Principles for Responsible Investment

PRI RESPONSE

UPDATE TO GREEN FINANCE STRATEGY: CALL FOR EVIDENCE

To inform this briefing, the following investor group has been consulted: PRI UK Policy Reference Group. This consultation is not an endorsement or acknowledgement of the views expressed in this briefing.

INTRODUCTION

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to HM Government's call for evidence on an update to the Green Finance Strategy.

ABOUT THIS CALL FOR EVIDENCE

In July 2019, the UK government published its first Green Finance Strategy. The HM Government is issuing this Call for Evidence to support its update of the Green Finance Strategy, planned for publication in late 2022.

The updated Green Finance Strategy will take stock of progress so far and set out how the UK can better ensure the financial services industry is supporting the UK's energy security, climate and environmental objectives. This Call for Evidence contains 39 questions on four key objectives. Questions fall into each of these objectives below:

- capturing the opportunity of green finance
- mobilising finance for the UK's energy security, climate and environmental objectives
- greening the financial system
- leading internationally

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KEY RECOMMENDATIONS

The UK has displayed leadership to date demonstrated through the publication of and proposals around several sustainable finance regulatory instruments. The UK legal framework is notably disclosures-focused, and policymakers have made progress in implementing reporting regimes, such as climate risk disclosure requirements aligned with guidance from the Taskforce on Climate-related Financial Disclosure (TFCD). However, recent announcements, including the absence of Sustainability Disclosure Requirements (SDR) in the Financial Services and Markets Bill and the discussion around the inclusion of gas in the UK Taxonomy, have created uncertainty around the direction of travel for sustainable finance policy in the UK.

The PRI would like to take the opportunity to respond to this call for evidence and highlight a number of recommendations that link to our ongoing work, notably the Legal Framework for Impact project. We note the limited comment window for this call for evidence, and we remain available to engage further with Her Majesty's Government following this response. Notably, to support the ambition for this update to go beyond the timescales in the Greening Finance Roadmap and set out an indicative sectoral transition pathway out to 2050 to align the financial system with the UK's net zero commitment, and to consider triggers for stronger policy to facilitate Phase 3 and ensure that the UK meets its climate and environmental objectives.

The PRI's recommendations for the UK's Green Finance Strategy update are rooted in our work to date on How policy makers can implement reforms for a sustainable financial system, the recommendations set out in our G7 call for action, and overall PRI policy work on climate and financial policy progress. Our overarching recommendations are articulated around four key policy areas – across finance, climate and nature, energy and social issues – to drive a just, affordable, and urgent energy transition. This will transform our economies and improve security, sustainability and quality of life for citizens in G7 countries and the world over. These policy reforms should be designed in a cohesive, whole-of-government approach:

1. **Sustainable, net-zero-aligned financial systems are the lynchpin for the energy transition**. We recommend that G7 financial ministers commission **a comprehensive series of financial policy reforms** that align the rules that guide financial institutions and corporations with achieving a just transition to 1.5°C, halting and reversing nature loss, and achieving the Sustainable Development Goals (SDGs), more broadly.
2. **Coordinated climate and nature policy frameworks will transform the ways in which markets and businesses operate to accelerate an emissions-free future**. We recommend that G7 governments **commit to bold, ambitious and urgent net zero actions across all sectors of the economy** ahead of COP27 and increase the price of carbon to expedite progress.
3. **The current energy crisis demands that we address the triple challenge of energy security, sustainability and affordability**. We recommend that G7 governments **end fossil fuel subsidies and prohibit new investment** in fossil fuel related infrastructure.
4. **Addressing the climate, nature, and energy crises is an opportunity to design policies that also address long-standing social issues**. We recommend that G7 governments **set out energy transition strategies** in ways that ensure that the transition to net zero is just, inclusive and works for all.

In response to this call for evidence, the PRI's key recommendations are summarised below.

- HM Government should **ensure a joined-up approach from policymakers and regulators, both in the UK and internationally**. In order for the UK to remain an attractive green financial centre for both domestic and international investment, messaging from government must be aligned and consistent across regulators and jurisdictions. Reporting and disclosure frameworks must remain interoperable with one another so that international investors can meet their own data needs.
- Investors could benefit from **an enabling policy environment** so that they are not only permitted to pursue sustainability impact goals, but also empowered to actively consider investing for sustainability impact when it is required as part of their fiduciary duty under the UK legal framework. This calls for further clarification of fiduciary duties by policymakers in relation to the pursuit of sustainability outcomes.
- There is a need for a paradigm shift by all financial regulators from a disclosures-focused regulatory environment to one that also **permits and enables sustainability outcomes-focused investment**. The Legal Framework for Impact report provides further detail on the impediments to investors pushing impact goals that are specific to the UK legal framework.
- Maintaining the **ambition on the comprehensive roll-out of SDR**. As proposed in October 2021 and highlighted in the Greening Finance Roadmap, SDR will be key to providing a comprehensive framework for disclosures and reporting in the UK.
- Ensuring that the UK Taxonomy is **best in class and compatible with other taxonomies** being developed, through **robust science-based criteria**. Further recommendations on taxonomies are contained in our recently published Toolkit on Taxonomies of Sustainable Economic Activities, in collaboration with the World Bank Group.

The PRI is looking forward to continuing our engagement with the UK Government, and the Department for Business, Energy and Industrial Strategy more specifically, to support the development of the updated Green Finance Strategy, and we remain available for further discussions over the coming months.

DETAILED RESPONSE

PART 1. CAPTURING THE OPPORTUNITY

Question 1: What are the key characteristics of a leading global centre for green finance?

A key characteristic of a leading global centre for green finance should be a robust and comprehensive regulatory environment that **encourages and enables** alignment towards the goal of net zero by 2050 as outlined in the Paris Agreement and the UN's Sustainable Development Goals (SDGs), as well as a just and equitable transition.

- **Transparency from all corporates and financial actors is essential to make sure that the flow of data in capital markets is seen as reliable and readily available.** This is key to ensuring that investors, both from the UK and internationally, are confident in the credibility and quality of data available, and that the UK's financial system remains an attractive and competitive place to bring investment. The suite of reporting and disclosure regimes as proposed under SDR should provide a good basis to increase the flow of sustainability data across the investment chain. As such, it is important that ambition around SDR proposals and their timely implementation is maintained.
- **A leading global centre for green finance should ensure that activities, regulations, and policies by financial actors and governments alike are aligned with those developed globally.** International cooperation on best practice sustainable finance policies is needed to support a rapid and just transition to net zero. Policies across governments, industrial strategy, businesses and investors need to be aligned and mutually reinforcing for change to be systemic and effective enough to achieve climate goals. As other governments also look to the UK for leadership on climate as COP26 president, it is important that UK government action and regulatory changes support the achievement of emissions reductions targets.
- **When discussing net zero ambition in the context of green finance, it is paramount that the UK government and governments elsewhere work to achieve a Just Transition**. This is essential to ensure that communities most exposed to transition activities and interventions are not disproportionality affected by the phase-out or implementation of certain technologies and practices.

Question 2. Do you consider the UK's green finance regulatory framework to be world-class?

The UK government has displayed leadership through their various climate targets, and the successive green finance announcements since 2019. However, delays in the implementation of policies and regulatory frameworks such as the SDR, energy efficiency measures and associated innovative technology developments, as well as recent announcements on fossil fuel developments in the North Sea have contributed to creating uncertainty around the government's direction of travel on green finance and climate policy ambitions.

The UK's approach to green finance regulation has been focused on disclosure-based obligations relating to risk rather than proposing incentives for sustainability outcomes. We consider that both a clarification of aspects of the existing legal framework that **enables investment for impact** as well as possible **further regulation to better enable investors to consider and pursue impact objectives** as part of their duties could help to ensure that the UK regulatory ecosystem enables green financial flows. A case for both clarification and implementation for new regulation to these ends is made clearly in the Legal Framework for Impact report (for more information on this, please see our response to Question 7).

This would complement existing good progress from the UK on a number of topics, reviewed below.

- **UK Green Taxonomy:** The development and implementation of the UK Green Taxonomy (UKGT) is an opportunity for the UK to demonstrate international leadership and set a high standard in relation to financial disclosures and sustainability reporting. The PRI holds that the UKGT should be based science-based and that interoperability with other taxonomies is also key to ensure that the UK maintains its position as a leading green financial centre. This includes, amongst other things, that gas should not be included as a green activity in the UKGT as stated in the joint letter from the UKSIFs, IIGCC and PRI, and ensuring that strong and interoperable principles from other taxonomies such as the EU taxonomy are maintained. As a member of the Green Taxonomy Advisory Group (GTAG), the PRI will continue to engage the UK Government on this topic more specifically over the coming months. Further recommendations on taxonomies are contained in our recently published Toolkit on Taxonomies of Sustainable Economic Activities, in collaboration with the World Bank Group.
- **Disclosure-based regulation and transparency of data:** The UK has led the way internationally through their **deployment of disclosures-based regulation**. This has been demonstrated in the roll-out of TCFD-aligned disclosures across the UK economy, per the roadmap for climate disclosures laid out by HMT, as well as through the ambition set out for SDR as per HMT's *Greening Finance: A Roadmap to Sustainable Investing* paper published in October 2021. Regulations for asset owners in scope of DWP regulations have also provided the industry with guidance and direction, including the Department's recent proposals on Paris-aligned disclosures that will come into force in October 2022. As stated previously, these disclosure requirements should continue to be deployed across the economy at pace and be accompanied by measures to encourage sustainable investment itself.
- **Stewardship Code:** The updated 2020 Stewardship Code is a useful principles-based framework for investors to incorporate sustainability and ESG factors into all stages of investment decision making. The UK government should continue to seek more industry engagement with the Code.

Question 5. How can the UK government measure progress towards becoming a leading global centre for green finance?

As aforementioned, the PRI notes that the UK regulatory environment is disclosures focused. As information from actors becomes increasingly available through the roll-out of disclosure regimes, the UK government should seek to review how this data can be **aggregated to measure progress**.

Alignment toward pathways to keep global warming well below 1.5C degrees is key in relation to green finance. It is also important to ensure that a holistic perspective of development is considered, such as maintaining biodiverse ecosystems, ensuring a Just Transition and working towards the UN Sustainable Development Goals.

The work from the Transition Plan Taskforce to develop a ‘gold standard for transition plan disclosures’ will be an important element to assess progress towards green finance implementation in the UK, and the PRI will provide further information on this through the Transition Plan Taskforce call for Evidence.

PART 2. FINANCING THE UK'S ENERGY SECURITY, CLIMATE AND ENVIRONMENTAL OBJECTIVES

Question 7. How can the UK support a financial system that leverages private investment to meet the UK's climate and environmental objectives?

As highlighted in our recent publication on Reconciling energy security with net zero commitments in the UK, an update to our June 2020 report setting out How government and investors can deliver net zero in the UK, the PRI maintains that one key mechanism to leverage investment to meet the UK's climate and environmental objectives, climate change adaptation and resilience activities, is to **ensure robust, consistent policy instruments that enable investors to pursue impact goals** to enable an orderly transition to net zero. Recent policy delays and announcements (such as the postponement of the release of the consultation on the UKGT technical screening criteria (TSC)), the removal of SDR from the announced Financial Services and Markets Bill, and the lack of clarity on the policy mechanisms to promote investment in new technologies – namely on energy efficiency or onshore wind – create uncertainties that prevent investment into green activities.

The introduction of and proposals around a number of disclosure and labelling frameworks in the UK recent years has provided investors with a sense of the direction of travel around consideration of climate and other systemic risks, and must now be **followed up with clear and consistent policy proposals**.

In addition, to increase investor confidence and leverage investment and allocation of capital to meet shared sustainability objectives, policymakers should provide actors with a coherent legal framework to ensure that they have **both the freedoms and motives** to do so. This involves providing both **clarification of existing duties** and **developing new regulations** that enable investors to better allocate capital to priority areas.

Last year the PRI, along with partner organisations UNEP FI and the Generation Foundation, commissioned a report A Legal Framework for Impact, authored by Freshfields Bruckhaus Deringer. The report, released in July 2021, examined the extent to which legal frameworks in 11 key jurisdictions.

The UK annex of the report identified that:

- investors are required to consider all financially material issues (including ESG factors), and are likely to be required to consider investing for sustainability impact **where it is relevant for achieving financial objectives**;
- investors are required to consider investing for sustainability impact **if included in the mandate of the financial product or fund**, or **where there is a specific mandate from beneficiaries to do so**; and that
- investors are **permitted** to consider sustainability impact goals as long as there is no detriment to financial return.

The PRI is currently finalising new research, building on the findings of this report, to identify and put forward specific UK policy recommendations. We will engage with BEIS and others across HMG to disseminate findings to complement this response. Our work to date indicates that these recommendations may include, among others, to:

- clarify, in the context of the duties of care and prudence, when sustainability impact goals must or can be considered and develop implementation guidance;

- clarify beneficiaries' "best interests" to take into account sustainability impact goals;
- gather and reflect beneficiaries' and clients' preferences as to whether their money should be used to achieve positive sustainability impacts; and
- clarify the relationship between financial and sustainability objectives.

Question 8. How can the UK support a financial system that leverages private investment to meet the objectives of the British Energy Security Strategy, including in areas such as nuclear, hydrogen, carbon capture and storage and domestic oil and gas production, to reduce our reliance on imported fossil fuels as part of a smooth energy transition?

The PRI maintains that a clear, consistent, and enabling policy environment conducive to the orderly transition to net zero transition is a prerequisite to mobilising private capital, both towards meeting the British Energy Security Strategy objectives and overarching UK climate goals. The manifestation of climate change-induced physical risks, the risks of a disorderly transition, the risk of a failure to transition to net zero may cause irreversible impacts on the socio-environment, and destabilising effects on the financial system. Inadequate risk management mechanisms within regulatory frameworks and conflicting policy signals thus undermine investors' confidence in mobilising capital towards net zero.

As stated in the PRI's recently published Reconciling energy security with net zero commitments in the UK brief, it is critical that decisions made today, particularly short-term measures of using available energy resources to diversify energy supply, do not create lock-in of future emissions and new rounds of stranded assets. Climate Action 100+, an investor initiative of more than 600 investors with more than $60 trillion assets under management, are engaging oil and gas companies to ensure they align their capital expenditure to 1.5°C, which ultimately means no new oil and gas development.

Facing the trilemma of the energy security crisis, the cost-of-living crisis, and the climate crisis, the PRI recommends that the UK government:

- **Pursue power sector decarbonisation at pace,** to support the UK and global net zero efforts and noting the benefits for energy security;
- **Accelerate measures needed for energy transition**, including clean investment step change towards retrofitting, grid infrastructure, increased flexibility, demand response, and long-term storage to build long-term energy system resilience;
- **Acknowledge that new fossil fuel infrastructure build in the UK goes against net zero objectives,** based on the IEA and IPCC scientific findings, the ineffectiveness of new UK fossil fuel infrastructure in reducing price pressures, and the incompatibility of the North Sea Transition Authority's licensing and consenting timeframe (28 years) with UK climate goals;[1]
- **Release phase-out plans for all UK support for coal, oil, and gas projects** in order to align with the UK carbon budget, interim and long-term climate goals; and

[1] UK Oil & Gas Authority 2018 UKCS Projects Insights Report: https://www.nstauthority.co.uk/media/6117/ukcs-projects-insights-report-2019.pdf

- **Prioritise actions to reduce energy demand,** such as **tackling building and heat sector demand,** boost energy efficiency, and accelerate policy progress in the *UK Heat and Buildings Strategy.*

Question 9. What barriers are there to unlocking private investment to support the UK's energy security, climate and environmental objectives?

As mentioned in the response to Question 8 as above, delays and inconsistencies in development and implementation of UK climate and energy policies are a clear impediment to financial flows in support of the green transition. In order to ensure investor confidence and investment in priority transition areas, the market needs **coherent signals from policymakers**.

In addition, a key barrier relates to **corporate sustainability data**. This is critical to the ability of investors to consider material environmental risks and opportunities, and increasingly important to understand corporate and investor activity in meeting environmental goals. However, PRI signatories state that the availability, consistency, comparability and quality of corporate reporting is a substantial barrier to their investment practice.

Further detail on the characteristics required for sustainability data to be decision-useful to investors is provided in our response to Question 27.

Question 11. How can the UK best facilitate greater private investment into climate change adaptation and resilience activities?

Please see our response to Question 7 for further detail on this.

HIGH INTEGRITY VOLUNTARY MARKETS FOR CARBON AND OTHER ECOSYSTEM SERVICES

22. How can the UK best support the development of high integrity voluntary markets for carbon and other ecosystem service markets?

23. How can we ensure that these markets encourage robust action on the UK's climate and environmental goals, and appropriately scale up finance flows to support these?

24. How should the UK harness the economic opportunities associated with high integrity growth in voluntary carbon markets and ecosystem services markets?

25. How can UK environmental and economic regulators increase demand for high quality, accredited ecosystems services?

The PRI does not currently have any specific comments on this section but may engage in future with HMG to address these topics.

PART 3. GREENING THE FINANCIAL SYSTEM

27. What market barriers are there to the integration of environmental-related factors into financial decision-making?

The PRI welcomes the UK's upcoming SDR as a key pillar of the UK Greening Finance Strategy and encourage ongoing diligence in ensuring that these requirements harmonise with the TCFD. We note that these requirements play a key role in decreasing market barriers to the integration of environmental-related factors into financial decision-making.

Overall, market barriers to the integration of environmental-related factors into financial decision-making include:

- availability and transparency of ESG data; and
- market conditions fostered by relationships between various financial system actors.

These are discussed in turn below.

Availability and transparency of ESG data

The PRI notes that investors seeking to integrate environmental factors into investment decision-making often rely on quality ESG data. The PRI has identified several issues that need to be addressed in relation to enhancing the quality of ESG data to better support investment decision-making. We also reiterate the importance of addressing ongoing challenges in ESG ratings and underlying corporate reporting.

Market conditions fostered by relationships between various financial system actors

More broadly, the PRI notes that the integration of environmental-related factors into investment decision-making is a key aspect of progressing towards a sustainable financial system. In the PRI's Blueprint for Responsible Investment, we identified nine underlying conditions that must be addressed to achieve this goal. Each of these conditions represents ways in which market barriers have worked to delay or prohibit meaningful action towards improving the sustainability of the financial system. We believe each of these conditions should be considered in designing policies for sustainable finance.

These conditions are:

1. **Short-term investment objectives:** The prevalence of short-term investment objectives distracts from addressing long term risks and value creation.
2. **Attention to beneficiary interests:** Beneficiary interests are framed solely in financial returns, without accounting for environmental, social and ethical aspects of beneficiary interests.
3. **Policy maker influence on markets:** Policy measures do not address market norms and practices, providing conflicting market signals and failing to achieve changes within necessary timeframes.
4. **Capture of government policy by vested interests:** Political pressure can lead policy makers to prioritise the interests of companies and firms over the interests of the public, ultimately resulting in the failure to appropriately value and protect public goods.
5. **Influence of brokers, rating agencies, advisers and consultants on investment decisions:** The business models of brokers, rating agencies and consultants often focus on short-term performance and downplay the long-term value creation and ESG issues.

6. **Principal-agent relationships in the investment chain:** Principal-agent problems can mean the views of asset owners are not properly communicated to companies or other investment actors.
7. **Cultures of financialisation and rent-seeking in market actors:** Financialisation results in the financial system paying much less attention to considerations such as the value of a clean and healthy environment, the provision of decent work or the wider health of the economy, or in considering them narrowly in terms of their ability to affect financial performance.
8. **Investment incentives misaligned with sustainable economic development:** Market and regulatory failures, such as poor or inadequate valuation of public goods and inadequate pricing of externalities, can distort incentives. They can mean that investors are incentivised to invest in areas that are harmful rather than beneficial to society or the environment.
9. **Investor processes, practices, capacities and competencies:** The manner in which investors give effect to their beliefs and values, both within their own organisation and in the delegated investment chain, can signal to the investment market as whole that sustainability is not a priority for asset owners.

In relation to the above conditions, we recommend that regulatory and financial system interventions ensure that policy measures and regulatory standards address:

- the relationship between investors and companies;
- the relationship between investors and managers, owners, beneficiaries and advisers in the investment chain;
- the operation of investment markets; and
- economic externalities.

As noted in our response to Question 9, the lack of availability, consistency, comparability and quality of corporate sustainability reporting is a substantial barrier to responsible investment, since these factors compromise the decision-usefulness of data.

In order for data to be decision-useful for investors, it must be relevant, comparable and verifiable:

- relevant data must both inform the investment decision-making process (i.e. be investment relevant) and (where applicable) provide insights for (or enable) investors' decisions, reporting obligations and/or commitments on specific issues (i.e. be issue relevant);
- comparable data must be consistent across investees, asset classes, sectors, geographies and timeframes in order to enable investors to identify and understand similarities/differences at the scale that suits their data needs; and
- for data to be verifiable, investors should be able to corroborate the information/inputs used to derive the data.

However, investors regularly report to the PRI that corporate sustainability data fails to meet the above characteristics in many cases, preventing integration of sustainability factors into financial decision-making.

Integration also requires sustainability data to be relevant to investors' decision-making ('investment-relevant'). Investors are not homogenous, and their needs vary depending on their investment objectives, strategy, mandate and other characteristics. Investors need comprehensive information on ESG factors (and resulting risks/opportunities) likely to impact the financial condition or operating performance of an entity, and increasingly include information enabling them to fully assess and interpret a company's sustainability performance[2] and alignment to long-term sustainability goals and thresholds.

Therefore, addressing this market barrier will require improving investor access to data that allows for all the above assessments by investors (see our response to Question 30 for more detailed recommendations), recognising the interrelationships set out below:

- sustainability issues may influence a company's financial performance over the short, medium and long-term;
- a company's impact on the economy, society and the environment may have direct financial implications for that company or indirectly due to systemic effects on the economic market or sector it operates in, therefore, sustainability outcomes can influence enterprise value;
- these effects feed through to an investor's portfolio over the short, medium and long-term, and thereby creates an obligation on investors to consider them (where this is relevant); and
- as real economy sustainability policy develops at a rapid pace, alignment or significant misalignment with policy objectives and/or supervisory expectations are increasingly understood as financially relevant as they are realised through compliance and/or reputational risks in investors' portfolios or directly for asset owners and investment managers.

28. What should the role of the UK government or regulators be to support the greening of the financial system? How could they go further?

The PRI acknowledges the steps outlined in the UK government's *Greening Finance: A Roadmap to Sustainable Investing* and is supportive of its agenda. We note the importance of policymakers' influence on financial markets and highlight two specific areas we have identified through our research, in which policymakers' influence on financial markets can be strengthened:

1. the need for financial ministries, such as treasuries and market regulators, to have adequate literacy in ESG issues and understand the specific role that investors can play in achieving environmental or social outcomes; and
2. ensuring that policy makers outside of financial ministries understand how financial markets work and can be used to incentivise investors to support the development and implementation of ESG issues.

In our research on the UK retirement system, we note that the UK has a supportive regulatory environment for responsible investing.

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[2] Sustainability performance refers to: how an investee's operations and products positively/negatively affect people and the environment.

However, our research also found that more needs to be done to ensure appropriate incentive structures for asset managers, investment consultants and other service providers to pursue ESG investment, stewardship and responsible investment goals more broadly. In some cases, while service providers are well placed to execute RI and stewardship goals, the lack of incentives in practice leads to limited execution.

In addition, our pensions report also found an overall need to empower and educate beneficiaries to make better decisions regarding ESG products. We note that beneficiary demand and engagement can be an important driver for implementing RI into investment practice and, more broadly, for supporting a transition to a more sustainable financial system. The PRI's guidance on Understanding and aligning with beneficiaries' sustainability preferences may be useful for institutional investors seeking to strengthen beneficiary engagement in this regard.

PROVIDING THE MARKET WITH THE RIGHT DATA

30. What steps can the UK government take to support a robust investment data ecosystem to attract green finance flows?

Our key recommendations in this regard are outlined below.

- **Set a legislative framework on corporate disclosure that meets the needs of investors:** this should lead to reporting by a broad scope of companies that meets the 'decision-usefulness' criteria laid out in our response to Question 27. This work should build on international standard-setting initiatives such as the International Sustainability Standards Board (ISSB) with the goal to develop a global baseline for corporate sustainability reporting.
- **Align existing regulatory initiatives to set up a coherent regulatory ecosystem:** there should be policy coherence between investor and corporate disclosure obligations, building an end-to-end disclosure framework that will enable investors to meet their regulatory obligations while scaling up their contribution to UK and international sustainability goals.
- **Establish a centralised platform allowing access to publicly disclosed financial and sustainability by corporations and financial market participants:** this will enhance the accessibility of sustainability data and therefore overcome one of the main challenge investors face in identifying ESG risks and opportunities, understanding sustainability performance and implementing their own disclosure obligations such as the proposed SDR. Information published on this platform should be tagged and in machine-readable formats that correspond to existing reporting standards and requirements. Such a platform has been proposed by the European Commission as part of the efforts to increase transparency and reduce asymmetry of information under the proposed European Single Access Point (ESAP) and might be considered as a blueprint.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of HM Government further to support updates to the Green Finance Strategy.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org