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[Recipient],

I write ahead of the G7 summit and in the run up to COP26. I am delighted that these two important events are taking place in the UK and under a UK presidency, in partnership with Italy for COP26. For the summits to be a success in reducing greenhouse gas emissions, limiting the global temperature increase and protecting the diversity of our natural environment leadership is required from every aspect of UK civil society, including business.

In that spirit, I want to take this opportunity to write to you, as the senior representative of a G7 participant in the UK, to share the UK investor perspective on the priorities for coordinated international action to reduce the impact of climate change on the planet and drive progress towards a sustainable economic recovery.

The Investment Association (IA) champions UK-based investment managers, a world-leading industry, which helps millions of people save for the future while supporting businesses and economic growth internationally. IA members manage £8.5trn for savers and institutions, such as pension schemes and insurance companies. 43% of this is for overseas customers. The UK investment management industry is the largest centre in Europe and second only to the US. The IA is particularly proud to support members signing up to the Net Zero Asset Managers initiative and the Race to Zero and to date investment managers with more than £5trn of assets under management in the UK have made these net zero commitments.

Climate change is one of the single biggest systemic risks facing society and the planet today. There is clear international appetite to make significant progress on climate and environmental issues this year and to ensure that economic recovery from coronavirus is a sustainable one. The UK's investment management industry is also pleased to be working with governments and other stakeholders to accelerate positive corporate change globally. Savers and institutions are significantly exposed to the detrimental impacts of climate change on the value of their assets. As stewards of clients' capital, a fundamental part of an investment manager's role is to oversee the assets they invest in to encourage, develop and support sustainable business performance that leads to long-term returns for savers. Investors have an important role to play in using their stewardship obligations to respond to the systemic risk posed by climate change.

To support this agenda, we launched a significant report last year which considers how to improve stewardship right across the investment chain. The report was a direct result of the work the investment management industry has been spearheading with the UK government, regulators and other stakeholders as part of HM Treasury's Asset Management Taskforce. It sets out in detail, with a number of recommendations, how stewardship and responsible investment should be strengthened.

G7 members have taken action on climate change and underpinning this are efforts to improve sustainability related disclosures by businesses and investors. Enhancing these disclosures is critical to support capital to flow to a sustainable economy and will underpin the global transition to a net zero economy. In the UK, the Government has made TCFD-aligned reporting mandatory across the UK economy and announced plans to introduce a UK green taxonomy.

Our EU neighbours have also introduced transparency and disclosure requirements relating to sustainability for financial market participants through the Sustainable Finance Disclosure Regulation (SFDR) and set out an ambitious programme on Sustainable Corporate Governance (CSRD). In isolation, these measures are to be welcomed but we must not forget that both financial markets and climate-related risk are global. It is vital, therefore, that forums such as the G7 consider how to take action which is coordinated and global in outlook.

As the providers of capital to companies and real assets all around the world, investment managers have a keen interest in ensuring global efforts to improve sustainability disclosures are coordinated and aligned. The quality, availability, and comparability of data from investee companies and other assets across different jurisdictions is crucial for investment managers to contribute to a sustainable economic recovery. However, regulatory and regional fragmentation remains a significant challenge.

Backing from the highest levels of government is needed to ensure significant progress is made on the international harmonisation of sustainability reporting standards for both issuers and investors.

As you prepare for the G7 I would like to share with you **our key recommendations for international collaboration**. The core G7 members, represent nearly one billion people, one sixth of the world's land area and just under half of the world's economy. The members and invitee nations at this summit are responsible for huge populations and vast parts of the natural world but they also carry an obligation to the whole planet. If all the countries participating commit to the following actions it can set the tone for the rest of the world to follow:

1. Support for the IFRS' Sustainability Standards Board to work at pace to develop sustainability reporting standards and increased cooperation between national regulators to endorse and implement these standards.

2. For national regulators to commit to implementing mandatory economy wide reporting on international Task Force on Climate-related Financial Disclosures (TCFD) reporting agreed by national regulators.
3. International common standards to be agreed on green gilts by governments and national regulators.
4. Governments to set out at a high level sector specific pathways to meet the Paris Agreement goals and prioritise providing further detail to reduce the risk of stranded assets.

Further detail on each of the above recommendations is included in the appendix that follows. While the need for climate action is urgent, success in tackling climate change will require a long-term commitment. I would very much welcome the opportunity to build a partnership with you to achieve these aims. The IA is available to answer any questions you may have and I look forward to our future discussions.

Yours sincerely,

Chris Cummings
Chief Executive

Appendix

1. **Support for the IFRS' Sustainability Standards Board to work at pace to develop sustainability reporting standards and increased cooperation between national regulators to endorse and implement these standards.**

The information companies provide to their stakeholders about material environmental, social and governance factors, including climate change, is essential for investment managers to integrate sustainability risks and opportunities into the investment process – supporting the flow of capital to companies and assets that have sustainable business models. At present many companies are being pulled in different reporting directions on sustainability issues with a plethora of different standards and different expectations from national regulators. This adds to costs, complexity and undermines data comparability, which is key for global investors to integrate sustainability information into the investment process.

Regulators and governments should fast track international efforts to enhance and harmonise corporate reporting standards for sustainability, including those led by the International Organization of Securities Commissions (IOSCO), Financial Stability Board (FSB), International Financial Reporting Standards (IFRS) and the European Financial Reporting Advisor Group (EFRAG).

Investors support efforts from the IFRS to create a new Sustainability Standards Board (SSB) which will focus on enterprise value and the use of TCFD; utilising the five major global standard setters as building blocks. We also welcome IOSCO's statement that they will work with the IFRS and international regulators and consider endorsement of the SSB. We are keen to ensure that there is strong investor representation on the SSB to ensure the providers of capital and users of company reporting are represented in the standard setting process.

We back the commitment to meet the urgent need for comparability on climate reporting as this will be essential in supporting the further integration of climate risk into the investment process. We would also like to see urgent progress across the full range of sustainability issues and for the IFRS foundation to set out a clear roadmap for addressing the full range of sustainability factors.

In the interim, the UK investment management industry encourages securities and other regulators around the world with responsibility for setting corporate reporting standards to fast-track the use of TCFD and SASB. We were encouraged by the UK's Financial Reporting Council's statement to this effect and the Securities and Exchange Commission's consideration of the role of global standardisation in their consultation on issuers climate disclosures.

2. **For national regulators to commit to implementing mandatory economy wide reporting on international Task Force on Climate-related Financial Disclosures (TCFD) reporting agreed by national regulators.**

The UK Government's roadmap for mandatory TCFD reporting across the economy by 2025 has been welcomed by investors. We ask that other governments also introduce mandatory TCFD expectations and clarity on how this will be achieved across the economy on similar timelines.

It is essential that these efforts recognise the flow of information across the investment chain – with comprehensive and comparable information from investee companies crucial to enabling investors to provide meaningful climate disclosures for clients and savers.

3. **International common standards to be agreed on green gilts by governments and national regulators.**

This year the UK Government will issue its first green gilts specifically for funding climate and environmental projects. Other G7 countries, such as Germany and Italy, already issue green gilts. An international harmonisation of reporting standards on green gilts would aide their uptake from investors and help to support a sustainable recovery globally.

4. **Governments to set out at a high level sector specific pathways to meet the Paris Agreement goals and prioritise providing further detail to reduce the risk of stranded assets.**

Clear policy signalling from government gives companies clarity about their own transition risks, enabling them to improve their reporting on them and adapt their business models accordingly. This in turn helps investment managers engage with these companies more effectively to help support them in making the capital allocation decisions necessary to transition to Net Zero.

We ask that government's around the world set out high level, clear, long-term signals and guidance on the nature and speed of their transition to Net Zero, including an indication of the actions that will be necessary in every sector of their economy.

The investment management industry is keen to work with policymakers internationally to help identify clear pathways to transition for different sectors of the economy and help tackle any gaps between the intention and delivery of the Paris Agreement goals. This will enable investment managers to support companies with their expertise and private capital to take the steps necessary and factor climate transition risks more accurately into their investment decisions for the long-term benefit of their clients and the planet.