



...**YOUR COMPLIANCE, ESG & SUSTAINABILITY IN ACCORD**

Hello from ESG Accord,

This week we have released our latest Values Questionnaire - for Mortgages!

Mortgages are part of Sustainable Finance with Lenders and Brokers interacting with clients at key decision points. The ESG Accord Mortgage Values Questionnaire helps to ensure the client ends up with a product and lender to match their values. Important from Sustainable Finance / FCA / compliance perspective as well as risk mitigation for firms giving mortgage advice. Please get in touch if you'd like further information.

<https://www.linkedin.com/feed/update/urn:li:activity:6799962484091453440>

Homeowners in the UK who are looking for a green mortgage have more options than ever before. Eleven UK banks and building societies have launched green mortgage products since the beginning of 2020, with five of those entering the market in the first four months of 2021.

<https://www.greenfinanceinstitute.co.uk/unlocking-the-potential-of-the-uks-green-mortgage-market/>

Double materiality discussion and explainer;

Double materiality takes the notion of financial materiality within accounting (TCFD) one step further: it is not just climate-related impacts on the company that can be materialbut also impacts of that company on the climate, including and additionally any other dimensions of sustainability under ESG...

<https://www.lse.ac.uk/granthaminstitute/news/double-materiality-what-is-it-and-why-does-it-matter/>

The EU Sustainable Finance Package details - includes Delegated Acts for advisers/client sustainability preferences

<https://www.stibbe.com/en/news/2021/april/the-sustainable-finance-package-a-game-changer-in-finance>

<https://home.kpmg/xx/en/home/insights/2021/04/eu-sustainable-finance-package.html>

12/05 - European Green Deal: Commission aims for zero pollution in air, water and soil

This sets out an integrated vision for 2050: a world where pollution is reduced to levels that are no longer harmful to human health and natural ecosystems, as well as the steps to get there. The plan ties together all relevant EU policies to tackle and prevent pollution, with a special emphasis on how to use digital solutions to tackle pollution. Reviews of relevant EU legislation are foreseen to identify remaining gaps in EU legislation and where better implementation is necessary to meet these legal obligations.

https://ec.europa.eu/commission/presscorner/detail/en/ip_21_2345

This publication is intended merely to highlight issues, it is not meant to be comprehensive, nor is it regulatory advice. Should you have any questions on issues raised here or on other areas of ESG or Sustainability, please contact us admin@esgaccord.ci.uk

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Even non-ESG funds now have a greenish tinge! Article includes some great stats for younger generation values preferences

A poll by Montfort Communications and Boring Money of retail investors, shows some 63 per cent of 18-34-year-olds say they would choose a new fund manager based on their approach to ESG.

<https://on.ft.com/3nVIOY9>

Great opinion piece in the FT by Martin Wolf - very clear summary of where the world is now and an urgent call for action, across three areas

(including drawing similarities between Corp Tax race to zero and applying carbon tax/border import tax on emissions intensive countries)

- First, the high-income countries must mark themselves as credible leaders by committing to huge reductions in net emissions from their own output over the decade
- Second, all parties must agree on decarbonisation of all relevant systems by 2050, with significant progress by the 2030s.
- Finally, they must also agree to a package of incentives, disincentives and international assistance that will make achieving these ambitious goals feasible.

<https://www.ft.com/content/3fa154f3-84e7-4964-9a21-d3dbd41e1470?emailId=609108b5e6c2030004ffa85e&segmentId=7d033110-c776-45bf-e9f2-7c3a03d2dd26>

Massive numbers!

Global sustainable fund flows of \$185bn pushes sector's AUM nearly to \$2trn (Morningstar) - Annual ESG ETF inflows outweigh non-ESG for first time

Europe dominates with 82% of the \$1.98trn AUM, US second place with 13% of assets across open-ended and exchange-traded funds.

Product launches; 169 new funds entered the market globally, Europe tops with 66% of all new products.

European sustainable funds now represent the majority of new money invested, 51% of overall European fund flows into ESG products.

In Europe, active funds beat passive to these flows, with 70% of Q1 money flowing to the active space.

https://www.investmentweek.co.uk/news/4030651/esg-funds-approach-usd2trn-majority-european-flows-turn-green?utm_medium=email&utm_content=&utm_campaign=IW.Daily_RL.EU.A.U&utm_source=IW.DCM.Editors_Updates&utm_term=ESG%20ACCORD&uid=b736e7645fc9bae9b3ff2af50d41c5f1

Great news for SDGs investing

UN launches the first artificial intelligence tool for rapid natural capital accounting.

The ecosystem accounts produced by countries will track the extent, condition and services provided by nature's ecosystems – such as forests and wetlands – in the form of physical and monetary accounts and indicators. The adoption of the SEEA Ecosystem Accounting has been heralded as a historic step forward for the Sustainable Development Goals (SDGs) and to move beyond GDP in tracking global progress.

<https://www.unep.org/news-and-stories/press-release/un-launches-first-artificial-intelligence-tool-rapid-natural-capital>

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A new stress test conducted by Swiss Re has predicted that warming of 3.2C may reduce global GDP by 18 per cent by 2050.

If warming was kept within 2C, the global economy would likely see a four per cent decrease in GDP.

https://www.businessgreen.com/news/4030273/climate-impacts-scythe-cent-global-gdp-2050-swiss-warns?utm_source=APPG+NEWSLETTER&utm_campaign=c2e43b49af-EMAIL_CAMPAIGN_2020_05_28_10_06_COPY_45&utm_medium=email&utm_term=0_8f1635fb1a-c2e43b49af-183622702

LGPS pool launches renewable infrastructure, private debt funds.

London CIV oversees £12.6bn on behalf of 32 London LGPS, has launched a renewable infrastructure fund and a private debt strategy

The fund will have an open-ended structure and will focus on renewable energy infrastructure assets by investing in greenfield and brownfield assets. This will include generation, transmission, distribution and enabling assets

https://www.pensions-expert.com/Investment/LGPS-pool-launches-renewable-infrastructure-private-debt-funds?utm_campaign=PE%20Newsletter%20May%204%202021&utm_source=emailCampaign&utm_medium=email&utm_content=

The EU has confirmed that its green recovery bonds will not be based on the EU's sustainable finance taxonomy and instead will be based on a 'best in case reporting standard.'

<https://uk100.us15.list-manage.com/track/click?u=7dd3ad977b6f9a787e833efcd&id=a9d0714414&e=a5a65c070d>

Academics say: ESG outperformance narrative 'is flawed'. New research shows Metrics for 'quality' such as profitability and conservative investment explain most of sector's 'alpha'.

A great point made here in the article:

Goltz agreed, saying "investors who look for value-added through outperformance are looking in the wrong place [but] it might be time to consider ESG strategies for the unique benefits that they can provide, such as hedging climate or litigation risk, aligning investments with norms and making a positive impact for society.

<https://on.ft.com/336B9I6>

An interesting article about (wealth / climate / life after pandemic) insecurities and anxieties for the younger generations:

<https://on.ft.com/3gASzhA>

In the UK, a paper recently published by the Institute for Fiscal Studies projects that as older generations amass more wealth, average inheritances compared to lifetime income for the 1980s-born will be almost double that of the 1960s-born.

At the moment, while the wealth is still held by older generations it shows up in the data as a difference between generations. But wealth doesn't disappear. It's going to flow down, then it moves on to being an issue about inequality within younger generations.

The report considers:

A heightened sense of the importance of luck; that the wealth of your parents will most likely be the biggest indicator of future wealth.

That older generations do not grasp the scale of climate change. Highlighting global anxiety (from India); "I agonise over permanently emigrating to a place where the effects of climate change won't be quite as severe when I'm 50-60 years old."

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The concern of the global instability that climate change will cause. “One million refugees almost broke European unity; 225m climate refugees will surely annihilate it.”

A professional vocations compared to parents; “I have a professional job and they didn’t. [But] In terms of ... the full-belly feeling of knowing your children will have a better future than you? Not so much.”

Push for a net zero financial system!

Increasing UK pressure to step up its regulation of the financial industry, letter to the PM coordinated by climate change think tank E3G, also sent to COP26 president Alok Sharma, chancellor Rishi Sunak, and Mark Carney, Johnson’s COP26 finance adviser, signees include the chief executives of Aviva, Legal & General, Fidelity International and Jupiter Asset Management:

“We believe that the UK, the first major economy to commit to net-zero, can make history again by committing to achieve a world-leading net-zero UK financial system.”

<https://www.cityam-com.cdn.ampproject.org/c/s/www.cityam.com/exclusive-johnson-faces-calls-to-commit-to-net-zero-financial-system/amp/>

And finally! Please let us now via admin@esgaccord.co.uk if you have any topics or questions you’d like covered in our newsletter.