

# **UK Sustainable Investment and Finance Association – Written evidence (SCG0003)**

## **About UKSIF**

The [UK Sustainable Investment and Finance Association \(UKSIF\)](#) is a membership organisation for those in financial services committed to the growth of the sustainable and responsible finance sector in the UK, seeking to build an inclusive financial system for the benefit of the environment and wider society. Our 320+ members, representing over £19trn in global assets under management, include investment managers, pension funds, banks, ESG data and research providers, financial advisers and NGOs.

We are submitting evidence to this inquiry because we believe that the UK's position as a leader in sustainable finance offers it a significant potential advantage in attracting a large portion of the growing global market for sustainable finance. Maintaining our position ahead of other jurisdictions' financial centres should be a priority for the FCA.

## **Context**

The Financial Conduct Authority has an important contribution to make in steering UK markets and financial services firms towards achieving the target of a net zero economy by 2050.

Given the systemic threat to financial services posed by climate change, this transition goes hand in hand with FCA's duty to help promote the resilience of national and household finances.

Putting emphasis on sustainability in the UK's financial services sector is a clear opportunity for maintaining the UK's competitiveness, and supporting the government's growth ambitions.

The City of London has consistently ranked as the world's leading financial hub for sustainable finance on the Global Green Finance Index. Alongside this, [analysis](#) by McKinsey (and cited by the government) found that by 2030 UK businesses could supply more than £1 trillion worth of goods and services needed for the net zero transition. This growth potential will only be realised with significant backing from the UK's financial sector.

There is however growing competition from other jurisdictions around the world who are trying to attract the capital needed to finance their own green transitions:

- New York and Geneva have been catching up to the UK fast on the Global Green Finance Index in recent years.
- The UK has slipped from fourth to seventh of EY's longstanding Renewable Energy Country Attractiveness Index.

To regain our position near the top, the UK must continue to update and enhance its world-renowned regulatory regime.

## **Recommendations**

A key part of the UK's competitive advantage in financial services is having high quality regulation for firms and internationally leading approaches that are drawn on in other markets.

To maintain this advantage, the FCA should:

- Adopt a renewed focus on the financial risks posed by climate change and nature loss, and the financial system's role in addressing these challenges. This could be achieved under the FCA's existing operational objectives to protect the integrity of the UK financial system and to promote effective competition in the interests of consumers and trust of the market participants.
  - As focus and understanding grows internationally on the risks posed to the financial system by climate change and nature loss, it may become appropriate to integrate this greater focus more clearly into the FCA's secondary objective to support international competitiveness and growth of the UK economy.<sup>1</sup>
- Make progress on delivering on the new 'regulatory principle' under the Financial Services and Markets Act 2023 to consider the UK's emissions targets and environmental objectives, including in regard to nature. As this principle is embedded over the coming years, it may become necessary for the FCA and other regulators to have a new statutory objective to consider climate and nature risks in the UK and to promote sustainable finance.
- Enact timely and effective enforcement of financial firms' claims on their sustainability related activities, with sufficient resources allocated to tackle greenwashing and sanctions proportionate to equivalent failures in non-ESG investigations, so as to encourage the market to actively engage on ESG.

*16 September 2024*

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<sup>1</sup> <https://hive.greenfinanceinstitute.com/gfihive/insights/assessing-the-materiality-of-nature-related-financial-risks-for-the-uk/>