**Fact Sheet: Net Zero-aligned Financial Centre**

**What has been announced?** The UK will be the world’s first Net Zero-aligned Financial Centre**.** This means UK financial institutions having a robust firm-level transition plan setting out how they will decarbonise as the UK meets its ambitious and legally binding net zero targets, and strong Government oversight of the financial sector as a whole to ensure financial flows actually shift towards supporting net zero:

* **The UK will move towards making publication of transition plans mandatory**. Initially, this will require asset managers, regulated asset owners and listed companies to publish transition plans that consider the government’s net zero commitment or provide an explanation if they have not done so. As standards for transition plans emerge, the Government and regulators will take steps to incorporate these into the UK’s [Sustainability Disclosure Requirements](https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing) and strengthen requirements to encourage consistency in published plans and increased adoption by 2023**.** The Government intends to legislate to deliver this.
* **The Government will set up a high-level Transition Plan Taskforce.** This will bring together the best of British industry and academia with regulators and the third sector to develop a ‘gold standard’ for transition plans and associated cutting edge metrics, coordinating with international efforts under the Glasgow Financial Alliance for Net Zero (GFANZ) and others, and reporting by the end of 2022. This will set a robust standard and help to tackle greenwashing. E3G and the Centre for Greening Finance and Investment (CGFI) will act as the secretariat, with funding provided by philanthropy. The FCA will be formally involved and will have regard to its findings.
* **The UK will publish next year a transition pathway for the financial sector setting out how the sector will transition to net zero by 2050.** On 18 October 2020, the Government published [Greening Finance: A Roadmap to Sustainable Investing](https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing). This set out a comprehensive plan to get market participants the information they need to take climate into account in every financial decision. To make sure financial flows actually shift to meet the Paris commitment, the Government will go further, and next year set out a transition pathway for the sector as a whole with new policies and milestones looking ahead to 2050.

**What is a transition plan?** A transition plan sets out how an organization will adapt as the world transitions towards a low carbon economy. It should set out a) high-level targets the organisation is using to mitigate climate risk, including greenhouse gas reduction targets (e.g. a net zero commitment), b) interim milestones, and c) actionable steps the organisation plans to take to hit those targets. The UK was the first country to commit to making climate reporting aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) mandatory. The TCFD has issued [guidance](https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf) recommending firms that operate in jurisdictions, like the UK, that have made a net zero commitment describe their plans for transitioning to a low carbon economy. The FCA has proposed to reference this in its TCFD-aligned disclosure rules for listed companies, asset managers and FCA-regulated asset owners with effect from 1 January 2022. The Government believes firms that operate primarily in the UK should publish transition plans, however, there is not yet a commonly agreed standard for what a good quality transition plan looks like.

**Why is this important?** Transition plans are critical to joining up the strong regulatory and international work on sustainability disclosures and the strong private sector leadership on net zero commitments made in the run up to COP, ensuring these pledges turn into real action. The Glasgow Financial Alliance for Net Zero (GFANZ), made up of financial firms with global assets of $130 trillion, has been clear in its [Call to Actio](https://assets.bbhub.io/company/sites/63/2021/10/GFANZ-call-to-action.pdf)n that policy makers should set a target for implementing mandatory net zero transition plans.

**Is the UK making firm-level net zero commitments mandatory?** No. The UK has set some of the most ambitious legally binding net zero targets into law. Firms and their shareholders will decide how their business adapts to this economy wide transition, including how they plan to decarbonise the emissions they finance. Firms will have different overall targets. A good transition plans sets out these decisions publicly in a comparable way and quantifies the interim targets and milestones to meet the overall firm-level goal.

**Does this mean that investments in carbon intensive activities are no longer allowed?** No. The Government is moving towards making the publication of transition plans mandatory. This aim is to increase transparency and accountability about the actions firms are planning to take to align with the UK’s economy-wide transition to net zero. It will be for the market to determine if these plans are adequate or credible. Investors, through their stewardship, may use their influence and their votes to encourage more ambition or accelerated progress.