

# ESG ACCORD

●●● YOUR COMPLIANCE, ESG & SUSTAINABILITY IN ACCORD

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## Newsletter 25th October 2021

### Hello from ESG Accord

What's new with us?

Rather a lot...Roadmap, COP15 Declaration, NGFS Report on Biodiversity and Financial Stability - wheels are turning!

Last week we said a very warm welcome to the highly anticipated Government's Roadmap to Sustainable Investing and all the advancements it brings!

If you haven't already, we encourage all to read the document as a whole (the SDR, the ISSB, Stewardship, data, labelling - all interlinked).

<https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing>

Highlights for Financial Advisors -

"HM Treasury and the FCA are exploring how best to introduce sustainability-related requirements for financial advisors. A key aim will be to ensure that they take sustainability matters into account in their investment advice and understand investors' sustainability preferences to ensure suitability of advice. Details of the proposals are subject to further consideration and will be set out on a different timescale to proposals for financial market participants. The proposals will be subject to consultation and cost benefit analysis."

"The FCA is working closely with HM Treasury on the development of a sustainable investment labelling regime. The labels will help consumers select investment products based on their sustainability characteristics and will be supported by the underlying SDR disclosures...The FCA intends to publish further detail in an Autumn 2021 Discussion Paper and will set up an advisory forum to help inform the work."

For advisors this means action now. Advisors, as we know, are market participants and target markets are based on the investment universe. At ESG Accord we understand that for advisors to successfully segment their client bank and match fund target markets they need to have granular knowledge of their clients' ESG/Sustainable preferences. Particularly now so, given the 500+ new fund launches and ESG/Sustainable retrofitting of funds over the last 12 months!

ESG ACCORD provides financial advice firms with a flexible packaged compliance framework, allowing them to draw out and process all client ESG & Sustainability preference outcomes.

Ultimately, we believe this will increase client suitability outcomes. Fund outcomes will genuinely meet client needs and a firm's PROD requirements as a distributor will be fully met. Trust and transparency is increased and the client is more engaged.

Need we say more?

Our sign up is for a year, so we keep you up to date and respond to incoming regulatory changes.

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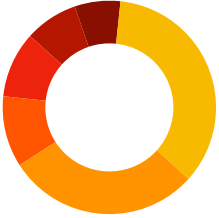
Onto our round-up 'from the news':

ESG Blog: Banks and asset managers invested \$157bn into companies involved in deforestation

Banks and asset managers based in the EU, UK, US and China have made deals worth \$157bn (£120bn) with firms accused of destroying tropical forest in Brazil, Southeast Asia and Africa since the Paris Climate Agreement, according to a report by Global Witness.

[https://www.investmentweek.co.uk/analysis/4009648/esg-blog-arabesque-unveils-ai-powered-portfolio-manager?utm\\_medium=email&utm\\_content](https://www.investmentweek.co.uk/analysis/4009648/esg-blog-arabesque-unveils-ai-powered-portfolio-manager?utm_medium=email&utm_content)

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This one is big news as it paves the way for assessing biodiversity metrics as financially material throughout the whole financial system:

Network for Greening the Financial System (NGFS) = 83 central banks.

The joint Study Group on 'Biodiversity and Financial Stability' launched by NGFS and INSPIRE publishes an Interim Report

"The report finds that there is growing evidence that biodiversity loss could have significant economic and financial implications, because the decline of ecosystem services poses physical risks for the economic actors that depend upon them. These actors also face transition risks from policies designed to halt biodiversity loss, such as the post-2020 Global Biodiversity Framework, expected to be agreed at COP 15 conference in Kunming, China, next spring.

Frank Elderson, Chair of the NGFS and member of the ECB's Executive Board: "Global policymakers are now becoming increasingly aware of the consequences of biodiversity loss. It is highly encouraging that NGFS and INSPIRE deliver their interim report on the risks of biodiversity loss for the economy and the financial system and the implications for central banks and supervisors ahead of Biodiversity COP-15". This potential financial instability means that central banks and financial supervisors could start to better assess the risks associated with the loss of biodiversity."

<https://www.ngfs.net/en/communique-de-presse/joint-study-group-biodiversity-and-financial-stability-launched-ngfs-and-inspire-publishes-interim>

DWP Consultation Paper: Seeking views on policy proposals to require trustees of larger occupational pension schemes, authorised master trusts and authorised schemes providing collective money purchase benefits to measure and report on the Paris alignment of their investment portfolios.

Climate and investment reporting: setting expectations and empowering savers

<https://www.gov.uk/government/consultations/climate-and-investment-reporting-setting-expectations-and-empowering-savers>

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Oct '21 - IEA Report - World Energy Outlook  
An essential guidebook for COP26 and beyond

<https://www.iea.org/reports/world-energy-outlook-2021/executive-summary>

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TCFD sees greatest increase in climate disclosure yet, TCFD-supporting organisations now have combined market cap of \$25trn

[https://www.investmentweek.co.uk/news/4038723/tcfd-increase-climate-disclosure?utm\\_medium=email&utm\\_content=%0A%20%20%20%20%20%20%20%20TCFD%20sees%20greatest%20increase%20in%20climate%20disclosure%](https://www.investmentweek.co.uk/news/4038723/tcfd-increase-climate-disclosure?utm_medium=email&utm_content=%0A%20%20%20%20%20%20%20%20TCFD%20sees%20greatest%20increase%20in%20climate%20disclosure%)

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COP15: Britain promises to direct more if its climate budget to protection biodiversity, next stage meetings for COP15 are in January 2022.

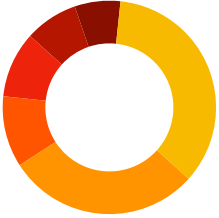
<https://www.reuters.com/business/environment/un-biodiversity-talks-end-chinas-kunming-with-new-funding-pledges-2021-10-15/>

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FCA: Partnerships, priorities and predictions for the future in the pensions market. Speech by Sarah Pritchard, Executive Director, Markets, to the Pensions and Lifetime Savings Association:

"Becoming more adaptive:

- Finally, the FCA has also pledged to be adaptive, changing our regulatory framework to meet evolving demands and learn from a fast-accelerating industry. We will look at where we can clarify and simplify regulations, to deliver high standards in the most efficient way.
- Our regulatory framework will need to change to accommodate the growing focus on ESG across the financial sector, and to meet the societal challenge of achieving net zero. The pensions industry has an important role to play in active stewardship on climate change and other ESG matters. We will soon be publishing a refreshed ESG strategy, in which the transition to a more sustainable future and the role of investor stewardship feature prominently. We will continue to work closely with the Financial Reporting Council in their application of the 2020 Stewardship Code, which sets a high standard for stewardship in the UK.



- I know as pension professionals you are very used to taking a longer view. I am keen to hear your thoughts about how the market may evolve in the years ahead and the role that we should play as a regulator. We also welcome the recent report from the DWP-commissioned Taskforce on Pension Scheme Voting Implementation, and will carefully consider its recommendations on matters such as voting transparency. We agree with the Taskforce that there is no regulatory barrier to pension scheme trustees' issuing an 'expression of wish' to their asset managers regarding their voting preferences, and no breach of fund rules where a fund manager takes the expression of wish into account when voting"

<https://www.fca.org.uk/news/speeches/partnerships-priorities-predictions-pensions>

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The COP15 Declaration & why it is relevant to financial advice:

The Kunming Declaration "Ecological civilization: building a shared future for all life on Earth", was adopted by ministers at the high-level segment. See attached.

The role of the financial sectors are pivotal in shifting global financial flows from negative to positive outcomes for both Climate and Biodiversity - they are interrelated.

We already have the TCFD in place. Complimentary to this is the Taskforce on Nature-related Financial Disclosures (TNFD) which aims to deliver Framework in the next two years. Metrics for Biodiversity and Nature are evolving and will soon catch up with Climate metrics as an essential step in our global transition.

<https://www.cbd.int/doc/c/c2db/972a/fb32e0a277bf1ccfff742be5/cop-15-05-add1-en.pdf>

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Matching Ethos with Strategy

While some charities are putting sustainability at the heart of their investment policies, others have fallen behind.

<https://www.esginvestor.net/charities-matching-ethos-with-strategy/>

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UN News : Seven climate actions highlights to remember before COP26

<https://news.un.org/en/story/2021/10/1101942>

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Hedge funds cash in as green investors dump energy stocks  
Big institutions' exit from oil and gas companies leaves hedge funds as among the only buyers

<https://www.ft.com/content/ed11c971-be02-47dc-875b-90762b35080e>

Interesting from an ethics perspective and about transition. We believe this highlights why any classification/label needs to cover all funds / all client views - Exploiting institutional disinvestments as opportunity for short term gains. A view that pressure for ESG conformity may be counter-productive as funding the energy transition needs revenues from oil & gas - disinvestment ensures the price rises are not met with supply.

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Interesting counter to the previous article:

Hohn vs Odey: the hedge fund battle for the planet-  
Heavyweight investors clash over approach on climate change and companies

<https://www.ft.com/content/412c9fbf-ff27-4f23-be58-780b2bc14815>

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An article by one of our ESG Accord framework users! Alasdair Coutts-Britton from Better World Financial Planning

[https://illuminate.nucleusfinancial.com/blog/getting-marketing-message-right-about-esg?utm\\_content=181942284&utm\\_medium=social&utm\\_source=linkedin&hss\\_channel=lcp-386274](https://illuminate.nucleusfinancial.com/blog/getting-marketing-message-right-about-esg?utm_content=181942284&utm_medium=social&utm_source=linkedin&hss_channel=lcp-386274)

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136 nations agree to biggest corporate tax deal in a century

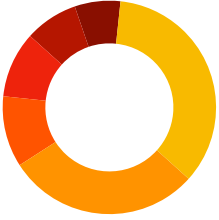
<https://on.ft.com/3FqefqZ>

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Empowering advisers through data will make ESG a success

<https://www.investmentweek.co.uk/opinion/4037929/empowering-advisers-esg-success>

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## Overview of revised GRI Standards

<https://www.linkedin.com/pulse/gri-standards-have-been-revised-rebecca-walker-chan>

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The environmental law firm ClientEarth has warned the European Union that it would be breaching its own laws if it labels investments in gas-fuelled energy as "green" in upcoming finance regulations.

<https://www.reuters.com/business/sustainable-business/exclusive-lawyers-warn-eu-against-labelling-gas-green-investment-2021-10-07/>

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Climate transition will depend on carbon price not ESG ratings, says Aviva's Waygood

The OECD is due to issue a policy framework on 'transition finance' by 2022

<https://www.responsible-investor.com/articles/climate-transition-will-depend-on-carbon-price-not-esg-ratings-says-aviva-s-waygood>

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Shouting out the need for the advice to include a full and granular ESG/S preferences process

<https://www.blackrock.com/corporate/about-us/investment-stewardship/proxy-voting-choice>

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Pensions as a way to boost sustainable investing:

[https://www.moneymarketing.co.uk/opinion/ros-altmann-could-pensions-be-used-to-boost-more-sustainable-investing/?eea=cUZCNFYONGJ5UFJIUmXSRmh3Z2NzL1YzVzNvdjk3NEdDZ1J6K3Q2VkpDRT0=&n\\_hash=2338&utm\\_source=e-shot&utm\\_medium=email&utm\\_campaign=MM-939-\(Edi\)-DailyBriefing-%232338](https://www.moneymarketing.co.uk/opinion/ros-altmann-could-pensions-be-used-to-boost-more-sustainable-investing/?eea=cUZCNFYONGJ5UFJIUmXSRmh3Z2NzL1YzVzNvdjk3NEdDZ1J6K3Q2VkpDRT0=&n_hash=2338&utm_source=e-shot&utm_medium=email&utm_campaign=MM-939-(Edi)-DailyBriefing-%232338)

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Due Diligence - Check, check and check again!

Asset managers engage with less than 15% of portfolios on net zero - Addressing greenwashing

A new report from investment consultant Redington has found that asset managers engage with less than 20% of their portfolio companies on climate impact on average.

Redington's 2021 Sustainable Investment Survey gathered the responses of 112 asset managers globally, covering 220 strategies and \$10tn in assets under management (AUM).

[https://www.investmentweek.co.uk/news/4038197/asset-managers-engage-portfolios-net-zero?utm\\_medium=email&utm\\_content=%0A%20%20%20%20%20%20%20%20Asset%20managers%20engage%20with%20less%20than%2015%25%20of%20portfolios%20on%20net%20zero%0A%20%20%20%20%20&utm\\_campaign=IW%20Daily&utm\\_source=IW%20New%20Newsletters&utm\\_term=ESG%20ACCORD%20LTD&uid=b736e7645fc9bae9b3ff2af50d41c5f1](https://www.investmentweek.co.uk/news/4038197/asset-managers-engage-portfolios-net-zero?utm_medium=email&utm_content=%0A%20%20%20%20%20%20%20%20Asset%20managers%20engage%20with%20less%20than%2015%25%20of%20portfolios%20on%20net%20zero%0A%20%20%20%20%20&utm_campaign=IW%20Daily&utm_source=IW%20New%20Newsletters&utm_term=ESG%20ACCORD%20LTD&uid=b736e7645fc9bae9b3ff2af50d41c5f1)

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FCA key note, Mark Manning, at Fund EcoMarket event:

Advisers must 'do more to scrutinise and challenge' ESG funds, the FCA has said.

[https://citywire.co.uk/new-model-adviser/news/fca-advisers-must-put-esg-funds-under-the-microscope/a1565199?section=new-model-adviser&\\_ga=2.124427789.607767320.1633541847-744320121.1632239921](https://citywire.co.uk/new-model-adviser/news/fca-advisers-must-put-esg-funds-under-the-microscope/a1565199?section=new-model-adviser&_ga=2.124427789.607767320.1633541847-744320121.1632239921)

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Green Finance Institute releases Lender Handbook

Launched - Lender's handbook on green home technologies. This is a comprehensive guide to inform financial institutions and industry about retrofit technologies and funding options, supporting the industry's growing green home finance

<https://www.greenfinanceinstitute.co.uk/wp-content/uploads/2021/10/GFI-Lenders-handbook.pdf>  
&  
<https://www.greenfinanceinstitute.co.uk/building-renovation-plans/>

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The Nobel Prize in Physics was awarded to scientists whose work warned the world of climate change.

Three scientists received the Nobel Prize in Physics for work that is essential to understanding how the Earth's climate is changing, pinpointing the effect of human behaviour on those changes and ultimately predicting the impact of global warming.

<https://edition.cnn.com/2021/10/05/health/nobel-prize-physics-winner-scn-2021/index.html>

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We'd love to hear from you! Please get in touch via [admin@esgaccord.co.uk](mailto:admin@esgaccord.co.uk) if you have any topics or questions you'd like covered in our newsletter.

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