

## Introduction

The UK Sustainable Investment and Finance Association (UKSIF) is the membership organisation for those in financial services committed to the growth of sustainable and responsible finance in the UK. We look to promote a more sustainable and inclusive financial system that works for the benefit of society and the environment.

UKSIF represents a diverse range of financial services firms committed to these aims, and our 240+ members include investment managers, pension funds, banks, financial advisers, research providers, NGOs, among others. UKSIF welcomes the opportunity to contribute to HM Treasury's Call for Evidence – UK Listings Review.

## UKSIF's recent work

Historically, UKSIF has been hugely supportive of efforts to promote the sustainable finance agenda and worked closely with policymakers in the UK to find new ways to overcome the barriers, including the lack of meaningful disclosure by companies listed in UK markets.

Most recently, we engaged with policymakers on the UK Government's Pension Schemes Bill and successfully lobbied for pension schemes to report against the Task Force on Climate-related Financial Disclosures ('TCFD') framework. We are now looking to ensure that pension schemes, and indeed all signatories to TCFD, are making good-quality and relevant disclosures so that investors, savers and all of us can have better information on companies' climate related risks and opportunities. We were delighted the Government recently confirmed it will take forward our recommendation outlined in our report published in February last year for a central directory of schemes' Statement of Investment Principles (SIPs), which will allow for better scrutiny of schemes' ESG investment policies.<sup>1</sup>

We have called over recent years for mandatory TCFD disclosure for all listed companies, and we are pleased this is now being adopted by the Government and rolled out across the economy. Despite this, we know there is much further to go on, and **we will be outlining our new policy vision ahead of COP26 setting out the UK sustainable finance community's vision for how the UK should cement its global leadership on sustainable finance**, including the steps policymakers should take to achieve this objective.

## UKSIF views on Call for Evidence – UK Listings Review

UKSIF and our members support Treasury's decision to launch a review of the UK's current listings regime, and **we would stress that climate change and sustainability considerations are at the core of your review to ensure the UK's financial markets require the highest ESG standards including from companies and market participants**. This would help improve the attractiveness of the UK's listing regime to investors and businesses globally, and ensure we can attract the most innovative and successful firms, particularly from new emerging sectors, going forward.

Now is an opportune moment for the UK to review the listings regime. By building on the UK's reputation as a global leader on ESG standards, this will provide the UK with a crucial competitive advantage as we seek to attract new companies to our markets. **High ESG standards have long been an integral part of the London market's success in recent years, helping attract overseas capital to the UK**; these are seen by foreign investors as indicating lower risk, meaning companies can raise capital at a lower cost than competitors in those markets which are seen to have lower standards.

We would like to outline below the following points in response to your Call for Evidence:

### **Robust sustainability standards should be at the core of the new listings regime**

**Strong sustainability standards must be in place for companies seeking to list in the UK, and in particular for those seeking entry onto the premium listing segment.** In the past, UKSIF called for mandatory TCFD reporting for premium-listed companies (rather than on a 'comply and explain'

<sup>1</sup> UKSIF, *Changing course? How pensions are approaching climate change and ESG issues following recent UK reforms*, February 2020.

basis), and we would urge the review not to dilute requirements for this group and indeed all companies seeking to list in the UK.

High-quality disclosures will be crucial to supporting a more accurate valuation of listed companies and identifying where further action might be needed to support certain companies to transition, ultimately contributing to financial stability. We know our members can only take concrete action to respond to climate-related financial risks, and take advantage of the opportunities, if they can access high-quality, comparable data on companies' disclosures.

Going forward, in order to encourage listed companies' boards to oversee and engage with their own TCFD disclosures, we would support the principle of advisory shareholder votes on companies' TCFD disclosures at their Annual General Meetings (AGMs). This would create a robust accountability mechanism for companies' TCFD disclosures, and we believe the frequency of shareholder votes should be driven by investors in dialogue with company management.

### **Track record requirements and prospectuses should more fully account for climate change**

Track record requirements are a key tool for many of our members to effectively assess a company that is seeking to list and provide reassurance that the company's business model is sustainable in the long run. We believe **track record requirements should always aim to provide a full and accurate picture of a company to investors, and we would support these requirements more fully disclosing how a company is seeking to address climate related financial risks and opportunities.**

In a similar vein, a company's prospectus should provide investors and others with a standardised set of detailed information on how a company is seeking to align with globally recognised sustainability frameworks (e.g. TCFD and SASB) and disclose ESG related risks and opportunities. It should better reflect the changing nature of financial markets and increasing recognition of the risks posed by sustainability factors to companies. One idea might be to include a dedicated chapter in the prospectus on this area.

**A prospectus must continue to provide the necessary material information for investors to make informed assessments of the prospects of an issuer, and this includes information on ESG-related matters.** For example, in the context of the UK's 2050 net-zero emissions target, many companies will need to consider significant changes to their business model and strategy and these changes under considerations will need to be disclosed. We would not support any loss of disclosure attached to a prospectus, nor a reduction in the threshold requirements for when a prospectus is required by an issuer.

### **Treasury's review should consider other issues, including increasing access to public equity markets**

We believe **the review should explore separate pressing issues, such as improving access to public equity markets for retail investors, traditionally excluded groups such as low-income households, as well as SMEs seeking to raise new capital.**

These issues should form a core part of the review's terms of reference and bring together government, industry, regulators, and others to address these issues. Technological solutions may have a role to play and these should be encouraged; one example could be the technology platform Primary Bid which helps connect retail investors with public companies seeking to raise capital on the same terms as institutional investors. Separately, policymakers will need to take action to ensure SMEs, which are unlikely to be served by public markets, can be effectively supported. Ways to improve the capacity and expertise of SMEs' business leaders in raising finance in public markets, and boosting awareness of the benefits and utility of capital markets more broadly would be welcome.

UKSIF and our members look forward to engaging with HM Treasury over its upcoming review of the listings regime, which we hope can send a signal to the rest of the world that the UK will continue to set the highest ESG standards globally. We hope some of our proposals could help further improve the attractiveness of the London market on the global stage.

**Further information**

For more information on this response, please contact Oscar Warwick Thompson, Senior Policy Manager, on: [o.warwickthompson@uksif.org](mailto:o.warwickthompson@uksif.org).

<sup>1</sup> UKSIF, *Changing course? How pensions are approaching climate change and ESG issues following recent UK reforms*, February 2020.