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Joint statement on climate change

Climate change is one of the defining issues of our time. We recognise it presents far-reaching financial risks relevant to our mandates from both physical factors, such as extreme weather events, and transition risks that can arise from the process of adjustment to a carbon neutral economy. Companies should consider the likely consequence of climate change on their business decisions, in addition to meeting their responsibility to consider the company's impact on the environment. Financial risks will be minimised by achieving an orderly transition and via a collective response. We welcome the action being taken as part of the UK's Green Finance Strategy to ensure a coordinated approach and look forward to further collaboration to advance progress in the near term on climate-related issues.

Sam Woods, Deputy Governor for Prudential Regulation and Chief Executive Officer of the Prudential Regulation Authority said:

"Climate change has the potential to create significant financial risks for the firms the PRA regulates. The challenge we face in mitigating these risks is unprecedented, and we need to begin to act now if we are to ensure an orderly transition to a carbon-neutral economy. We will play our part and work with government, fellow regulators and industry through the UK Government's Green Finance Strategy, the Climate Financial Risk Forum, and the Network for Greening the Financial System."

Andrew Bailey, Chief Executive Officer of the Financial Conduct Authority said:

"Climate change and the transition to a carbon-neutral economy will transform financial services markets and shape consumer priorities and needs. This brings unprecedented challenges for us in mitigating risks and enabling positive changes. Working with other regulators and government is an essential part in our approach to successfully tackling these challenges. We welcome the shared understanding of the nature, importance and urgency of financial risks of climate change amongst the regulators and government."

Sir Win Bischoff, Chair of the Financial Reporting Council said:

"The effect of climate change on society and business is one of the defining issues of our time. As well as reporting on their impact on the environment, public companies and their Boards should address the impact of climate change on their business. The FRC is pleased to play its part in supporting the UK's Green Finance Strategy in co-operation with other regulators. Today we are outlining our actions to encourage and monitor companies' responses."

Charles Counsell, Chief Executive of The Pensions Regulator said:

"Climate change is no longer simply a social responsibility issue. It is a core financial risk impacting broadly across business, the economy and markets. Climate change is a risk to long-term sustainability pension trustees need to consider when setting and implementing investment strategy, while many schemes are also supported by employers whose financial positions and prospects for growth are dependent on current and future policies and developments in relation to climate change. Tackling poor standards of governance and risk management in pensions are priorities for TPR and we welcome working together with other regulators to address these challenges for pension schemes."