

# Sustainable Finance Standards Programme

<b>Country:</b>	United Kingdom
<b>Level:</b>	National
<b>Topics addressed:</b>	Public Policy, Legislation

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## Summary:

Sustainable finance is of growing importance to national and international policy and regulatory agendas as part of the move to a low carbon economy, and in line with the UN Sustainable Development Goals (SDG) global agenda. There have been calls to align the global financial system with sustainable development, and recognition of the role of the sector in mobilising finance to tackle pressing societal challenges, such as climate change, resource depletion, poverty, social inequality, etc.

The UK Government's Industrial Strategy and the Clean Growth Strategy aim to ensure that investment is channelled in a way that catalyses low carbon innovation across multiple sectors of the economy, as well as to enable environmentally and socially-minded economic development and prosperity.

To enable the implementation of relevant policy and legislative targets, while addressing industry concerns and aspirations on the subject of sustainable finance, the national standardization body BSI is working with industry and the UK Government's Department for Business to develop a set of voluntary sustainable finance standards. This programme of work also responds to growing stakeholder calls for more robust and credible standards that build on existing effort and initiatives.

## Background:

Industry engagement and scoping work carried out by BSI in March and July 2018 supported the need for consensus-based standards in the area of sustainable finance.

The scoping work was initiated after investment fund managers approached BSI with a question about responsible investment standardization. Through this initial engagement with the financial industry and desk study of existing standards in this area, BSI sector leads identified market needs and policy targets that standards can support. The scoping discussions highlighted a number of barriers to the adoption and implementation of sustainable finance in the UK and globally, which voluntary standards could help tackle. Such barriers include: lack of common terminology and agreement on how to integrate Environmental, Social and Governance (ESG) principles and sustainability considerations into existing policies, strategies, activities and products; limited transparency and investor confidence; inconsistent assessing and reporting on the performance of responsible investments; lack of integrated industry approach and understanding of how to address and contribute toward the achievement of the UN SDGs and targets.

## Strategy:

BSI will start the programme with development of several UK-led, internationally relevant, standards that address key aspects of sustainable finance.

The scope of these standards has been agreed following in-depth industry engagement over the past year to ensure they are targeting the areas that will have the greatest impact – addressing clear demand in the financial sector.

To enable the sharing of UK knowledge and good practice, and in support of the shift of the global financial community toward sustainable development, BSI also proposed the establishment of a new ISO Technical Committee on this subject. In September 2018, ISO TMB approved the establishment of the new TC 322 tasked with the development of international standards on the topic of sustainable finance.

These new standards will provide businesses and financial institutions with a clear framework for ensuring their products and processes are aligned with the transition towards cleaner, more sustainable economic growth.

## Results and Impact:

A robust set of sustainable finance standards will increase business confidence and understanding of sustainable investments and activities. It can help accelerate the growth of green finance, and provide reliable mechanisms for mobilising finance globally to address societal challenges and pressing social, environmental and economic needs.

BSI's wider sustainable finance standardization programme aims to:

- Accelerate global adoption of sustainable finance practices
- Integrate sustainability/ESG (environmental, social, governance)

considerations into investment practices

- Provide common reporting and benchmarking to inform investment decision-making
- Drive growth and confidence in sustainable/green financial products and investments

Support and strengthen existing codes, initiatives and schemes and align with new and ongoing initiatives, policies and regulation that are being developed at International and European level.

Standards developed within the programme will therefore help to encourage greater transparency and with it confidence in how the financial industry is incorporating sustainable development considerations into decision-making, organisational and investment strategies, products and services. This is important for investor confidence and helping mainstream sustainable finance.

## Challenges and lessons learned:

One key factor for a successful programme of activities is to ensure a wide range of stakeholders and experts from across the sector are involved in the identification of challenges, needs and potential solutions - a collaborative and inclusive approach is required to develop an international programme that can bridge different priorities. In addition to this, there needs to be cooperation to ensure avoidance of duplication and overlap, to build on the strengths and achievements of existing initiatives and programmes. Engagement with UK government at an early stage also ensured the standardization programme coincided with government's plan of action on green finance and their policy framework around green finance. Linking green finance policy priorities with wider industry needs around responsible investment practices and integration

of sustainability into investment decision-making, informed the design of BSI's Sustainable Finance standardization programme.

A key challenge when working on government projects is aligning the long-term goals of a standards programme with shifting policy priorities of government stakeholders. Having continuous engagement with government throughout the project ensures there is a strong link between the programme and government stakeholders and decision-makers.

### **Potential for Replication:**

This project shows the value of government engagement as part of a standards development strategy. In this example, government engagement opened up the opportunity to align industry-led solutions with government policy. Having an understanding of the needs of industry and aligning with government strategies can in effect showcase how standards and National Standards Bodies can bring growth to the economy

In addition to this, this case study is a good example of developing a more strategic approach to standards development and working with government, industry and academia to create a programme of activity that can lead to standardization solutions.

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**Contact Name:** Sahar Danesh  
Maria Varbeva-Daley  
**Organization:** BSI