

John Glen addresses Investment Association on Sustainability and Responsible Investment

Thank you very much for inviting me to speak today. I've gotten used to this new format now, but I hope – like I'm sure you all do too – that we can do these events together in person in the not too distant future.

Covid has changed the way that all of us have been working. I know from my conversations with business leaders over the last few months that this sector takes the wellbeing and safety of staff very seriously, and I am pleased to have seen that the investment management sector has continued to function effectively through this difficult period, and also that some of you are taking tentative steps back into the office.

Whether virtually or in person, events like this are really important as they provide an opportunity for me to talk directly to you, the investment management community.

I've now been City Minister for two and a half years, and throughout that time, sustainability and responsible investing has been a priority where I've sought to drive progress.

The UK investment management sector

Taking a step back, I recognise that the investment management sector makes an invaluable contribution to the UK economy, generating significant employment and tax revenue, and is key to our success as a global financial centre.

There are almost 40,000 people working directly for asset management firms in the UK, with a further 76,000 working in supporting areas.

Our asset management industry is the largest in Europe and is at the heart of the health of our overall financial ecosystem, generating value across several areas including trading, marketing and investment banking, to name but a few.

For the last two years I have been delighted to chair the Asset Management Taskforce, which brings government together and senior representatives from the asset management industry, the FCA and other key stakeholders.

The Taskforce provides an opportunity to discuss the overall strategy for the sector going forward, to identify opportunities to enhance the UK's competitiveness as a global centre for investment management, and it continues to be immensely valued by me and by members.

The importance of sustainability and responsible investing

A key part of this overall sector strategy must be to build upon our strengths in sustainability and responsible investment in order to tackle the challenges facing our world today, and to take advantage of the opportunities that come with it.

Sustainability and responsible investment continues to be at the top of my agenda. The investment management sector's work in this area will be especially important as the UK looks to deepen its relationship with international partners and further strengthen the UK's position as a leading global financial hub, as we build back better and greener.

Part of that will be our ambition for inter-operable global standards to drive forward the transition to net zero while providing the opportunity for UK asset managers to become global leaders in this field – capturing the opportunity from green finance within the UK market. To this end, I've been clear that at the very least, we will match the ambition of the EU Sustainable Finance Action Plan, and we will say more about that in due course.

Recent events have illustrated just how vital this agenda is. Although tackling covid-19 remains the government's priority, having thrown into sharp relief the importance of the S in ESG, the climate crisis hasn't gone away, and it is more important than ever that we take environmental, social and governance factors into account as we rebuild our country.

How HMT is supporting the SRI agenda

We are working hard to support the sustainability and responsible investing agenda.

This agenda has been a focus of our Asset Management Taskforce, which has set up industry and stakeholder led working groups on stewardship. We want to help asset managers become effective stewards on behalf of clients by holding the companies they invest in to account.

The UK is already a world-leader in setting stewardship standards: the UK's Financial Reporting Council published the revised UK Stewardship Code in October 2019. We will continue to work with industry to encourage the adoption of the Code across the asset management sector and the broader stewardship ecosystem.

The government is also working alongside the City of London to support the work of the Impact Investing Institute. Considering Covid, the Institute's work in highlighting the ability of investment to create positive social impact and contribute to addressing social inequality is more important than ever.

As well as driving society's recovery and future resilience, place-based impact investing – focusing on the social, environmental and economic outcomes of investment in economies, towns and communities across the UK – presents significant opportunity for levelling up our economy.

How HMT is supporting sustainability more broadly

The government's work to support the SRI agenda is a crucial part of a much wider government effort.

In June, the Prime Minister set out his vision for how Britain can bounce back from Coronavirus better and stronger than before: with new jobs in high-tech sustainable, industries across the country. In July, the Chancellor published the government's Plan for Jobs, which included practical detail of how we can do this.

His plan included the £2 billion Green Homes Grant programme, through which homeowners and landlords in England can apply for a voucher to fund at least two thirds of the cost of hiring tradespeople to improve the energy efficiency of their homes.

This measure will improve the energy efficiency of buildings and reduce carbon emissions, while also supporting jobs and cutting household bills.

But the government isn't only working to create a green recovery – we want to shape a future which is greener and more sustainable in the long term.

That's why this government made a commitment to reach net zero by 2050 – the UK was the first major economy to make such a pledge, and the Treasury is now conducting a review on how best to fund the transition to net zero.

While that review is ongoing, we continue to deliver policy to help us get there. As well as the Green Homes Grant, the Chancellor used his first budget in March to announce: £1 billion of support for ultra-low-emissions vehicles; funding for tree planting and peatland restoration; tax measures to encourage energy efficiency and reduce plastic waste; and investment to allow the quick expansion of cycling and walking routes across England.

And specifically on Finance, the area closest to my heart – or at least desk – we've been very busy too!

Under the Green Finance Strategy, we set out expectations that all listed companies and large asset owners should make climate related disclosures by 2022, in line with the recommendation of the Taskforce on Climate-Related Financial Disclosures.

We need the people in the financial sector – people like you – to be able to make good decisions with this new information we are generating. So this summer, I launched the Green Finance Education Charter to ensure financial services-related qualifications and certificates include knowledge and understanding of green finance.

And of course we are busy preparing to host COP26 Climate Conference in Glasgow next year. With our G7 presidency next year as well, the world is watching the UK's progress.

Call to action

The UK investment management industry also has a crucial role to play in addressing these issues through the development of responsible investing. I know that the IA has been driving work in this area. In addition to supporting the stewardship working group, the IA published a 'Responsible Investment Framework' last year to address the lack of common language and standards for sustainability and responsible investment.

I welcome this initiative, as well as the other steps the sector is taking in sustainability and responsible investing. But we also need you to do more: both in terms of protecting our climate and the societies that depend on it.

For our climate, there is more for you to do in making your own net zero commitments; by supporting accurate disclosures through TCFD, financing green projects, and moving away from the polluting growth models of the past.

While it can be more difficult to measure our social impacts, they are just as important as environmental considerations. This was highlighted most recently by intense debate about racial equality and issues with working conditions here in the UK. Investors are waking up to the role they have to play in promoting fair pay, improving the treatment of employees and reducing social inequality, but the sector must do more to fulfil its key role in facilitating this demand for social change.

Changes like these will be good for the environment, good for society, good for the economy, but also good for you and your clients – in building and capitalising on the global market for sustainability and responsible investment, while also strengthening the UK's position as a leading financial centre.

Together, and only together, can we build on the UK's proud track record and continue to lead the world in sustainability and responsible investing.

Thank you very much.