

ESG ACCORD

●●● YOUR COMPLIANCE, ESG & SUSTAINABILITY IN ACCORD

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Newsletter 29th November 2021

Hello from ESG Accord

What's new with us?

Our November has been filled with events, COP26, Labels & Disclosures research and MPS Due Diligence! A quick run through for you;

Events - a busy couple of weeks! We've spoken at: Waverton, Brooks Macdonald, PFS/CII Exeter and Tribe Impact Capital!

Labels & Disclosures: A reminder that ESG Accord will be collating feedback for DP21/4. Please do get in touch if you'd like to discuss.

MPS Due Diligence: We are busy behind the scenes with our ESG & Sustainable MPS Report and we've added a section on our website - <https://esgaccord.co.uk/esg-sustainable-mps-report/>

COP26: The 'event' may be over but COP26 certainly is not! It has brought a shift to financial markets and regulation; global recognition that tight rules and global funding for climate are needed urgently, as well as increased focus on innovation and consumer change. Also notably, via finance and business, transparency and compliance are most definitely here! The fact that this COP was filled with business leaders, financiers and monetary officials, compared to COP15 which was environment ministers, activists and scientists, brings hope because with transparency and compliance comes scrutiny and accountability and this will increase pressure for change (Gillian Tett, FT <https://on.ft.com/30k9HCE> We should not be too quick to dismiss 'blah, blah, blah' on climate) ... So, COP26 headlines have ranged from hope all the way down to despair. This is because the implications are literally life changing. The time to act is now.

Starting this newsletter with a Policy Note by Amar Bhattacharya and Nicholas Stern of LSE & Grantham Research Institute; 'Beyond the \$100 billion: financing a sustainable and resilient future'. It covers headline issues, where we are, where we must go, key priorities, action agenda on climate finance, partnerships to deliver results

<https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/11/Beyond-the-100-billion.pdf>

Turning Green Into Gold Takes a Leap of Faith
Two conflicting reports highlight the lack of reliable and standardized data on how to make a profitable portfolio greener.

<https://www.bloomberg.com/opinion/articles/2021-11-24/turning-green-into-gold-takes-a-leap-of-faith>

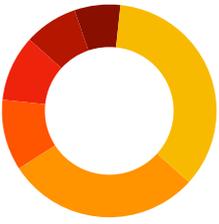
TNFD - Great info, why we need to be talking about advancing metrics!

After COP26: Nature positive set to become key component of net zero
Climate summit COP26 sees financial institutions, business and the public sector progress in connecting the nature and climate agendas, and standardisation of sustainability disclosures advances

<https://tnfd.global/news/after-cop26-nature-positive-set-to-become-key-component-of-net-zero/>

Martin Wolf: Dancing on the edge of climate disaster
Despite signs of hope, scepticism is fully justified when it comes to the COP26 announcements

<https://www.ft.com/content/6e2b366f-e139-4d69-bd4f-9254333bf316>



The UK and 44 other governments have pledged more than £3bn to make farming in the developing world greener and more resilient to climate change and to help protect valuable land from agricultural development. The money is made up of various funds for many projects and includes a £500m contribution from the UK to help protect five million hectares of rainforests from deforestation, an area equivalent to 3.5 million football pitches.

<https://inews-co-uk.cdn.ampproject.org/c/s/inews.co.uk/news/environment/governments-pledge-over-3bn-to-make-farming-in-developing-world-resilient-to-climate-change-1287690/amp>

Whitelee green hydrogen facility to power public transport

A wind farm is to become home to a state-of-the-art hydrogen storage facility which could eventually produce enough clean energy to help power the next generation of public transport. The UK government has awarded the project, based at Whitelee Windfarm in East Renfrewshire, £9.4m. It said the project would help Glasgow reach net zero by 2030.

<https://www.bbc.co.uk/news/uk-scotland-glasgow-west-59365823?>

Green Finance Institute launches Green Mortgage hub

The UK's housing stock is one of the oldest in Europe. Approximately 20% of our homes were built pre-1919, 85% use a gas boiler for heating, and approximately 50% have uninsulated walls, according to the UKGBC's Whole-Life Carbon Roadmap. The UK Climate Change Committee has estimated that £250 billion needs to be invested in UK home upgrades by 2050, which means that private finance actors – such as banks, building societies and institutional investors – have the opportunity to play a significant role in the coming years.

<https://www.greenfinanceinstitute.co.uk/news-and-insights/green-finance-institute-launches-green-mortgage-hub/>

Consultation Paper CP21/32** November 2022: Improving outcomes in non-workplace pensions

This CP is for non-advised sales. However we note the exemption 3.20 for Advisers brings 3.7 into relevance because the FCA now deems it appropriate to include these (ESG & Climate change) risks into non-advised sales because they don't have an adviser to consider the risks and opportunities for them! Which tells us what advisers include in their advice process!

3.20 Firms would not be required to offer a default option to consumers who have received a personal recommendation for their NWP. It would be for the adviser to recommend suitable investments. Firms that do not accept any new non-advised consumers into their NWP arrangements would not be required to make a default option available.

1.16 We want default options that are fair value and designed to meet the needs of the typical non-advised consumer choosing them. They would need to have an appropriately diversified pool of investments and take proper account of climate change and other Environmental, Social and Governance (ESG) risks. We expect firms to build lifestyling into the design so that investments are de-risked automatically in the run up to a target date of retirement.

ESG and climate change

3.70 In common with other pension products, default options will be long-term investments for most consumers. It is particularly important that firms take proper account of climate change and other ESG risks and opportunities in the investment design of a default option. We refer firms to our existing guidance in the section of our Handbook titled 'Senior Management Arrangements, Systems and Controls' (SYSC), at SYSC 3.2.23G and SYSC 4.1.15G.

<https://www.fca.org.uk/publication/consultation/cp21-32.pdf>

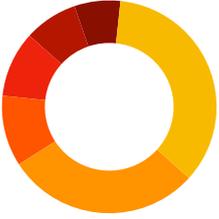
FCA: Put non-advised customers in default pathways
Under the proposals, the default option would need to be an appropriately diversified basket of investments and take account of climate change and other environmental, social and governance risks.

[https://www.moneymarketing.co.uk/news/fca-put-non-advised-customers-in-default-pathways/?eea=cUZCNFYONGJ5UFJIUmxSRmh3Z2NzL1YzVzNvdjk3NEdDZ1J6K3Q2VkpDRT0=&n_hash=2512&utm_source=e-shot&utm_medium=email&utm_campaign=MM-967-\(Edi\)-LatestNews-%232512](https://www.moneymarketing.co.uk/news/fca-put-non-advised-customers-in-default-pathways/?eea=cUZCNFYONGJ5UFJIUmxSRmh3Z2NzL1YzVzNvdjk3NEdDZ1J6K3Q2VkpDRT0=&n_hash=2512&utm_source=e-shot&utm_medium=email&utm_campaign=MM-967-(Edi)-LatestNews-%232512)

Norges bank - Biodiversity and ecosystems

Changes to natural ecosystems and the biodiversity that underpins them, pose business risks to companies in our portfolio. Externalities from unsustainable use of natural ecosystems may also affect other companies and the fund's long-term return. At the same time, evolving trends may present new business opportunities. Companies highly dependent on or impacting biodiversity and ecosystems should integrate relevant nature-related considerations into their corporate strategy, risk management and reporting.

<https://www.nbim.no/en/the-fund/responsible-investment/principles/expectations-to-companies/biodiversity-and-ecosystems/>



Supporting the development of a framework to manage nature-related risks Norges Bank Investment Management will take part in the Taskforce on Nature-related Financial Disclosures (TNFD) as a Taskforce Member. Officially launched in June 2021, the TNFD is an industry-led initiative aiming to provide a framework for organisations to report and act on nature-related risks.

<https://www.nbim.no/en/the-fund/news-list/2021/supporting-the-development-of-a-framework-to-manage-nature-related-risks/>

EU aims to curb deforestation with beef and coffee import ban
Raft of commodities would be prohibited under draft law in fight to protect world's endangered forests

<https://www.theguardian.com/environment/2021/nov/17/eu-deforestation-beef-coffee-import-ban-commodities-endangered-forests>

Great interview/article on ISSB

https://www.greenbiz.com/article/bob-eccles-and-jean-rogers-issb-and-future-esg-reporting?mkt_tok=MjExLU5KWS0xNjUAAAGAzS3Wk6H9CXs6gGXwZfenBU-goisdY0eHxUe-Cct4JwaYgcMNVYt6DdV3lfiWmrf5K3gTJs1xJtd2M-sejxMlpMHITP0kJJGS6wTwQSB6U-b7l2k

In October 2021 the FCA held a TechSprint focused on building technological solutions to overcome challenges faced by regulators in monitoring ESG Data and Disclosures.

<https://www.fca.org.uk/events/techsprints/sustainability-techsprint-2021>

Brooks Macdonald has launched a dedicated Responsible Investment Hub for advisers to help support their conversations with clients

<https://www.moneymarketing.co.uk/news/brooks-macdonald-launches-investment-hub-for-advisers/>

FCA wants to help consumers navigate sustainability

<https://www.moneymarketing.co.uk/news/fca-wants-to-help-consumers-navigate-sustainability>

Clients' needs are big challenge when building an ESG portfolio

<https://www.moneymarketing.co.uk/news/clients-needs-are-big-challenge-when-building-an-esg-portfolio/>

Investors not confident their portfolios are aligned with ESG values

<https://www.moneymarketing.co.uk/news/investors-not-confident-their-portfolios-are-aligned-with-esg-values>

Nigel Topping - A COP26 message from the Climate Champions on a Glasgow Pact for 1.5

(includes three key messages and signals of change scroll down past the signature)

<https://www.linkedin.com/pulse/cop26-message-from-climate-champions-glasgow-pact-15-nigel-topping/>

James Alexander / UKSIF post on LinkedIn

The #cop26 Glasgow Agreement calls for "accelerating efforts towards the phase-down of unabated coal power and inefficient fossil fuel subsidies, recognizing the need for support towards a just transition".

This follows a disappointing last minute demand by India to water down the agreement from "phase out" to "phase down".

If countries won't act, now must be the time for the finance community to deliver the full phase out that we need. We must stop the financing of fossil fuels and remember which countries are subsidising fossil fuels when considering sovereign bond purchases.

https://www.linkedin.com/posts/jamesdominicalalexander_cop26-sustainablefinance-activity-6865380063337070592-ux_l

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