



# *EU Sustainable Finance Consultation*

## COVERING NOTE FROM ICAEW

There is a pressing need to expedite the sustainable rebuilding of economies the world over. Given the urgency of the challenge of transitioning to fairer, sustainable and resilient systems, we welcome the EU's prioritisation of action with regard to the financial system. The financial system must play a leading role in accelerating the mainstreaming of sustainability across the broader economy.

For change to happen, business has to respond. Improved reporting on environmental and social issues will be central to efforts to encourage system change. Financial actors, in particular, need to both better understand of the implications of environmental and social factors on their activities and be accountable for their impact on nature, people and the economy.

We believe that there is an urgent need for greater focus on –

- The financial services organisations themselves. Greater transparency around the green and sustainable credentials of financial actors must be based on better measurement and reporting.
- The products that the financial sector issues and invests in – reliable, consistent and comparable reporting is needed to ensure that such products are truly sustainable
- The corporates providing energy, goods and services - financial services organisations need better information on the overall performance and impact and dependencies of the companies and organisations they are providing services to.
- The retail users – outside of the corporate environment, most individuals will have limited options to exercise their preferences. Pensions funds may be a major area where individuals can exercise influence, provided they have the opportunity to do so and that they have the financial literacy skills and sustainability awareness to do so. Greater focus on ESG principles within the default options could be an efficient way to increase the proportion of sustainable investment.
- The public sector bodies – we consider that public sector bodies should also make use of existing tools, including the EU Taxonomy, to help access green financing.

We note that the transition to a greener, sustainable economy will not take place overnight. It will be important to encourage this shift from 'brown' to 'green' economic activities by enabling investors to make transitional options along a spectrum, rather than forcing binary choices.