency for users of this information. Other respondents pointed to the Brydon Review recommendation for reporting entities to disclose any future plans for assurance in an Audit and Assurance Policy[15].

Government response

6.6 The government welcomes respondents' views on question 11. This feedback will be considered further as part of the broader programme of work on modernising corporate reporting.

Question 12 summary and government response

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.

6.7 Under the EU CSRD legislation, there is an exemption from assurance requirements available to EU subsidiaries of overseas parent companies, if the parent company's group accounts are assured by a registered assurance practitioner in their jurisdiction. A key finding from the FRC's market study was that the absence of a UK regime that recognises UK sustainability assurance practitioners is preventing UK assurance practitioners from providing assurance for large UK-parent companies with operations in Europe. Question 12 of the consultation therefore sought further evidence to help understand potential barriers to doing business under CSRD engagements.

6.8 We received a range of responses to this question and most of the evidence provided was anecdotal. Examples included where a UK company was forced to transfer an assurance engagement to the European arm of their firm for them to provide assurance that met CSRD requirements, incurring additional and unnecessary costs. Others noted that future waves of CSRD reporting will likely exacerbate the issue. Respondents noted that a higher-than-expected number of private UK headquartered entities will be required to meet CSRD mandatory reporting and assurance obligations from 2028 onwards.

6.9 Respondents from non-financial audit backgrounds argued that the lack of clarity on this is particularly challenging for their sector, as the current situation with firms using EU branches to deliver engagements is more easily navigable by large audit firms which have a multinational presence.

Government response

6.10 The government thanks respondents for the evidence provided which demonstrated the lack of a UK sustainability assurance registration regime is a barrier for sustainability assurance practitioners and will continue with the establishment of the regime, including the establishment of an interim register. In doing this work, we will

[15] The quality and effectiveness of audit: independent review - GOV.UK

look for opportunities for the interim register to be recognised for the purposes of meeting the conditions of this exemption within CSRD requirements.

Question 13 summary and government response

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.

6.11 Question 13 of the consultation asked for evidence of where the non-audit services fee cap, which currently applies to sustainability assurance engagements, has presented a barrier to providing sustainability assurance services. This is a fee cap which applies to statutory auditors of PIEs, which means they may not receive fees deriving from permitted non-audit services that exceed 70% of average of the audit fees for the preceding 3 years. The original purpose of this provision in the Audit Regulation was to mitigate the risk that statutory auditors may have conflicts of interests due to a desire to gain future non-audit advisory work or retain ongoing work.

6.12 Respondents that favoured removing the non-audit services fee cap were mainly audit firms, and it was suggested that the fee cap is a particular issue for mid-size audit firms. Other respondents emphasised the connection between financial audit and sustainability assurance, stating that the same firm providing both services may improve quality, coherence, and synergy without necessarily compromising independence if the audit firm's internal controls are robust. It may well be that a company's financial auditor is best placed or most qualified to undertake the sustainability assurance work.

6.13 If any mandatory requirements for assurance were phased in, it was suggested that a time-limited relaxation of the non-audit services fee cap could be put into place for in-scope companies to allow them to obtain voluntary assurance from their auditors in the meantime. However, some respondents argued that removing the cap for those companies that might be mandated to obtain assurance would mean that a barrier would remain in place for other companies that seek assurance on a voluntary basis.

6.14 In terms of alignment with other jurisdictions, respondents argued that removing the cap would create a level playing field with the EU. Others argued that the cap should also be removed where the entity seeking assurance is required to obtain assurance under the law of another jurisdiction.

6.15 However, some respondents pointed out the need for the cap to protect independence, prevent conflict of interest, and ensure sufficient professional scepticism in their engagements. The cap was also cited as another form of protection from the big four audit firms monopolising the market. Some respondents also noted that the cap encourages participation in the market by assurance practitioners who are not auditors, who might struggle to gain business if companies default to using their auditors.

Government response

6.16 The consultation document clarified that sustainability assurance services would not be included for the purposes of the fee-cap calculation in cases where an entity is

required by UK law to obtain assurance over sustainability-related financial disclosures. The question whether to require assurance over future UK SRS reporting will be considered as part of the programme of work on modernising corporate reporting, and by the FCA relating to any requirements for listed companies.

6.17 The government understands the market's concerns around ensuring that businesses have the flexibility to choose their preferred sustainability assurance practitioner without limitations. The government will look to use information provided by the interim register to inform a deeper assessment of whether the non-audit cap is still appropriate to address concerns around competition and independence for sustainability assurance engagements.

Annex A: List of consultation respondents (excluding individuals)

We received a total of 99 responses from a broad range of organisations and individuals from across the sustainability assurance ecosystem. Below is a list of stakeholders by name. It does not include names of individuals or where stakeholders explicitly selected that they do not want responses shared.

- 100 Group
- ACCA
- AccountAbility
- AICPA & CIMA
- Asset Owners Council
- Associated British Foods
- Association of British Insurers
- Association of Corporate Treasurers
- Association of Member Nominated Trustees
- Association of Practising Accountants
- AtkinsRealis
- Audit Committee Chair's Independent Forum
- Aviva Plc
- Babcock International Group plc
- BDO LLP
- BeZero Carbon
- Building Research Establishment
- British Retail Consortium
- Brunel Pension Partnership
- BSI Group
- BVCA
- Centrica
- Chartered Accountants Ireland
- City of London Law Society
- Corporate Reporting Users' Forum
- Currys PLC
- Deloitte LLP
- Diageo PLC
- DNV Business Assurance Services UK Ltd
- E3G
- Ecologi Action Ltd
- EcoVerify
- EDF Energy
- Energy Systems Catapult
- ERM Certification and Verification Services Limited
- EY
- Flotilla
- Food Foundation as the secretariat for the Investor Coalition on Food Policy

- Forvis Mazars
- Grant Thornton UK LLP
- Group A
- GS1
- Heineken UK
- ICAEW
- The Institute of Chartered Accountants of Scotland
- Institute of Sustainability and Environmental Professionals
- International Accreditation Forum
- International Corporate Governance Network
- Investors in Non-listed Real Estate Vehicles
- Investment Association
- Investor Relations Society
- Kier Group PLC
- KPMG LLP
- Kreston Reeves LLP
- Lloyds Banking Group PLC
- London Stock Exchange Group
- Mercia Group Limited
- MacIntyre Hudson Accountants PLC
- Minerva Analytics
- Mint Velvet
- National Housing Federation
- NatWest Group
- Newbridge Advisors LLP
- Norges Bank Investment Management
- Pacific Capital Partners
- People's Partnership
- Planet Mark
- PricewaterhouseCoopers LLP
- Quilter PLC
- Redington LTD
- RSM UK Audit LLP
- Schroders
- Severn Trent PLC
- Solid State PLC
- Spirax Group plc
- St James's Place
- Start Up Coalition
- Sustainability for Housing
- Sylvera
- TechUK
- Thames Water Utilities Limited
- The Association of Real Estate Funds
- The Chartered Governance Institute
- The Good Economy

- TIC Council
- UK Finance
- The United Kingdom Accreditation Service
- Universities Superannuation Scheme Ltd.
- Verco Advisory Services Ltd.
- Weir Group PLC

Annex B: Respondent characteristics and data tables

8.1 The consultation was open to the public for 12 weeks and received 99 formal responses. There were 60 respondents that responded only via an online form in Qualtrics, 26 respondents that responded via email only, and 13 respondents that sent an identical or near-identical response through both an online form and an email.

Respondent characteristics

8.2 Respondents represented:

- accounting and audit firms
- accreditation organisations
- buyers and users of assurance services
- independent assurance service providers (IASPs)
- industry associations
- professional bodies
- sustainability experts
- the conformity assessment sector

Sectors covered included financial services, environmental consulting, legal, manufacturing, and retail.

8.3 The tables below provide a breakdown of total number of respondents by stakeholder group and whether the respondent provides auditing or assurance services for sustainability-related reporting. The tables below correspond to, and should be considered alongside, the list of stakeholders at Annex A.

Table 2: Total number of respondents by demographic*

Stakeholder group	**Count**
Audit and assurance providers	20
Individual	6
Investor (including pension schemes)	9
Listed company (including banks and insurance)	16
Unlisted company	6
Representative body	25
Other**	17
Total	**99**

*This table comprises responses received through the online form and via email.
**Other included respondents such as membership bodies, various consultancies, standard setters, agencies etc

Table 3: Number of organisations who selected that they currently provide auditing or assurance services for sustainability-related reporting*

Does your organisation currently provide auditing or assurance services for sustainability-related reporting?*	Count
Yes	19
No	33
N/A	16
Total	**68**

*This table comprises data from responses received via the online form only (blank responses were permitted).

Detailed breakdown of question responses

8.4 Table 4 provides further breakdown of Table 1 in the Overview section of this document. This table has been provided to demonstrate the split between the number of respondents that responded 'Neither agree or disagree' compared to those respondents that did not select a response on the online form. The total number of responses to each question is 99. Where responses were not received via the online form, these responses have been interpreted and coded across either 'Disagree', 'Neither agree or disagree' or 'Agree'.

Table 4: Quantitative breakdown of consultation responses by question*

Question	Disagree	Neither agree or disagree**	Agree	No response selected
1. Do you agree or disagree with the government's core proposal to create a voluntary registration regime for sustainability assurance?	7	0	82	0
3. Do you agree or disagree with the government taking a profession-agnostic approach to sustainability assurance?	5	17	74	3
4. Do you agree or disagree that both individuals and firms should be able to be registered as sustainability assurance providers?	8	27	57	7
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, Task Force on Climate-related Financial Disclosure-aligned requirements, UK Sustainability Reporting Standards, and European Sustainability Reporting Standards)?	2	15	75	7
8. Do you agree or disagree that sustainability assurance providers	8	28	58	5

must follow equivalent standards to International Standard on Sustainability Assurance (ISSA) 5000?				
11. Do you agree or disagree that assurance of UK SRS disclosures is desirable in the long term?	1	20	74	4

*** Total across all questions = 99**

** Includes emailed respondents where there was no response mentioned

Annex C: Initial assessment of the Government's Response to the 'Developing an oversight regime for assurance of sustainability-related financial disclosures' consultation

9.1 This note provides an initial, high-level assessment of the likely impacts of the government's proposal for the introduction of a voluntary oversight regime for providers of third-party assurance of corporate sustainability-related disclosures (to be implemented by the Financial Reporting Council (FRC)). The regime will comprise a voluntary register of sustainability assurance practitioners and work by the FRC to build capacity and promote high standards across the sector.

9.2 This note does not quantify any of the likely impacts of the proposal, since at this stage, the specifics of the regime (for example, those that would determine registration costs to assurance providers) are not yet established. The government is not proposing to legislate at this point, but plans to do so in the future, at which time, the regime will be made a statutory function of the FRC. In line with Better Regulation Framework Requirements, a full Impact Assessment covering the proposal and options for implementation will be produced to accompany the legislation, along with a Public Sector Equalities Duty (PSED) Impact Assessment of the proposal.

Background

9.3 The UK government has set a clear ambition to be a leader in sustainable finance and enhance the country's attractiveness for inward investment. A key pillar of this strategy is ensuring that corporate sustainability-related reporting is credible and decision-useful, thereby supporting investor confidence and trust. Third-party assurance is recognised as important for building this trust.

9.4 In June 2025, the government launched a public consultation on proposals to strengthen regulatory oversight of third-party assurance providers for purposes of corporate sustainability-related financial disclosures. The consultation responded to findings from a Financial Reporting Council (FRC) market study on the same theme.[16] This work forms part of broader efforts to modernise the UK's corporate reporting framework and support the transition to a sustainable, net zero economy.

9.5 The consultation proposed a voluntary oversight regime for sustainability assurance practitioners, to be operated by the FRC, renamed and placed on a statutory footing as the Audit, Reporting and Governance Authority (ARGA). The regulator would establish a public register of sustainability assurance practitioners to help reporting entities identify suitably qualified practitioners and work with the market to build capacity and promote high-quality standards.

9.6 After the consultation was published, the government took the decision to deprioritise the proposed Audit Reform Bill which would have transitioned the FRC to ARGA. Work

[16] Assurance of Sustainability Reporting Market Study

to put the FRC on a firmer statutory basis will continue as and when parliamentary time allows. As outlined in the government response to the consultation, this will include sustainability assurance oversight as part of the FRC's statutory functions.

9.7 Because the response to consultation includes the intention to move to a legislative regime in the future, this paper presents an early consideration of the impacts of future legislation.

Consultation process and key findings

9.8 The 'Developing an oversight regime for assurance of sustainability-related financial disclosures' consultation[17] ran for 12 weeks and received 99 formal responses from a broad spectrum of stakeholders, including

- accounting and audit firms
- accreditation organsiations
- buyers and users of assurance services
- independent assurance service providers (IASPs)
- industry associations
- professional bodies
- regulators
- sustainability experts
- the conformity assessment sector

Engagement activities included roundtables, one-to-one meetings, and information sessions.

9.9 This government response document above provides a comprehensive assessment of stakeholder feedback. The key findings include:

- strong support – there was overwhelming support for the core proposal for a voluntary register, with more than 80% of respondents stating they agreed with this. There was also majority support for a profession-agnostic approach, allowing both firms and individuals to register, and for the regime to cover assurance over multiple sustainability-related reporting frameworks
- advantages of the voluntary, opt-in approach – respondents highlighted proportionality, flexibility, and the avoidance of over-regulation in a nascent market. The voluntary regime was seen as a way to promote competition, reduce market concentration, and enhance the credibility of the sustainability assurance market without imposing undue burdens, especially on smaller firms
- concerns and caveats – some respondents noted risks of a two-tier market and called for the regime to become mandatory in the long term. Others emphasised the

[17] Assurance of sustainability reporting - GOV.UK

need for robust standards, clear guidance, and careful consideration of the regime's scope and enforcement mechanisms

Government response summary

9.10 In response to strong stakeholder support, the government has announced that it will proceed with a voluntary, profession-agnostic oversight regime for sustainability assurance practitioners, with the FRC responsible for implementation and oversight. As part of this work, the FRC will also have responsibility for building capacity and promoting high standards across the sector. This will be underpinned by legislation when Parliamentary time allows. In the meantime, the FRC has been tasked to move forward to establish an interim, non-legislative regime by mid-2026.

9.11 The regime will foster a robust, competitive sustainability assurance market by allowing companies to register as suitably qualified sustainability assurance practitioners with the FRC, if they meet certain registration requirements.

9.12 Under the regime, assurance practitioners can choose to register with the FRC to signal to the market they that have the relevant skills and experience for providing a third-party assurance opinion over sustainability-related financial disclosures, as well as demonstrating their adherence to technical and ethical standards. Registration requirements relating to skills, experience, and standards will be determined by the FRC. The regime will be profession-agnostic and will encourage a diverse range of practitioners, including financial audit and sustainability verification skillsets.

9.13 The regime primarily intends to serve practitioners who currently, or would in future, undertake sustainability assurance engagements (either voluntary or mandatory) for entities within scope of climate and sustainability reporting requirements under the Companies Act, or UK Listing Rules (UKLRs)[18]. The FRC, therefore, will focus initially on registering firms, with individual practitioners to be considered at a later stage.

9.14 As such, the regime is not intended to capture small and medium sustainability assurance practitioners who do not provide assurance over disclosures by such entities. However, these providers would not be excluded from registration, so long as they meet the conditions of registration set by the FRC. The government will work with the FRC to ensure that smaller practitioners in the market are not disadvantaged by this approach.

9.15 Implementation will occur in two phases:

- interim (non-legislative) regime – the FRC will establish an interim voluntary oversight regime with a public register by mid-2026. Initially, the register will provide transparency about practitioners' expertise and qualifications, verified by the FRC as a condition of being on the register. However, we expect the FRC to build up the conditions of registration over time to refer to specific quality characteristics, working with the market.

[18] https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

- legislative regime – when Parliamentary time allows, the government plans to introduce primary legislation to provide statutory underpinning for the FRC, including establishing the sustainability assurance oversight regime as a statutory function. However, registration will remain voluntary for practitioners. While the exact details of this legislation are subject to future government decision-making, it will require amendments to the *Companies Act 2006*.

9.16 As this is being established with the intention to move to a legislative regime in the future, this paper presents an early consideration of the impacts of future legislation.

Indicative impact analysis: impacts on businesses

Impacts on assurance practitioners

9.17 For assurance practitioners, direct costs arise only if they opt into the oversight regime via registration. These costs include any registration fees charged by FRC, any administrative costs caused by providing information to and liaising with the FRC, and any upskilling costs to ensure they meet the required technical and ethical standards. The decision to register will be a business judgement for practitioners, who will need to weigh the costs against the potential benefits of market recognition and client acquisition. However, we expect the commercial advantages of registration will offset the cost of registration. DBT and the FRC will work closely with market participants to ensure that any registration fees do not act as a barrier to registration.

9.18 There may be an additional layer of familiarisation costs for non-auditor practitioners who are not currently under the FRC's remit (statutory auditors are already within the FRC's remit). These newly-in-scope practitioners would need to familiarise themselves with working with the FRC in its capacity as an oversight body, and may also incur new costs from providing information to the FRC as part of its oversight activity, potentially in addition to other oversight regimes to which they may be subject (for example, those entities who are accredited by the United Kingdom Accreditation Service (UKAS)). To mitigate this risk, the government intends for the FRC to work with market participants in the design and implementation of the regime, and to provide additional guidance and assistance to practitioners where required or appropriate.

9.19 As participation would be voluntary, there is a risk that costs of registration could act as a deterrent for some practitioners. Given the support shown for the regime in the consultation responses, we expect that reporting entities will favour employing registered practitioners due to the quality signal registration would provide. Entities would be aware that registered providers have the necessary skills and experience and follow suitable technical and ethical standards, as these will be conditions of registration with the FRC. Therefore, unregistered providers may be placed at a competitive disadvantage.

9.20 While registration fees are still to be determined, the FRC's immediate focus on firms will mean that this risk will be greater for smaller and individual practitioners. However, as outlined in paragraph 10, we expect the regime would primarily cater to practitioners providing assurance services to large reporting entities (i.e. large reporting entities captured by the Companies Act, UKLRs and equivalent overseas

requirements). The government and FRC will work to ensure messaging about the regime's intended scope is clear, to minimise market expectation that smaller assurance practitioners must be registered in order to provide quality services. This messaging will help to mitigate the risk that practitioners that provide sustainability assurance services to small and medium-sized reporting entities would be adversely affected by the regime.

9.21 The government also intends for the FRC's register to satisfy the EU's CSRD subsidiary reporting exemption and will continue to look opportunities to have the interim register recognised. This is an exemption that is available to EU subsidiaries of overseas parent companies, if the parent company's group accounts are assured by a registered assurance practitioner in their jurisdiction. Currently, practitioners need to transfer services to European arms of their businesses, or parent companies seek services from EU practitioners.

Impacts on users of assurance services

9.22 The register is also expected to make it easier for large reporting entities looking to obtain assurance services for climate and sustainability reporting (either voluntarily or mandatorily), captured by the Companies Act, UKLRs and equivalent overseas reporting requirements to identify and select high-quality UK assurance practitioners. Therefore, the regime is not expected to create any substantial costs for buyers of sustainability assurance services. Instead, the register is expected to produce a net benefit for this grouping by improving transparency around practitioners' capabilities, thereby lowering search costs through making it easier for companies to identify a reputable and suitable practitioner who can meet their individual assurance needs.

Indicative impact analysis: impacts on economic growth

9.23 In the 2023 UK investor survey, 93% of respondents who invest in, or cover companies in the UK, believed that corporate sustainability reporting contained at least some level of unsupported claims, an increase from 89% in 2022.[19] This suggests that investors currently lack accurate, reliable information on the sustainability of their investments, which exposes them to significant financial risks (e.g. from unexpected environmental challenges) and misdirected investments. The regime will help give investors confidence that sustainability disclosures are trustworthy, given their assurance by a registered assurance practitioner, thereby supporting better investment decision-making and allocation, and supporting overall growth.

9.24 The provision of credible sustainability-related information is generally seen to be valuable to the UK economy and would help to boost the UK's attractiveness as a place to invest. For example, recent research commissioned by DBT examining the value of environmental, social and governance (ESG) information to investors, found that the provision of non-financial information through the current requirements is estimated to be worth between £11-26bn per year to UK investors.[20] The research

[19] UK Investor Survey 2023
[20] Eftec, RiF, & DBT (2024). Value of Non-Financial Reporting.

also found that by improving the comparability and credibility of this information, aided by improved assurance quality – which is the focus of the proposal covered here – the benefits to investors could be increased by a further £6.6-16bn.

9.25 By recognising a wide pool of practitioners and aligning with international standards, the assurance regime is expected to stimulate competition and reduce market concentration. Increased competition will arise from promoting registration of a broad range of practitioners with different expertise (including independent assurance practitioners from outside financial audit). The FRC market study identified that reporting entities tend to default to financial auditors for sustainability assurance services, due to the perceived greater regulatory certainty over the conduct of these providers (and therefore lower risk for the reporting entity). As such, reporting entities expressed concerns that this has led to a perceived concentration of practitioners in the market currently, and higher costs. Because the register will also include independent assurance practitioners outside financial audit, we expect this to result in more non-audit practitioners being perceived as suitable for sustainability assurance engagements.

9.26 However, the success of the regime will depend on there being sufficient uptake of sustainability assurance practitioners from across sectors. The FRC has been tasked to work with market participants to develop the regime to ensure that it is accessible and reflects existing capabilities. They will ensure that the bar for registration is achievable for practitioners, but also that it is rigorous enough to give entities confidence in registered practitioners, and will work on building up conditions of registration over time. Furthermore, once the regime is established the FRC will act as an improvement regulator to help practitioners meet the requirements of registration and drive up the overall quality of the market. This will help to mitigate the risk of low uptake, while also helping registered providers in the sector to grow and improve over the long term.

9.27 The regime is also expected to create new business opportunities overseas, in particular where registration as a ‘sustainability assurance practitioner’ in the UK is necessary to conduct assurance engagements in third countries. The regime will recognise registered providers that have relevant skills and experience to provide assurance against reporting over multiple sustainability reporting frameworks, not just UK SRS, including International Sustainability Standards Board (ISSB) standards and equivalent reporting standards in other jurisdictions. This will ensure that UK registered sustainability assurance practitioners are considered reputable globally,

Alternative approaches considered

9.28 The most common alternative raised by stakeholder feedback to the consultation was that the regime should be mandatory. Mandatory registration would guarantee that all assurance providers meet a minimum standard and therefore, may result in better quality assurance services.

9.29 However, making registration a condition of providing sustainability assurance services would increase costs for both practitioners and companies and create higher barriers to entry. This could in turn lead to further market concentration among larger assurance firms in the short term, as we expect that some practitioners may take

longer to prepare for registration (for example, independent sustainability assurance practitioners outside FRC's current remit) and we would want to prevent existing engagements or appointments to be affected. Therefore, the government does not intend to implement mandatory registration.

Overall assessment

9.30 Overall, the government judges that the benefits of creating a voluntary oversight regime will outweigh the potential costs to assurance practitioners and users of assurance services. The voluntary regime is expected to be a low-cost and low-risk, and a proportionate first step towards greater regulatory oversight of the market.

Department for Business and Trade

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