

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 the consultation paper on sustainability reporting from the Trustees of the International Financial Reporting Standards (IFRS) Foundation.

UKSIF's recent work

Historically, UKSIF has been hugely supportive of efforts to promote the sustainable finance agenda and worked closely with policymakers and others to find new ways to overcome the barriers to the growth of sustainability in the UK, including the lack of comparable data on environmental, social and governance (ESG) issues.

Most recently, we engaged with policymakers earlier this year 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 this month it will take forward our recommendation outlined in our report published in February this year for a central directory of schemes' Statement of Investment Principles (SIPs), which will allow for better scrutiny of schemes' ESG investment policies.¹

We have also called over recent years for mandatory TCFD disclosure for listed companies, and we are pleased this is now being adopted by the UK Government. Despite this, we know there is much further to go on, and **we will be outlining our policy vision next year 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 consultation

UKSIF and our members strongly endorse the IFRS Foundation's proposals for a new Sustainability Standards Board (SSB) under your remit to deliver robust and consistent global sustainability reporting standards that can meet the overwhelming and pressing demand from our members and wider society for meaningful sustainability data. We see this as a real turning point in sustainability-related disclosures for our members and society more broadly.

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 and comparable data across different countries, and we stand ready to support the Foundation's ambitious work. Common sustainability standards are vital, with current sustainability disclosures inconsistent across companies and not providing our members with the data necessary to make well-informed financial decisions. For example, TCFD's most recent status report noted much more progress was needed by existing signatories, while more detailed reporting standards are vital given the principles-based nature of frameworks like TCFD.

Increasingly, UKSIF and our members have been calling for detailed sustainability reporting standards, viewing comprehensive disclosure as central to the private finance sector's capacity to drive the net-zero transition, and we would like to make the following points in response to the Foundation's consultation:

¹ UKSIF, *Changing course? How pensions are approaching climate change and ESG issues following recent UK reforms*, January 2020.

- **The importance of building on existing frameworks to deliver quick progress:** We support the Foundation building on the success of existing frameworks and initiatives (e.g. TCFD and SASB, which our members are increasingly lending their support for), and working closely with global standards setters, policymakers and private finance over new standards. This would help ensure standards can be introduced at pace and can meet the pressing demand from our members for better sustainability reporting standards. Significant delays on reporting standards will further increase the likelihood of fragmentation of standards and regulations in different countries and impede progress in the transition to a low-carbon future. The Foundation will need to take into account the implementation timeframes of new requirements globally, such as the European Union's new Sustainable Finance Disclosure Regulation (SFDR) and the UK's measures on mandatory TCFD disclosure, to ensure alignment. Separate to this, the Foundation should consider in more detail and provide more clarity to stakeholders on how it might work with other initiatives in practice, while we would also urge the European Commission and other authorities to align with standards emanating from the Foundation.
- **The need to broaden out to wider sustainability issues:** We would welcome a strong commitment by the Foundation to explore standards encompassing wider sustainability impacts in time, not just climate change (e.g. social, human capital and governance disclosures). There is a wide range of sustainability factors which our members are increasingly taking into account in their financial and investment decisions (e.g. capital allocation/risk management/asset pricing) and more time will be needed to bring in standards reflecting the full range of sustainability issues, but this work should not be significantly delayed. A double-materiality approach will be crucial for the Foundation to consider, particularly given this will be at the core of SFDR and more broadly will be vital to improve the reliability of information across the investment chain.
- **Representation from the UK's sustainable finance sector:** We would request representation from some of UKSIF's members, including investors, on both the Foundation and SSB governance structure, given their unique technical expertise on climate risks and longstanding commitment to sustainability. This will help ensure industry-specific standards can be developed and maintained over time. We would be pleased to convene a group of our members to discuss this with you.
- **Flexibility of reporting standards over time:** Once adopted, a flexible approach will need to be taken for standards to adapt to the changing nature of the global economy and the Foundation would be well placed to manage this process of adaptation over time.

UKSIF and our members look forward to engaging with the Foundation over its upcoming work, and continuing to help policymakers and others address the challenges impeding progress towards a more sustainable economy.

Further information

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