

# ESG ACCORD

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## Newsletter 21st December 2021

### Hello from ESG Accord - We wish you all a Merry Christmas and a Happy New Year!

Wow, we've had such an exciting time at ESG Accord throughout 2021! Sending out a big thank you to all our clients and followers, we really appreciate all the enthusiastic support of our work.

Over Christmas:  
Our ESG & Sustainable MPS Report is in the pipeline and we have our DP21/4 Feedback and ongoing DLAG work to do!

And on into 2022 we go!  
We will continue our work with firms at the forefront of ESG & Sustainable advice. We will seek to address the ESG & Sustainable compliance knowledge gap in Advice Firms and across the fund industry to bring increased transparency, raise market participation and ultimately increase best practice outcomes.

Link to our Christmas card  
<https://www.linkedin.com/feed/update/urn:li:activity:6878663941422104576>

Sharing our latest article in IFA Magazine: RoadMap to new advice processes - we are pages 6-7:

<https://ifamagazine.com/article/ifam-104-looking-to-the-future-dec-jan-2022/>

What to expect for nature-related business & finance in 2022.

"The commercial imperative of managing nature-related risks alongside climate risks and opportunities became clear in 2021. In 2022, TNFD expects considerably strong interest among corporates and financial institutions looking to understand and assess nature-related risks and opportunities

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](mailto:admin@esgaccord.ci.uk)

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more firmly across their organisations. The five key nature-related developments highest on our radar for the coming year include a strengthened connection between the climate and nature agendas; progress on a framework for nature-related risk management and disclosure; a global framework agreement on biodiversity; the ramping up of a regulatory and public sector response; and new nature-related guidance and standards, resulting in a strengthened call for further global harmonisation."

<https://tnfd.global/news/looking-ahead-2022/>

FCA's new rules on climate-related disclosures to help investors, clients and consumers  
<https://www.fca.org.uk/news/news-stories/new-rules-climate-related-disclosures-help-investors-clients-consumers>

Oil majors under pressure as activists circle

Interesting read with regard to the derivatives question in the DP21/4. For activist voting reasons they need to be included in the disclosures for SDR like the EU.

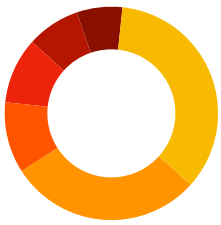
<https://on.ft.com/3e5P944>

Chancellor praises global cooperation as UK G7 presidency comes to a close

- G7 Finance Ministers and Central Bank Governors meet for the final time under UK's Presidency
- Chairing the virtual session, Chancellor Rishi Sunak praised and thanked counterparts for their efforts over the past year
- Under UK leadership, G7 backed landmark global tax changes so big firms will pay tax where they do business

Other key achievements include:

- Committing to work together for as long as needed to support the world's economic recovery from the Covid-19 pandemic and to tackle global supply issues
- Supporting the allocation of \$650bn in IMF Special Drawing Rights and securing commitments by stronger economies to channel some of these funds to countries in need
- Embedding climate change and biodiversity loss considerations into economic and financial decision making



- Gaining G7 agreement for nations to follow the UK to make climate-related financial reporting mandatory and to crack down on proceeds from environmental crimes
- Achieving G7 agreement to work together to spur market growth to tackle antimicrobial resistance
- Agreeing Public Policy Principles for Retail Central Bank Digital currencies (CBDC) to support and inform domestic policy and design

<https://www.gov.uk/government/news/chancellor-praises-global-cooperation-as-uk-g7-presidency-comes-to-a-close>

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KPMG insight: "ESG taxonomies - will one standard emerge?"

Raises the important ISSB v EU double materiality issue . If the UK adopts ISSB, it does not mean double materiality cannot be adopted additionally.

"Within international discussions on corporate reporting, the IFRS Foundation has said the ISSB's work will be based on the existing and long-developed IFRS concept of materiality and will not adopt the EU's double materiality concept. Simply put, corporate reporting standards are concerned about a company's own financial health and risks to it, not about what impact the firm is having on the planet. The Foundation has said, however, that the ISSB's standards will not preclude the EU from adhering to the double materiality concept within the bloc, or preclude similar concepts being adopted elsewhere.

<https://home.kpmg/xx/en/home/insights/2021/10/esg-taxonomies.html>

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Useful explainer:

FTSE Russell: "Do No Significant Harm" and "Minimum Safeguards" in Practice Navigating the EU Taxonomy Regulation

[https://content.ftserussell.com/sites/default/files/do-no-significant-harm-and-minimum-safeguards-in-practice.pdf?\\_ga=2.117870796.453079810.1639831001-298992039.163983101](https://content.ftserussell.com/sites/default/files/do-no-significant-harm-and-minimum-safeguards-in-practice.pdf?_ga=2.117870796.453079810.1639831001-298992039.163983101)

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FTSE Russell: Achieving scale in active ownership and engagement through index investing

[https://content.ftserussell.com/sites/default/files/achieving\\_scale\\_in\\_active\\_ownership\\_and\\_engagement\\_through\\_index\\_investing\\_final.pdf?\\_ga=2.146332529.453079810.1639831001-298992039.1639831001](https://content.ftserussell.com/sites/default/files/achieving_scale_in_active_ownership_and_engagement_through_index_investing_final.pdf?_ga=2.146332529.453079810.1639831001-298992039.1639831001)

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EU leaders battle over carbon price as energy costs soar

Member states feel pressure from gas supply crunch and complain about emissions trading system.. plus taxonomy difficulties with taxonomy as the commission is due to publish next week on natural gas and nuclear power as 'green' status label

<https://on.ft.com/3IS4nb4>

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Biggest ever renewable energy support scheme opens  
The fourth round of the Contracts for Difference (CfD) scheme which aims to secure 12GW of electricity capacity opens with £285 million a year funding for low-carbon technology.

- Biggest ever round of government's flagship renewable energy auction scheme opens with £285 million a year funding for low-carbon technology moving the UK away from volatile foreign fossil fuels
- fourth round aims to secure more capacity than 3 previous rounds combined with additional offshore wind capacity that could generate electricity equivalent to powering around 8 million homes
- offshore wind will be supported by £200 million funding a year, with £24 million initially allocated for floating offshore wind and £20 million on tidal stream projects – with solar and onshore wind included for first time since 2015

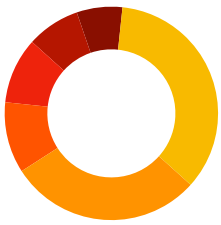
<https://www.gov.uk/government/news/biggest-ever-renewable-energy-support-scheme-opens>

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A survey of 325 investors with more than \$14trn in assets under management collectively has revealed that more than half (60%) do not trust the information they get through ESG rating frameworks.

<https://www.edie.net/news/7/Survey--Two-thirds-of-investors-don-t-think-businesses-are-disclosing-high-quality-ESG-information>

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OPINION: The EU must not classify gas as a green fuel  
As the EU sets out its green guidance for investors it is considering labelling fossil fuel gas as a green energy source – a grave mistake

<https://news.trust.org/item/20211215110048-vkfes/>

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Rathbone Greenbank leads investor letter to the UK Government

Greenbank has led an open investor letter to the UK government supporting the mandatory reporting of nutrition and sustainability metrics for food sector companies.

<https://www.rathbonegreenbank.com/insight/rathbone-greenbank-leads-investor-letter-uk-government>

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World Bank under fire for being ‘missing in action’ on climate change

AI Gore, UN and other development banks take aim at international financial institution over weak commitments

<https://www.ft.com/content/a3147c81-a356-462a-811b-0a8b939f2488>

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UKSIF overview article on SDR

<https://esgclarity.com/what-we-know-about-sdr-so-far/>

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Impact Taskforce: Time to deliver: mobilising private capital at scale for people and planet

(UK Government, G7, GSG and Impact Investing Institute)

The Impact Taskforce is; "an industry-led Taskforce that has been invited by the G7 Presidency to help answer a critical question for our time: "How can we accelerate the volume and effectiveness of private capital seeking to have a positive social and environmental impact?""

<https://www.impact-taskforce.com/media/gq5j445w/time-to-deliver-final.pdf>

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A big read for over Christmas:

Still Only One Earth: Lessons from 50 years of UN sustainable development policy

As humanity confronts multiple global crises – climate change, biodiversity loss, rising pollution – it is critical to take stock of how environmental progress has been fostered in the past and how to leverage those lessons to rebuild multilateral cooperation in a post-COVID world.

<https://www.iisd.org/projects/still-only-one-earth-lessons-50-years-un-sustainable-development-policy>

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Aviva Investors has launched two new funds aligned with a combined seven of the United Nations’ Sustainable Development Goals.

<https://www.investmentweek.co.uk/news/4041937/aviva-investors-launches-impact-funds-aligned-seven-sdgs>

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Record EU carbon price boosts clean fuel economics  
Rise in cost of polluting to more than 90 euros makes green energy tech more attractive

While rising carbon prices are making green hydrogen and CCS technology more investable, for the moment they are doing little to reduce demand for fossil fuels.

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

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States have these 13 duties when it comes to biodiversity and human rights

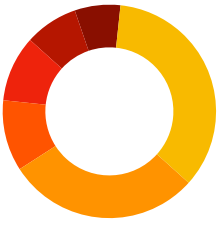
Unprecedented biodiversity loss, pollution, climate change and the rise of zoonotic diseases have showcased the symbiotic relationship between humans and nature. The human right to a safe, clean, healthy and sustainable environment, as well as other human rights, can only be realized where biodiversity thrives and ecosystems are healthy.

See number 13-

13. Respect and protect nature for all its values.  
Living in harmony with nature by 2050 requires the total transformation of humanity’s relationship with nature. The diverse values of nature and the relationship between biological and human cultural and linguistic diversity must be better understood and duly reflected in policy. A thriving natural environment along with human diversity is not only the best long-term recipe for resilience and human survival. It is a prerequisite to living with dignity and the full realization of human rights.

<https://www.unep.org/news-and-stories/story/states-have-these-13-duties-when-it-comes-biodiversity-and-human-rights>

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Regulator treads a fine line as financial services evolve  
Responsibility to raise standards does not rest with the FCA alone

<https://www.ft.com/content/8b8826d3-332c-425a-82b7-bb094a384858?segmentId=6faa8072-922c-4fbf-5b33-45a1342b0cc3>

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ESG and its discontents

We review the growth in ESG financial products and the associated risk of greenwashing across the asset management industry.

[https://www.fefundinfo.com/en-gb/news/esg-and-its-discontents/?utm\\_campaign=INST\\_2021\\_ESG&utm\\_content=190298795&utm\\_medium=social&utm\\_source=linkedin&hss\\_channel=lcp-20352159](https://www.fefundinfo.com/en-gb/news/esg-and-its-discontents/?utm_campaign=INST_2021_ESG&utm_content=190298795&utm_medium=social&utm_source=linkedin&hss_channel=lcp-20352159)

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Eurosif welcomes the implementation of the EU Taxonomy rules as of 1st January 2022

<https://www.eurosif.org/news/eurosif-welcomes-the-implementation-of-the-eu-taxonomy-rules-as-of-1st-january-2022-providing-much-needed-clarity-to-companies-and-investors/>

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Article 8 taxonomy alignment methodology  
Decision tree for methodology from ESMA.

[https://www.ey.com/en\\_lu/wealth-asset-management/luxembourg-market-pulse/how-asset-managers-should-calculate-taxonomy-alignment-of-their-](https://www.ey.com/en_lu/wealth-asset-management/luxembourg-market-pulse/how-asset-managers-should-calculate-taxonomy-alignment-of-their-)

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Inclusivity: how to minimise and raise awareness of the issue of marginalisation in the workplace using intersectionality.

The Tyranny of "fit"

Employees are a company's greatest asset. Leaders must take an inclusive, intersectional approach to enable them to give their best, argues Apiramy Jeyarajah

<https://www.avivainvestors.com/en-gb/views/aiq-investment-thinking/2021/11/businesses-intersectional/>

Europe needs to wake up to the costs of hosting massive data centres

<https://www.ft.com/content/fe968bbb-c15d-455f-964c-9aeef9db5f1>

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EU risks its own security by branding defence industry socially harmful.

The article says banks are backing away from the sector as Europe considers the new criteria for sustainable finance. In the draft proposals, defence was grouped with gambling and tobacco as 'harmful' and potentially 'not sustainable'. Apparently there is another proposal regarding the Eco-Kitemark for retail financial products that would exclude qualification if more than 5% turnover "from the production or trade of conventional weapons and/or military products used for combat".

<https://on.ft.com/3lc3cTm>

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Asset managers fail to act on pledges to divest from Brazil over deforestation

<https://on.ft.com/32TbZJW>

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Carbon price surge triggers uk cost containment market mechanism

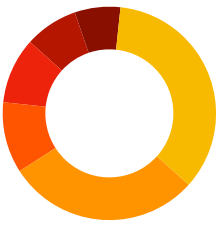
A sustained rally that has brought the price of carbon allowances to new highs has triggered a market mechanism that could see the UK government intervening to bring down prices

<https://on.ft.com/32Wdp6i>

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Climate and deforestation goals 'undermined' by animal agriculture  
Meat and dairy risk becoming "stranded" assets

<https://www.investmentweek.co.uk/news/4041346/climate-deforestation-goals-undermined-animal-agriculture>



## Double materiality EU & ISSB

The EU, the ISSB and the quest for better sustainability data: substance and materiality are more important than international alignment

<https://www.responsible-investor.com/articles/the-eu-the-issb-and-the-quest-for-better-sustainability-data-substance-and-materiality-are-more-important-than-international-alignment>

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## UK government publishes pioneering standard for algorithmic transparency

- The Cabinet Office's Central Digital and Data Office has developed an algorithmic transparency standard for government departments and public sector bodies with the Centre for Data Ethics and Innovation
- The standard will be piloted by several public sector organisations and further developed based on feedback
- The move makes the UK one of the first countries in the world to develop a national algorithmic transparency standard, strengthening the UK's position as a world leader in AI governance

<https://www.gov.uk/government/news/uk-government-publishes-pioneering-standard-for-algorithmic-transparency>

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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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