Dear Mr Glen,

I am writing to you regarding the government’s commitment to ‘match the ambition’ of the EU’s sustainable finance reforms regardless of the outcome of EU exit, made in the July 2019 Green Finance Strategy.¹

The EU’s sustainable finance reforms aim to:

- reorientate capital flows towards sustainable investment;
- manage financial risks stemming from climate change by considering environmental and social goals in financial decision-making; and
- increase transparency in financial products so that citizens can make informed decisions about their investments.

To that end, the EU has recently passed two major Regulations, first introducing new requirements for sustainability-related disclosures in the financial services sector,² and second to establish a framework (the ‘taxonomy’) to facilitate sustainable investment.³ The EU is also amending a host of financial services framework directives to embed the need for investors to consider sustainability throughout EU capital markets regulation. These measures are vital not just to achieving the EU and UK’s shared goal of achieving net zero carbon emissions, but also to give people greater say over how their pension savings impact on the world around them.

At the moment the UK exits the transition period on 31st December 2020, EU laws that are in force and apply at that moment will be ‘onshored’ into the UK’s domestic legal order. The two EU Regulations mentioned will not apply until 10th March 2021, and thus will not be automatically ‘onshored’. The UK has no equivalent primary legislation that grants ministers or regulators the power to make regulations that would match the ambition of the EU’s sustainable finance reforms. ‘Matching the ambition’ will therefore require the creation of a new legal framework.

As the membership body for those in financial services with a commitment to sustainability, which represents banks, institutional and retail fund managers, pension funds, research providers, financial advisers, consultants and NGOs, we thought it would be helpful if we offered our view – based on consultation with our members – about how the government should approach its commitment to matching the ambition of the EU action plan on sustainable finance.

We urge the government to bring forward plans at the earliest opportunity for an Act of Parliament that will create a UK version of the EU’s sustainable finance reforms. In drafting this legislation, we urge you and your colleagues to:

- onshore EU sustainable finance policy that supports the delivery of the three objectives of the EU sustainable finance action plan, identified above;
- provide early certainty to UK financial services firms by publishing proposals early and consulting on them;
- ensure that the UK legal framework is at least as ambitious and does not radically diverge from the EU’s sustainable finance regulatory framework; and
- correct any deficiencies or shortcomings in EU reforms, learning from mistakes and building on successes.

We recently responded to the European Supervisory Authorities’ consultation on draft regulatory technical standards, setting out our members’ views on latest proposals for the detailed regulations, which will supplement the EU’s sustainable finance reforms. We have attached our response, which we hope is of use as you and your officials decide upon a way forward.

The UK’s financial services sector and approach to climate change is world-beating. The government now faces a decision about how, and whether, it will maximise our expertise in these two areas and honour its commitment to match the ambition of the EU on the issue of sustainable finance.

We stand ready to work with you and your officials and regulators when you have decided a way forward.

Yours sincerely,

[Signature]

Simon Howard,
Chief Executive

Cc: Financial Conduct Authority,
Rt Hon Mel Stride MP, Chair of the House of Commons Treasury Select Committee
Rt Hon Pat McFadden MP, Shadow Economic Secretary to the Treasury