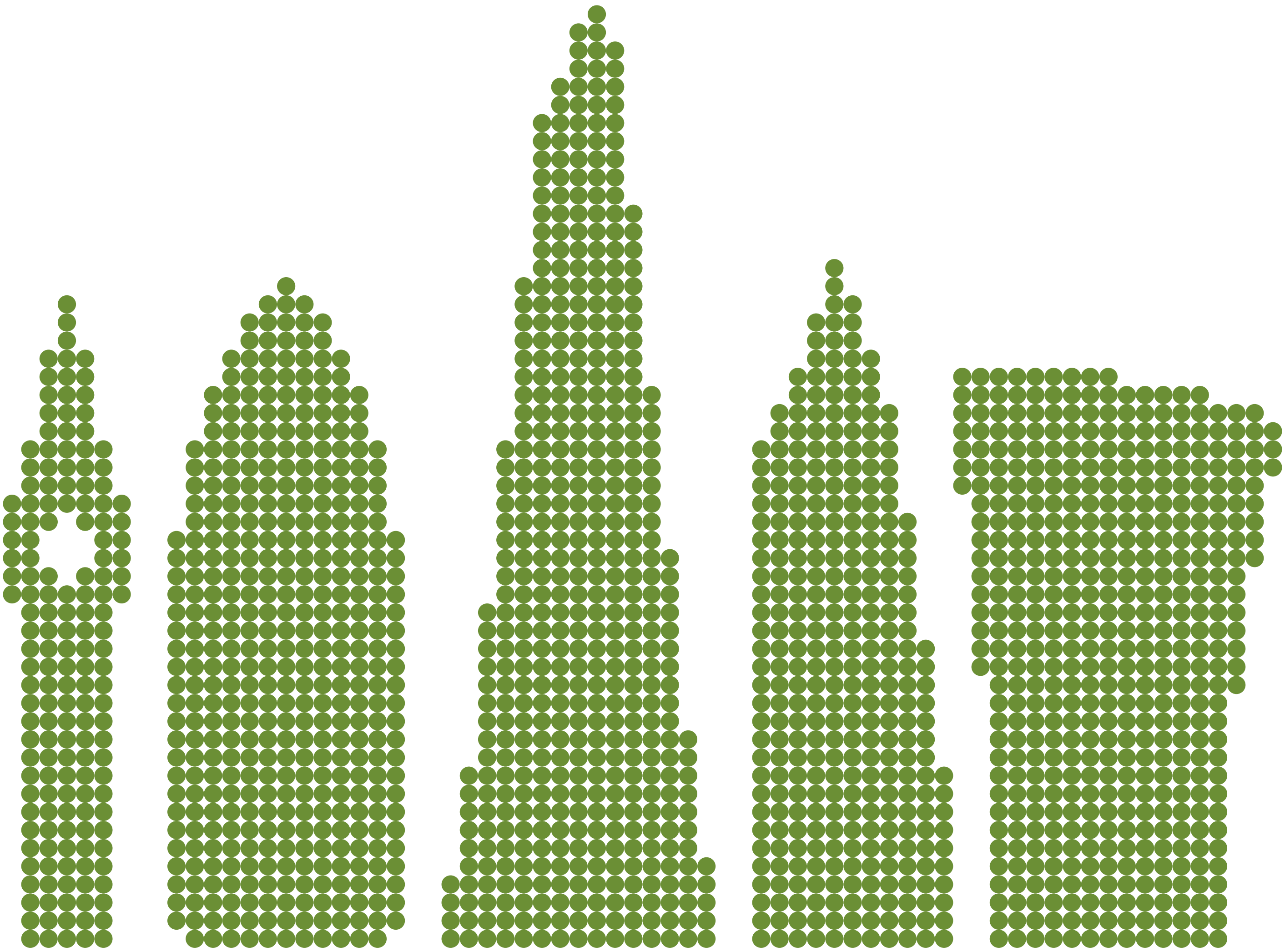
Building a UK Net Zero-aligned Financial Centre: what next?



ALDERSGATE GROUP
LEADERS FOR A SUSTAINABLE ECONOMY

CUSP
Centre for the Understanding of Sustainable Prosperity

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The Aldersgate Group is a politically impartial, multi-stakeholder alliance championing a competitive and environmentally sustainable economy.

The Aldersgate Group is an alliance of major businesses, academic institutions, professional institutes, and civil society organisations driving action for a sustainable and competitive economy. Our corporate members, who have a collective turnover in excess of £600bn, believe that ambitious and stable low carbon and environmental policies make clear economic sense for the UK.

Our policy proposals are formed collaboratively and benefit from the expertise of our members who span a wide range of industry sectors and public interests. Our breadth and collegiate approach allows us to formulate progressive policy positions to benefit all organisations and individuals.

ORGANISATION MEMBERS

Recommendations made in this report cannot be attributed to any single organisation and the Aldersgate Group takes full responsibility for the views expressed.

Executive summary

About this briefing

This briefing calls for rapid action to implement and strengthen the Government's proposed reforms on climate reporting and disclosures, as set out in **Greening Finance: A Roadmap to Sustainable Investing (published October 2021)**.[1] The briefing also outlines the next steps that must be taken to support corporations and financial institutions to comply cost-effectively with these new requirements, and **ensure that new reforms help deliver genuine emission reductions in the real economy.** A summary of all policy recommendations in this briefing, including recommended dates for their delivery, can be found in Table 1. A glossary of terms used throughout the paper can be found on page 6.

About the new disclosures regime and its purpose

The scale of action required to achieve net zero emissions by 2050 means that **there is an urgent need for large corporates and financial institutions to disclose not only their exposure to risks** which may arise as a result of the climate changing, but also for them to outline their contribution to climate change and their plans for cutting emissions.

This is why the Government introduced a new regulatory framework called the Sustainable Disclosures Requirements regime (SDR). This framework will require large corporates and financial institutions to assess and address climate risk **as part of the plan to create a UK Net Zero-Aligned Financial Centre announced by the Chancellor at COP26.** The new framework will aim to strengthen disclosures, tackle greenwashing, and change behaviour linked to investment decision-making.

The new regulatory framework, which is based on the European Union's Sustainable Finance Disclosures Regulation (SFDR), **will be a significant scaling up on the existing requirements** (outlined further in the next paragraph). These include the development of an integrated climate-related financial disclosures framework, new global sustainability standards, and a new set of definitions for what constitutes a sustainable investment (the UK Green Taxonomy). It also includes the introduction of a requirement for large corporates and financial institutions to publish net zero transition plans from April 2023. The new requirements are outlined in detail in Table 3.

These new requirements build on existing sustainability reporting requirements, disclosures and initiatives – both voluntary and mandatory – such as reporting in line with the Taskforce for Climate-related Financial Disclosures (TCFD) and Streamlined Energy and Carbon Reporting (SECR) (outlined further in Table 2). The current requirements have helped real economy businesses better understand their emissions sources across scopes 1 and 2, such as energy consumption and fleet. They have also enabled corporates and financial institutions to improve their awareness of climate risks and, indirectly, mitigate their contribution to climate change. Some businesses are now using this information to set net zero targets and produce sustainability strategies.

1 HM Treasury, Department for Work & Pensions and Department for Business, Energy & Industrial Strategy (October 2021) *Greening Finance: A Roadmap to Sustainable Investing*

Ensuring new disclosure requirements lead to decarbonisation: next steps for the Sustainable Disclosures Requirements (SDR)

It is now vital to use the new SDR regime to increase ambition on decarbonisation. This can be achieved by creating a framework for businesses to look at identified climate risks and sources of emissions in a holistic way, develop transition plans for lowering greenhouse gas outputs, and set out the business opportunities which can arise from tackling climate-related risks. Taking this approach will mean that all businesses have to comply with the same minimum standard when taking into account climate and environmental factors in their business activities. It will also ensure that businesses have the right data to put together transition plans which cover the full scope of their emissions sources.

To put such an approach into practice, the Government **should merge the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD) with the Streamlined Energy and Carbon Reporting framework from 2025,** and **make it mandatory for large corporates and financial institutions to publish their material scope 3 emissions from 2025.** To help tackle environmental and biodiversity loss-related risks in addition to climate risks, the Government must design the new SDR framework in such a way as to allow for the integration of other environmental disclosures over time. The Government should also encourage the International Sustainability Standards Board (ISSB) to publish biodiversity metrics to enable businesses to publish voluntary disclosures in line with the draft framework from the Taskforce for Nature-related Financial Disclosures (TNFD). (See Part 1 for more details.)

For any new requirements to be effective, **it will be critical that organisations have a clear understanding of when different measures will be introduced, have a sufficient lead-in time to adapt to them, and receive appropriate guidance and support to comply with them cost-effectively.** The work of the Transition Plans Taskforce and the Green Technical Advisory Group (GTAG) will be important here, and the Government will need to publish guidance for reporting in line with the new SDR framework (see Part 1 for more details).

Additionally, because the UK financial sector does not operate in a silo, it is important for UK policy on green finance to be considered within the wider international context. Whilst there may be valid scientific grounds for the UK's green financial framework to diverge from other international frameworks such as that of the EU (in areas such as the green taxonomy), it is important to global businesses and financial institutions that the UK's evolving framework provides as much compatibility with other major global frameworks as possible. **Maintaining interoperability between new UK regulation and major global regulatory initiatives and technical criteria will be important to ensure a high take-up of the UK's evolving green finance requirements, such as the UK Green Taxonomy.** This should include minimum interoperability with the EU, which remains for now the largest investor into the UK and the largest market for UK investors[2], and because the EU is the jurisdiction that has developed a 'first mover advantage' on the development of green finance reporting and disclosure requirements. **The UK should also continue to use diplomatic opportunities, such as active engagement in the G7 and G20, to advocate for greater ambition on green finance.** (See Part 1 for more details).

Crucially, the new regulatory framework must support genuine emission cuts in the real economy, rather than simply enabling the decarbonisation of investment portfolios (which could easily be achieved by investors selling off high carbon assets). This requires interventions in three interconnected areas. First, it requires greater **engagement from both businesses and investors on systemic climate-related risks,** by ensuring in particular, that **investors allocate capital based on a business's decarbonisation strategy, rather than just based on its current greenhouse gas emissions.** Second, investors need to increasingly take on **the role of responsible stewards of capital.** This requires them to engage with businesses which do not yet have a credible net zero transition plan and encourage them to produce one, rather than moving straight to divestment. Third, it will be essential to **introduce policies and mechanisms which help pivot capital away from high carbon processes and towards low carbon activities.**

To support intervention in these three key areas, **the PRA should consult on how capital treatment can be used as a tool to drive greenhouse gas emissions reductions, in addition to managing climate-related risk.** The FCA should publish **a framework to guide investors on the best ways to act as responsible stewards of capital** and share guidance on when potential divestment may be appropriate. Financial regulators should also be given the mandate and responsibility for overseeing the creation and implementation of net zero transition plans. (See Part 2 for further information.)

2 Office for National Statistics (July 2021) *Foreign direct investment by ultimate controlling economy, UK trends and analysis: July 2021*

Tackling broader financial sector challenges

Due to the significant role finance must play in facilitating the low carbon transition, it is critical that existing challenges linked to making ambitious investment in net zero delivery are addressed. Companies must ensure they have access to the right skills to produce reports and develop emissions reduction strategies. **Financial institutions and corporates should ensure they have access to the right skills to set science-based targets, produce disclosures, and develop net zero transition plans, whether through in-house staff or consultants.** This can be achieved, for example, by offering support to staff to take additional training, such as through the CFA UK Level 4 Certificate in ESG Investing.

Public policy frameworks and government-published decarbonisation pathways must be stable and long-term. This will be key to minimise disruption to business that may arise from sudden policy changes and which could subsequently lead to the loss of precious time to act to keep global warming to 1.5°C. A key opportunity to achieve this includes pressing ahead with the implementation of the Net Zero Strategy and tackling the remain policy gaps in sectors which need to decarbonise rapidly such as power, buildings, heavy industry, transport and agriculture).[3] **The Government must also use the public finance tools at its disposal to de-risk climate-related investments and crowd in private finance to infrastructure, technologies and markets needed to accelerate the low carbon transition.** The Government should issue an additional round of green sovereign bonds, and strategically allocate capital available through the UK Infrastructure Bank to grow new low carbon and natural capital markets in line with delivering the 6th Carbon Budget.

Embedding climate change into financial decision-making and next steps

Implementing the recommendations in this report will ensure that the new reporting requirements being rolled out as part of SDR (disclosures, transition plans, the taxonomy, and standards) produce high-quality, comparable and decision-useful information, without unduly burdening businesses. **This will help financial institutions and companies to consider climate change in a more systemic way and at an earlier stage in their decision-making process, thereby guiding a more strategic allocation of capital to support delivery of the UK's net zero target.**

Finally, it is critical that these reporting requirements are not seen as a "silver bullet" for financing the net zero transition. As mentioned above, **additional policies which aim to attract private finance at the pace and scale needed to decarbonise the economy** will also need to be introduced. In addition to cross-sectoral measures such as carbon pricing, new tools will be needed on a sectoral basis, with bespoke policies, mechanisms and financial products for sectors such as energy, construction, transport, buildings, nature, agriculture and heavy industry. **The Aldersgate Group has outlined many of these policies in its recent report, the *Net Zero Strategy Policy Tracker: Key Announcements and Next Steps* (published October 2021 in direct response to the Government's Net Zero Strategy).**

Looking ahead, the Aldersgate Group will also be mapping out further policies specifically relating to crowding in private finance as part of the development of the update to the Green Finance Strategy (2022), and will monitor the progress of amendments to the Financial Services Bill and the Regulatory Framework Review throughout 2022.

3 > See the Aldersgate Group's recent report *Net Zero Strategy Policy Tracker: Key Announcements and Next Steps* (October 2021) for further details.

TABLE 1: SUMMARY OF POLICY RECOMMENDATIONS

PART 1: BUILDING A CLEARER AND MORE IMPACTFUL CLIMATE RISK REPORTING REGIME

	Recommendation	DATE
1	**BEIS and HMT should outline further details for their vision of what reporting against the new Sustainable Disclosures Requirements (SDR) framework will look like, including guidance, so businesses can begin to prepare for the regime change ahead of new primary legislation receiving Royal Assent.** They must outline exactly how the new requirements will integrate the SDR, UK Green Taxonomy and transition plans and set out a long-term plan to roll out requirements to different types of businesses (such as unlisted large companies and SMEs).	ASAP
2	The Government should **use the new SDR to create a framework for businesses to look at identified climate risk and sources of emissions in a holistic way** by integrating existing requirements, including merging the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD) and the Streamlined Energy and Carbon Reporting (SECR) within the new framework, in order to make reporting requirements more comprehensive and simpler for businesses.	2025
3	**The Government should design the new SDR framework in such a way as to make integrating other environmental disclosure requirements possible over time** – for example, reporting on due diligence for forest risk commodities, or mineral procurement.	Ongoing
4	**The Prudential Regulatory Authority (PRA) should publish a scenario analysis standard,** to enable companies and LLPs to conduct quantitative scenario analysis to explore implications of different possible climate impacts. This should include standards for transition risk and physical risk.	By 2025
5	Regulators should **publish official guidance to encourage reporting of material scope 3 emissions** on a voluntary basis from 2024, with a view to making this mandatory over time. The guidance should be tailored for each sector. This will ensure consistency of approach and reduce the amount of time and resources spent on individual businesses or sectors producing their own calculation methodologies.	2023
6	The Government should **make material scope 3 emissions reporting mandatory – but allow for the use of proxy data (such as through the National Renewable Energy Laboratory) to calculate emissions.** This will create a level playing field across the economy. It will also increase the amount of data available for investors to make decisions and for businesses to produce net zero transition plans.	2025
7	**The UK Government should encourage the International Sustainability Standards Board (ISSB) to publish biodiversity metrics** to help businesses identify and measure their biodiversity impacts, and enable voluntary reporting in line with the draft recommendations of the Taskforce for Nature-related Financial Disclosures (TNFD).	ASAP
8	The Government and regulators should **prioritise interoperability on disclosures between new UK regulation and European and global regulatory initiatives.** It may be desirable for the UK to develop more ambitious approaches on environmental sustainability which go beyond European and global standards, so long as these are scientifically justifiable and retain a degree of interoperability with these existing standards.	Ongoing
9	The Government should **use the UK's active engagement with the G7 and G20, and the remainder of its COP Presidency in 2022, to advocate for the adoption of internationally compatible green finance regulation and standards** in other key financial centres, as well as promote the utilisation of technical criteria (such as taxonomy definitions) which are aligned with a 1.5°C pathway. This should include encouraging other countries to announce plans to create Net Zero-aligned Financial Systems.	Ongoing

TABLE 1: SUMMARY OF POLICY RECOMMENDATIONS

PART 2: ENCOURAGING MARKET PARTICIPANTS AND FINANCIAL INSTITUTIONS TO ENGAGE WITH SYSTEMIC RISK

		DATE
10	**When consulting on amending regulatory capital frameworks (also known as introducing capital treatment) in Q4 2022, the PRA must address the link between capital allocation and causes of climate change.** Specifically, we recommend the PRA consider changes to capital requirements to more accurately reflect the risks associated with investing in assets which are incompatible with a 1.5°C pathway and risk becoming stranded. This can incentivise financial institutions to pivot large quantities of capital away from high carbon assets and towards green investments.	2022
11	The FCA should **open a consultation on producing a framework to guide investors on the best ways to become responsible stewards of capital.** This should include guidance on when potential divestment from companies which do not engage with the net zero transition, or other environmental targets, may be appropriate.	ASAP
12	Financial regulators **should be given the mandate and responsibility for overseeing implementation of net zero transition plans,** in addition to overseeing the creation of these plans. This will help to support financial institutions and corporates to decarbonise and reduce the risk of companies which are lagging behind from lobbying against progressive policy on climate change.	By 2025

PART 3: TACKLING BROADER FINANCIAL SECTOR ISSUES

13	**Financial institutions and corporates must ensure they have access to the right skills to produce disclosures, net zero transition plans and set science-based targets,** whether through in-house staff or consultants. This should include offering existing staff training, such as through the Green Finance Education Charter, or the CFA UK Level 4 Certificate in ESG Investing.	ASAP
14	**The Government must set public policy frameworks and decarbonisation pathways which are stable and long-term,** including implementing and addressing gaps in the Net Zero Strategy. The Government should also publish departmental GHG emissions, and introduce climate stress tests across scopes 1, 2 and 3 to assess new policies.	ONGOING
15	**The Government must use public finance tools such as the UK Infrastructure Bank and the green gilt to de-risk climate-related investments** and crowd-in private finance to the infrastructure, technologies and markets needed to accelerate the low carbon transition.	ONGOING
16	**When the Government begins tracking private financial flows into low carbon solutions, the UK Green Taxonomy should be used as a benchmark.** Government-led tracking of flows will be useful for providing a clear picture of the level of sustainable investment still required within the economy. It will also increase the availability of data for NGOs which are monitoring investment for net zero and creating progress trackers (such as the Climate Policy Initiative). These trackers can, in turn, help to drive competitiveness within the private sector.	ASAP

Glossary

Climate change adaptation refers to infrastructure, technology and natural solutions to address the physical impacts of climate change which are already locked in from the existing levels of warming. For example, planting trees on a flood plain to reduce the risk of increased rainfall leading to flooding.

Climate change mitigation refers to technologies to reduce the emission of greenhouse gases. For example, transitioning from fossil fuel-based energy to renewables.

Double materiality requires companies to address the impact of their activities on society and the environment over time, in addition to the existing requirement to identify the risk climate change poses to the company's operations and activities.[4]

The **Green Taxonomy** is a dictionary for what constitutes a green or sustainable investment. The UK is developing its own Taxonomy, based on the EU Taxonomy (which is also still in development).

A **net zero transition plan** sets out how an organisation will adapt as the world transitions towards a low carbon economy.[5]

Risks which are physical reflect the physical changes resulting from climate change, for example heat waves or flooding.

Risks which are systemic refer to the risk of a major economic or sectoral collapse – for example, the financial sector being unable to continue operating because of extreme climate-related events and their associated costs.

Risks which are transitional result from changes in climate policy or investment demands, for example if a carbon price increases suddenly or there is a reduction in the availability of capital for funding low carbon infrastructure.

Qualitative scenario analysis involves producing a narrative of the potential risks which may arise from different climate change scenarios. The data used to produce this analysis can be drawn from historical trends (internal and industry), statistical or financial, or based on original research.

Quantitative scenario analysis involves calculating numerical results to assess, for example, the impact of climate risks on financial returns in a particular area of a business's operations.

SDR stands for Sustainable Disclosures Requirements regime, which will be an integrated reporting requirement including; a new framework for climate-related financial disclosures, creating net zero transition plans, reporting against global baseline sustainability reporting standards, and using the Green taxonomy. The SDR will apply to reporting in the UK only, but is based on the EU's SFDR. Plans for the development of the SDR were published in HM Treasury's *Greening Finance Roadmap,* published October 2021.

SECR stands for the Streamlined Energy and Carbon Reporting framework, which is a UK framework introduced in 2019. The SECR requires companies to report their energy and carbon emissions.

SFDR stands for Sustainable Financial Disclosures Regulation, and is the EU's framework for disclosing sustainability risks. The EU's Taxonomy Regulation is separate to the SFDR, but they are interlinked.[6] The UK SDR is based on the SFDR.

TCFD stands for the Taskforce for Climate-Related Financial Disclosure framework. The TCFD was created by the Financial Stability Board in 2015 and is an internationally recognised framework for climate-related financial risk disclosure which is used by companies, banks, and investors. The UK currently requires disclosures to be reported using this framework, for consistency.

TNFD stands for Taskforce for Nature-related Financial Disclosure framework. The TNFD was established after the TCFD to help businesses identify the risks posed to their operations which may arise from biodiversity loss. Their framework, which is currently in draft form, will also provide a template to help businesses identify their operational impacts on wildlife and ecosystems.

4 Finance Watch (June 2020) *Breaking the climate-finance doom loop*

5 HM Treasury (November 2021) *Fact Sheet: Net Zero-aligned Financial Centre*

6 KPMG (March 2021) *SFDR – a Snapshot*

About HM Government's Greening Finance Roadmap

Autumn 2021 saw a number of major announcements from the UK Government on the future of the financial sector and its role in delivering the UK's net zero emissions target, including setting out a vision for the world's first Net Zero-aligned Financial System. **The most significant publication was *Greening Finance: A Roadmap to Sustainable Investing,*[7] which introduced a new integrated disclosures framework, set out plans for businesses to disclose against an in-development UK Green Taxonomy, and confirmed that large businesses and financial institutions will be required to publish net zero transition plans** (see Table 3 for a breakdown of the announcements).

The Aldersgate Group welcomes these new policy developments and the motivation to create a Net Zero-aligned Financial System in the UK by embedding climate and sustainability into investment decision-making across the financial sector and the real economy. The new regulatory framework recognises the critical role finance will play in meeting the investment demand required to meet the net zero emissions target, estimated by the Climate Change Committee (CCC) as amounting to £50 billion of additional annual investment from 2030 to 2050.[8]

TABLE 2: WHAT WAS REQUIRED OF BUSINESSES BEFORE THE GREENING FINANCE ROADMAP?

Mandatory climate-related financial disclosure requirements came into effect in April 2022. The regulation requires publicly quoted companies, large private companies and LLPs to publish details of climate risks their business is exposed to. The requirements are outlined in the *Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022* amendments to the Companies Act 2006. The requirement is in line with the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD). Businesses have been encouraged to report in line with the TCFD on a voluntary basis until now.

Mandatory reporting in line with the Streamlined Energy and Carbon Reporting (SECR) framework, introduced in April 2019. The SECR replaced the Carbon Reduction Commitment (CRC) Scheme. The SECR requires all quoted companies, large LLPs and large UK incorporated unquoted companies to publish details of their carbon emissions across scopes 1 and 2.

Voluntary reporting in line with the Carbon Disclosure Project (CDP),[9] which includes investors, companies, cities, states and regions. Due to the high-profile nature of the CDP, many businesses feel compelled to report annually, despite it being voluntary.

Voluntary participation in the UNFCCC and COP26 Race to Zero campaign.[10] The international campaign encouraged real economy and financial institution actors to pledge to set long-term and interim net zero targets ahead of the 2021 Glasgow summit, and will require participants to publish plans for how they will meet those targets.

7 HM Treasury, Department for Work & Pensions and Department for Business, Energy & Industrial Strategy (October 2021) *Greening Finance: A Roadmap to Sustainable Investing*

8 The Committee on Climate Change (December 2020) *The Sixth Carbon Budget: The UK's path to Net Zero*

9 *www.cdp.net/en* [Accessed 22 March 2022]

10 *unfccc.int/climate-action/race-to-zero-campaign* [Accessed 22 March 2022]

TABLE 3: WHAT WAS ANNOUNCED IN AUTUMN 2021?

Greening Finance: *A Roadmap to Sustainable Investing* **contained four chapters on the following themes:**

1. Getting the right information to market participants
2. Defining what counts as green
3. Being a responsible steward of capital
4. Leading international efforts on green finance

A new **Sustainable Disclosures Requirement (SDR) framework** will be introduced (date dependant on the new regulations receiving Royal Assent) which aims to "be a fully integrated regime that works smoothly across all sectors of the economy". The SDR will require "economically significant companies" over time to:

- **publish disclosures** (building on existing requirements under the TCFD)
- **report alignment of revenu**e against the **UK Green Taxonomy**
- report against **new global baseline reporting standards for sustainability** being developed by the International Sustainability Standards Board (ISSB). The standards will 'build on the work of the TCFD' and reporting will be 'consistent with existing and forthcoming disclosure requirements'.

At COP26, the Chancellor of the Exchequer announced plans to make **publication of net zero transition plans mandatory for financial institutions and listed companies,** from 2023 (on a comply or explain basis).

In the *Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations (2022)* **the Government confirmed it will be mandatory for companies and LLPs to include qualitative scenario analysis** in their climate disclosures from April 2022.

The Government plans to, in 2022, **consult on the following further reporting requirements, to be added to the SDR in the future:**

- Potential mandatory sustainability-related disclosures and sustainability-related labels for investment products
- Making Scope 3 emissions reporting mandatory
- Merging the TCFD with the Streamlined Energy and Carbon Reporting framework and into the SDR
- Potential disclosure of how sustainability matters are taken into account in investment advice
- Consult on two categories (mitigation and adaptation) of the Technical Screening Criteria for the UK GreenTaxonomy

KEY GREENING FINANCE GOVERNMENT ANNOUNCEMENTS

FURTHER POTENTIAL CHANGES (AWAITING CONSULTATION)

Companies to publish scope 3 emissions

Companies to use new sustainability-related disclosures and sustainability-related labels for investment products

Government to merge the TCFD and the SECR Companies to disclose how sustainability matters are taken into account in investment advice

Government to consult on definitions for the UK Green Taxonomy

CONFIRMED NEW REQUIREMENTS

Report against new SDR framework using double materiality (Date TBC)

Calculate sustainable revenue and investment values using the new UK Green Taxonomy (Date TBC)

Publish net zero transition plans (April 2023)

Report against new global baseline reporting standards for sustainability (Date TBC)

Publish qualitative scenario analysis (April 2022)

EXISTING REQUIREMENTS

Publish climate-related financial disclosures using TCFD framework and single materiality (April 2022)

Publish scope 1 and 2 emissions using SECR framework (April 2019)

Challenges ahead

It is now critical for the new policies announced in the HM Government's *Greening Finance Roadmap* to be implemented in a way which ensures that businesses and financial institutions understand what is required of them, have sufficient time to adapt, and are supported and equipped with the right guidance to enable them to produce **accurate, comparable and decision-useful information** as part of their reporting and disclosure exercises.

This will ensure that businesses and financial institutions are able to make informed decisions about how best to allocate capital in a way which is aligned with climate and environmental targets. A carefully planned implementation of these policies will also help ensure that new disclosures and reporting requirements are not perceived to be a burden to the private sector and can be taken on in an efficient way.

To support the effective implementation of the UK's evolving climate reporting and disclosure requirements, the Aldersgate Group has identified five key challenges which the Government and regulators need to overcome in the near-term:

1. **Addressing the significant confusion that currently exists in the market.** Through Aldersgate Group engagement with a wide range of businesses and financial institutions, we have found that there is strong support for comprehensive reporting and disclosure requirements but there is also significant confusion within the market. This includes a lack of clarity on how new disclosures and reporting requirements will evolve and be implemented, what methodologies will underpin the different requirements, which areas of the economy different regulations will apply to, and the timelines within which these regulations will come into effect. Addressing this confusion now is critical; if the private sector perceives the exercise to be confusing or burdensome – either in terms of costs or timings – there is a risk that the quality or usefulness of the process of disclosure will be undermined.

2. **Supporting businesses and financial institutions in better understanding the technicalities involved in the new reporting and disclosure requirements.** This should involve government, regulators and other relevant bodies (such as trade representatives) setting out guidance on, for example, how to produce a good net zero transition plan, and how to conduct scenario analysis to identify climate risks.

3. **Meeting the urgency with which the financial sector needs to pivot towards investing in sustainable activities by ensuring policies are rolled out in an efficient and timely manner.** However, it is also critical that new and strengthening policies do not overwhelm businesses when it comes to meeting their reporting requirements. A recommended timeline for introducing these policies, with these two challenges in mind, is included as Table 1.

4. **Ensuring that amendments to the UK's disclosure and reporting requirements are focused on driving the decarbonisation of the economy as a whole.** These reporting requirements must encourage financial institutions to engage with systemic risk, by, for example, working as "responsible stewards of capital"[11] with high carbon businesses to reduce the carbon intensity of their operations over time, rather than managing portfolios by divesting from high-carbon assets – which should be seen as a last resort.

5. **Striving for UK green finance reforms which are internationally compatible** at the European Union and global level, to minimise reporting burden to businesses operating across jurisdictions. A degree of compatibility with EU standards is important given that the EU remains the largest investor into the UK ahead of the US and the largest market for UK investors before the US.[12] A UK Net Zero-aligned Financial Centre may want to go beyond European and global standards when this is scientifically desirable, but must maintain a minimum amount of interoperability with EU and key global standards and regulations.

This policy briefing aims to set out policy solutions to overcome these challenges, and makes recommendations on further opportunities and strategies to green the private sector.

11 The phrase "responsible stewards of capital" is used by the Government in the *Greening Finance Roadmap* to refer to financial institutions which work with recipients of investment to encourage them to engage with climate risk and develop strategies for reducing emissions. For more information see Table 4 of this briefing.

12 Office for National Statistics (July 2021) *Foreign direct investment by ultimate controlling economy, UK trends and analysis: July 2021*

Part 1: Building a clearer and more impactful climate risk reporting regime

Building on *"Getting the right information to market participants"* & *"Defining what counts as green"*[13]

The UK has demonstrated strong leadership to date on introducing policies which aim to embed more careful consideration of environmental and climate issues into the financial sector (see Table 2). The Aldersgate Group now welcomes the Treasury's plans to strengthen the disclosures process through the introduction of the Sustainable Disclosures Requirement (SDR) framework, announced in late 2021.

The SDR builds on the existing disclosures framework designed by the Taskforce for Climate-Related Financial Disclosures (TCFD), which mandates businesses to identify both risks posed to their operations from climate change, by adding an additional requirement for businesses to report on the impact of their activities on the climate (also known as double materiality[14]). The SDR therefore offers an opportunity to accelerate ambition and ensure that all market participants are considering and reporting on climate change and environmental issues at the same high standard, thereby creating a level playing field for comparing disclosures within the economy, and increasing the pool of data available for investors to use for decision-making.

A good understanding of reporting requirements is critical to ensure the new disclosures are enabling businesses to better identify both the physical risk that climate change poses to their operations, as well as to help them to identify sources of greenhouse gas emissions. This will be particularly vital in creating the baseline of knowledge required to enable businesses to produce quality net zero transition plans that help mitigate their contribution to climate change and adapt to identified risks. It will also help investors to understand which companies are adequately preparing for the net zero transition and which ones are not, thereby enabling them to allocate capital accordingly.

Ensuring quality and usefulness of data without increasing reporting burden

The Aldersgate Group welcomes the UK ambition to establish a Net Zero-aligned Financial Centre and believes the new SDR will be critical for its delivery. **The following recommendations will help to ensure the new disclosures framework delivers useful and high-quality data to support the transition, without becoming burdensome to businesses:**

1 **BEIS and HMT should outline further details about what their vision of reporting against the Sustainable Disclosures Requirement (SDR) will look like. This is critical to ensure businesses have sufficient time to begin to prepare for the regime change ahead of new primary legislation receiving Royal Assent later in the 2020s.** The Government should clarify exactly how the new requirements (the new disclosures framework, reporting against the UK Green Taxonomy and producing net zero transition plans) will be integrated within the SDR, and publish guidance for complying. The work of the Transition Plans Taskforce and Green Technical Advisory Group will both be critical, as the recommendations of each working group will need to be considered together to create a disclosures framework which integrates different requirements and reduces any reporting burden.

The Government should also clarify and make the purpose of the SDR (the move towards *double materiality*[15]) more explicit. The Government should also begin to outline how it plans to encourage climate-related risk and greenhouse gas disclosures reporting from businesses which are not required to do so under current or planned regulatory measures. In particular, setting out when large unlisted companies will be required to produce net zero transition plans and report in line with the SDR, and encouraging SMEs to report on a voluntary basis by providing regulator guidance and support, would be welcome.

13 Each section of the briefing is aligned with themes from HM Government's *Greening Finance Roadmap* (October 2021).

14 Double materiality requires companies to address the impact of their activities on society and the environment over time, in addition to the existing requirement to identify the risk climate change poses to the company's operations and activities. Double materiality underpins the regulatory framework set out by the European Commission in its Corporate Sustainability Reporting Directive, and differs from the single materiality approach taken by the TCFD.

15 Ibid.

2 **The Government should use the new SDR to create a framework for businesses to look at identified climate risk and sources of emissions in a holistic way, by merging the recommendations of the the TCFD with the Streamlined Energy and Carbon Reporting (SECR).**[16] As qualitative scenario analysis[17] reporting becomes mandatory in April 2022, companies will begin to explore implications of different possible climate impacts whilst simultaneously continuing to publish against the SECR. Integrating the TCFD with the SECR from 2025[18] is an opportunity to drive holistic thinking about emissions sources and future risk. Using these tools together will enable businesses to get a clearer understanding of what transitioning to net zero emissions will need to look like, both regarding mitigation and adaptation, and can create a larger pool of data for where decarbonisation efforts will need to take place across the financial system. Over time this should also lead to reporting of progress against climate change adaptation targets, which will help to build resilience, as a long-term addition to the SDR.

3 **Beyond climate-related financial disclosures, the new SDR framework should be designed to allow for the integration of other environmental reporting requirements over time.** This would help to minimise reporting burden for companies which are also required to report on a number of other environmental and social impacts linked to their operations. These include reporting on due diligence for forest risk commodities, mineral procurement, or human rights measures.

Integrating these reporting requirements within the SDR framework over time will help streamline climate and environmental reporting for businesses, making it simpler and more cost-effective. This approach will also increase comparability for investors when assessing businesses on their overall sustainability strategies across multiple metrics, and will give a better sense of the extent to which a business is taking progressive action across a range of sustainability metrics.

Assessing causes of emissions and identifying climate and environmental risks

When surveyed, more than 75% of investors said they use TCFD-informed disclosures when making their investment decisions.[19] Ensuring the data they use to make those decisions becomes more accurate and comprehensive over time will make it easier for them to allocate capital strategically and sustainably. **Some businesses are already producing comprehensive disclosures which include scenario analysis and scope 3 emissions reporting. However, many businesses are not yet doing so. This means capital remains likely to be allocated to companies which are not considering climate or environmental factors when managing their activities and making supply chain and investment decisions, such as asset replacements.**

Now that some businesses have become more experienced and confident in meeting new reporting requirements on a voluntary basis, it should become mandatory for all businesses to meet the same standards in the next few years – both the progressive leaders to date, and those which are lagging behind. This will provide investors with more data to assess which companies are working towards net zero, and those which are not, thereby supporting them in their decision-making. This should involve updating the process for identifying existing sources of emissions and climate risk, as well as beginning to encourage businesses to identify biodiversity loss-related risks.

To help businesses identify sources of emissions and climate risks, the Aldersgate Group recommends the following:

4 **The PRA should look to publish a scenario analysis standard to enable companies and LLPs to conduct more detailed scenario analysis, as part of the requirement introduced in 2022.** The standard should include formulas for conducting quantitative analysis of climate scenario risks, for both transition risk and physical risk. The Network for Greening the Financial System (NGFS) has produced a useful tool to help central banks and supervisors explore the possible impacts on the economy and financial system, which can provide a useful starting point for businesses. The PRA should now build on this to produce a version which is tailored for private financial institutions and companies which are covered by the existing scenario analysis requirements introduced in 2022.

5 By 2023, regulators should **publish official guidance to encourage businesses to calculate and report material scope 3 emissions on a voluntary basis from 2024.** Currently, businesses within the same sectors are developing their own methodologies to calculate and report their scope 3 emissions, which is costly and likely to lead to a number of financial institutions and corporates producing scope 3 emissions analysis which is incomparable across the economy. Publishing regulator-accredited guidance, tailored for individual sectors, will ensure consistency of approach, improve comparability, and reduce the amount of time and money spent on each business producing their own calculation methodologies.

16 It is worth clarifying that sources of emissions would ideally be evaluated both for a single reporting period (i.e. one financial year) as well as looking at an average of emission sources over a longer period (e.g. 5 financial years). This is because, for many companies, the baseline year for assessing progress in reducing emissions may have been set during the COVID-19 pandemic, when sources of emissions were affected by changes in behaviour, and are therefore not necessarily a true reflection of the sources of annual emissions for that company overall.

17 See policy recommendation 4 for further details on scenario analysis.

18 The Government committed to consulting on merging the TCFD and the SECR in 2022 in the *Greening Finance Roadmap*, published October 2021.

19 EY (2020) *How will ESG performance shape your future? Fifth global institutional investor survey*

6 The Government should **make scope 3 emissions reporting mandatory for large companies and financial institutions from 2025.**[20] This will bring businesses up to the same standard and create a level playing field across the economy. It will also increase the amount of data available for investors to make decisions and for businesses to develop net zero transition plans. **However, due to data availability barriers it is vital that businesses be allowed to use proxy data to calculate emissions.** The National Renewable Energy Laboratory (NREL) is one example of a proxy database.

7 **The UK Government should encourage the International Sustainability Standards Board (ISSB) to publish biodiversity metrics, to help catalyse market-led action on nature investment and encourage more businesses to begin reporting in line with the draft recommendations of the Taskforce for Nature-related Financial Disclosures (TNFD).** The draft framework published by the TNFD in 2022 is a welcome first step towards enabling businesses to identify and disclose the risk biodiversity loss poses to their activities, as well as the risk their operations pose to ecosystems and habitats.[21] However, businesses do not currently know how to measure their biodiversity impacts – for example on water quality, soil health, species abundance.

20 When it comes to what constitutes material scope 3 emissions, we would be supportive for the materiality test to be defined in line with HM Government's existing Environmental Reporting Guidelines (2019) for the Streamlined Energy and Carbon Reporting requirements for scopes 1 and 2. These Guidelines allow businesses to consider whether particular emissions are material in the context of their organisation's emissions. When calculating the materiality threshold, the recommended best practice is that the omission of emissions should not exceed more than 2–5% of the overall emissions of a business, with 2% seen as an appropriate threshold in most circumstances.

21 TNFD (March 2022) *Nature-related Risk & Opportunity Management and Disclosure Framework: Beta v0.1 Release*

Influencing a global Net Zero-aligned Financial System

A UK Net Zero-aligned Financial Centre cannot operate in isolation and needs a minimum amount of interoperability with EU and global standards. **Shifting the global financial system towards delivering net zero emissions will require international cooperation and a minimum degree of consistency of approach across borders. This coordination can be used as an opportunity to drive ambition.** As a key global financial centre and thought leader on green finance, the UK can use its diplomatic influence in key international fora (G7, G20, COP summits) and events throughout the coming years to advocate for strong global, and where possible national, standards on green finance.

The Aldersgate Group recommends for the Government to take the following actions to help shift the global financial system towards net zero:

8 **Follow an approach that is science-based but also facilitates interoperability between new UK green finance requirements and European and global regulatory initiatives.** This will ensure consistency of reporting across jurisdictions and reduce reporting burdens to global businesses and financial institutions. For example, ensuring the UK Green Taxonomy is interoperable with the EU Taxonomy would reduce confusion within the market, which remains important given that the EU remains to date the largest investor into the UK as well as the first destination for UK investors. **It may be desirable for the UK to develop more ambitious approaches on environmental sustainability which go beyond European and global standards, so long as these are scientifically justifiable,** based on alignment with a 1.5°C pathway and support interoperability with other key global standards.

9 **Use its long-term membership and engagement with the G7 and G20, and the remainder of the COP26 Presidency in 2022, to advocate for green finance regulation to be adopted in other key financial centres, such as the USA and Japan.** A key policy to put on the agenda at these events is mandatory net zero transition plans; if this policy were adopted across all key financial centres, it would be particularly beneficial to both corporates and investors operating across multiple jurisdictions. Similarly, using these negotiations to advocate for and influence the establishment of globally agreed frameworks, standards, guidance and methodologies (for example, through the ISSB) across different aspects of disclosures (such as the TCFD framework, or the technical categories of the green taxonomy) would provide greater consistency and comparability between reports around the world.

Part 2: Encouraging market participants and financial institutions to engage with systemic risk

Building on *"Getting the right information to market participants"*

The previous section outlined the importance of increasing awareness of how climate change will impact operations and activities within corporations and financial institutions, setting out a range of recommendations for strengthening the methodological processes for identifying climate risks. It also outlined the importance of ensuring businesses have a better understanding the scope of their greenhouse gas emissions and their contribution to climate change.

This section explores the processes which need to be put in place to ensure that corporate actors and financial institutions do not respond to increased scrutiny by simply selling off their stakes in high carbon businesses and replacing them with investments in existing assets which are perceived to be sustainable or green. While this approach would lead to the decarbonisation of an organisation's investment portfolios, it would not drive emissions cuts in the wider economy, and would therefore make a limited contribution to tackling climate change.

To prevent this, the new SDR framework must be accompanied by a wider set of policies that require asset owners and investors to proactively engage with the businesses they invest in and to support them in taking the necessary steps to cut emissions across their business operations. The inclusion of a section on investor stewardship in the Greening Finance Roadmap is a welcome start. By engaging with these 'systemic risks'22 investors and asset owners can support companies across all sectors of the economy to work towards reaching net zero emissions and help deliver genuine change on the ground.

The Aldersgate Group recommends that the following policies be introduced to support investors and asset owners to engage with systemic, climate-related risks:

10 **When consulting on amending regulatory capital frameworks (or introducing capital treatment) in Q4 2022, the PRA must address the link between capital allocation and causes of climate change. Specifically, we recommend the PRA consider changes to capital requirements to more accurately reflect the risks associated with investing in assets which are incompatible with a 1.5°C pathway.**[23] Currently, the PRA has identified changing capital requirements as a tool for dealing with the consequences of climate change – specifically, financial risks which may arise. However, we believe there is an opportunity for capital requirements to be increased from the current range of 4–8% (depending on the asset) to a higher percentage for high-carbon investments. This can incentivise financial institutions to pivot large quantities of capital away from high carbon assets and towards green investments.[24]

The PRA should use the findings of this consultation in their continuing discussions with international bodies, and particularly the Basel Committee on Banking Standards, to advocate for green financial regulation to be taken up across the global financial system.

We would also recommend that the FCA be involved in the consultation in partnership with the PRA, to address the impact such a change would have on the decarbonisation of real economy stakeholders and reduce the risk of perverse outcomes, such as divestment from sectors which will be critical to the transition but will take longer to decarbonise (for example, steel).

11 **The FCA should open a consultation on producing a guideline on how investors can become responsible stewards of capital and engage with companies on environmental and climate ambition. This consultation should explore how a framework for managing potential divestment could be designed.** Ideally, responsible stewards of capital will use opportunities to encourage businesses to transition effectively into the net zero economy. This managed transition approach would be preferable to divestment, which could lead to a myriad of issues within the economy, such as stranded assets, or assets being sold to investors or businesses based in countries which do not share the UK's positive climate and environmental values.

22 Systemic risk here refers to the risk of an entire system collapsing – for example, the financial sector being unable to continue operating because of extreme climate-related events and their associated costs.

23 Bank of England (October 2021) *PRA Climate Change Adaptation Report 2021 - Climate-related financial risk management and the role of capital requirements*

24 Finance Watch (2020) *Breaking the climate-finance doom loop*

Some financial institutions are already using stewardship to create terms upon which they may introduce financial sanctions on a company – for example, if a company refuses to publish scope 3 emissions, has no thermal coal policy, or has not responded to investor engagement (see Table 4 for more details). Creating a guideline for responsible stewardship of capital would enable more stewards to navigate these scenarios and drive ambition.

12 **Financial regulators should be given the mandate and responsibility for overseeing the implementation of net zero transition plans, in addition to the creation of plans.** While both the FCA and the PRA have begun to make progress on linking net zero and financial sector risk, and are taking steps to overcome these risks, there remains an opportunity for them to play a greater role. Embedding net zero delivery into their mandates will allow them to oversee the implementation of actions being taken by financial institutions and corporates to meet their climate targets, and will help to accelerate the decarbonisation transition in a managed way. It will also reduce the risk of companies which are lagging behind from lobbying against progressive policy on climate change. **This new regulatory mandate should be considered as part of wider opportunities to integrate climate and nature into the new Financial Services and Markets Bill (2022) and the Future Regulatory Framework.**[25]

TABLE 4: WHAT DOES INVESTOR STEWARDSHIP LOOK LIKE?

In the Government's Greening Finance Roadmap (2021), they set out the expectation for investors to become "responsible stewards of capital" saying, "effective stewardship by both asset owners and asset managers is crucial to the successful management of risks, opportunities and impacts presented by climate and environmental change".

A number of progressive financial institutions are already making plans for embedding investor stewardship principles into their investment decisions. For example, Legal & General Investment Management (LGIM) has a well-established Investment Stewardship team, with a history of over ten years. Through active ownership and engagement with companies, policymakers and peer groups around the world, the Investment Stewardship Team aims to improve environmental, social and governance (ESG) standards and address systemic risks across the markets in which LGIM's clients are invested. They aim to help create a better future through responsible investing, and to help generate sustainable returns.26 Through LGIM's Climate Impact Pledge, they introduce sanctions on companies which do not meet their "red lines", or minimum climate-related expectations for their sector. Sanctions may include divestment, but divested companies may also be reinstated if they demonstrate sufficient improvement.

Similarly, in 2019, AVIVA published an *Investors Stewardship and Responsible Investment Policy,* **which aims to deliver positive outcomes through three key principles:**

1. Integrating ESG considerations into investment decisions
2. Using their influence to promote good practice among those companies in which they invest
3. Shaping markets for sustainability

Responsible stewardship can help financial institutions to reduce risk and enhance the long-term value of portfolios and clients' investments.

25 For more information on the Financial Services and Markets Bill and the Future Regulatory Framework, see the policy briefing from Finance Innovation Lab (May 2022) *Financial Services Bill 2022: A once-in-a-generation opportunity to legislate for action on climate and nature*

26 www.lgim.com/uk/en/capabilities/investment-stewardship [Accessed 25 March 2022]

Part 3: Tackling broader financial sector issues

Building on *"Defining what counts as green"*, *"Being a responsible steward of capital"* & *"International efforts"*

As outlined in the introduction, **there is a growing investment challenge when it comes to funding the activities and infrastructure required to meet net zero.**[27] Whilst the Government and private sector have demonstrated ambition and willingness in recent months to meet this ambition and overcome the growing investment challenge, there are a number of remaining challenges which must be addressed to deliver the Government's vision of a Net Zero-aligned Financial Centre. Ensuring companies and government have access to the right skills to produce reports and develop emissions reduction strategies will be critical, as will ensuring that each sector of the economy has the right policies in place to drive cost-effective private investment at the pace and scale needed to get to net zero emissions.

To build a Net Zero-aligned Financial Centre and ensure the UK economy is on a credible pathway to net zero emissions, the Aldersgate Group recommends:

13 **Financial institutions and corporates must ensure they have access to the right skills to produce disclosures, net zero transition plans, and to set science-based targets, whether through in-house staff or consultants.** Embedding expertise across institutions should involve FIs recruiting new staff members with backgrounds in carbon accounting, ecology and climate risk management. Existing staff members across departments should be offered training to help them to better understand these issues – for example, through the Green Finance Education Charter, or through the CFA UK Level 4 Certificate in ESG Investing.

In particular, accounting teams, which put together the annual reports in which company disclosures sit, should be supported by ensuring climate-related considerations are embedded into Professional Standards and Continuing Professional Development. This should ultimately be led by the guidance and future mandatory requirements set by regulators on net zero and nature impacts, with support for FIs to ensure they are recruiting on the right skills to enable compliance with future regulation.

14 **The Government must set public policy frameworks and decarbonisation pathways which are stable and long-term.** This will be key to minimise disruption to businesses which may arise from policy changes and which could subsequently lead to the loss of precious time to act to keep global warming to 1.5°C. A key opportunity to achieve this includes implementing the Net Zero Strategy and focusing on addressing the policy gaps remaining in sectors which most urgently need to decarbonise (such as power transmission, buildings, industrial decarbonisation, transport and agriculture).[28] This should include, for example, opening a consultation on whether to include major emitting sectors like agriculture, buildings and surface transport within the scope of the UK Emissions Trading Scheme (ETS).

The Government should also lead by example by calculating and publishing its departmental GHG emissions, and introducing climate stress tests across scopes 1, 2 and 3 to assess new policies. The recent BEIS consultation on stress tests for new oil and gas leasing rounds, to assess climate compatibility, was a welcome first step.[29]

27 The Committee on Climate Change (December 2020) *The Sixth Carbon Budget: The UK's path to Net Zero*

28 See the Aldersgate Group's recent report *Net Zero Strategy Policy Tracker: Key Announcements and Next Steps* (October 2021) for further details.

29 *www.gov.uk/Government/consultations/designing-a-climate-compatibility-checkpoint-for-future-oil-and-gas-licensing-in-the-uk-continental-shelf* [Accessed 4 May 2022]

15 **The Government must use public finance tools to de-risk climate-related investments and crowd in private finance to the infrastructure, technologies and markets needed to accelerate the low carbon transition.** The Government should look to issue an additional round of green sovereign bonds. This should be supplemented by continuing to strategically allocate capital available through the UK Infrastructure Bank in order to grow new markets in line with delivering the 6th Carbon Budget – in particular, building retrofits and natural capital markets.

16 **The Government should ensure that the UK Green Taxonomy is used to track private financial flows into the net zero economy.** We welcome the announcement in the Net Zero Strategy for the Government to begin tracking financial flows, to complement the measurement of carbon and ensure the UK is on track to meet the investment challenge for decarbonising the economy. Using the Taxonomy will ensure that flows are measured accurately. **This data will be highly beneficial for increasing the availability of data for NGOs monitoring investment for net zero and creating progress trackers** – such as the French Observatory for Sustainable Finance (Observatore de la finance durable)[30] or the UK Climate Policy Initiative's Net Zero Finance Tracker.[31] Such trackers can help to foster competitiveness within the private sector and accelerate investment flows into net zero.

30 › *observatoiredelafinancedurable.com/en* [Accessed 24 May 2022]

31 › *www.climatepolicyinitiative.org/netzerofinancetracker* [Accessed 24 May 2022]

Next steps

This briefing has primarily focused on the next steps for implementing the plans set out in the HM Treasury's Greening Finance Roadmap for a new Sustainable Disclosures Requirement framework in the most efficient and impactful way possible. The Aldersgate Group will continue to work on ensuring this regulation is understood by businesses, and strengthens and evolves over time. We will do this through a new series of members-only Knowledge Hubs focusing on 'disclosures and the net zero transition', and through the Aldersgate Group Secretariat's membership of two government working groups: the Green Technical Advisory Group (GTAG) and the Transition Plans Taskforce.

However, "Greening Finance" is just one part of delivering a UK Net Zero-aligned Financial Centre and ensuring investment is driving the rapid decarbonisation of the economy. Another key driver of change is so-called "Financing Green", or having the right regulations and incentives in place on a sectoral basis to crowd-in private finance. Implementing and strengthening the commitments set out in the Net Zero Strategy (2021) will be critical to driving finance to decarbonise the real economy.

The Aldersgate Group will continue to work on both of these areas throughout 2022, and in particular will look to influence the content of the Update to the Green Finance Strategy, to be published in November 2022, which will explore both "Greening Finance" and "Financing Green". We will also monitor progress of amendments to the Financial Services Bill and the Regulatory Framework Review and looking at opportunities to use these changes to embed climate into financial regulation throughout 2022.

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Appendix 1: Existing guidance on meeting new green finance regulations

A number of organisations have published guidance relevant to producing good climate disclosures and transition plans. Please find here a summary of the guidance the Aldersgate Group is aware of.

Climate Safe Lending Group (October 2021) The Good Transition Plan

HM Treasury (November 2021) *Sustainability Reporting Guidance: 2021–22*

Green Investment Group (October 2021) *A guide to the Green Investment Handbook 2021*

Sustainable Markets Initiative (October 2021) *A practitioner's guide for banks: Considerations for banks in setting a net zero strategy*

Task Force for Climate-related Financial Disclosures (October 2021) *Guidance on Metrics, Targets, and Transition Plans*

Task Force for Climate-related Financial Disclosures (October 2021) *Annex: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*

Building a UK Net Zero-aligned Financial Centre: what next?

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