



# ESG ACCORD

●●● YOUR COMPLIANCE, ESG & SUSTAINABILITY IN ACCORD

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## Newsletter 15th February 2022

### Hello from ESG Accord

#### News from us:

Yep, rest assured, when we see new guidance - we review it!

**We have recently issued an update to our Triage & Values Questionnaire document** to reflect the recent clarifications for inclusion of Sustainability in the ESMA Consultation Paper: Guidelines on certain aspects of the MiFID II suitability requirements.

Good news: On whole we feel our framework is broadly inline with the Consultation Paper. Our compliance framework has after all been purposefully designed with MiFID II / PROD target markets, COBS and Consumer Duty in mind! We have reviewed the ESMA Consultation Paper seeking 'best practice' whilst keeping in mind the UK has its own SDR incoming and the update was an additional question inclusion related to planning aspects, applying preferences and implementation.

Reportable, granular and joined-up. Our ESG & Sustainable Compliance Framework helps you determine each client's ESG & Sustainable objectives and preferences. Our Due Diligence support helps you match the most appropriate MPS/funds to each client's ESG & Sustainability preferences and objectives.

Read the ESMA Consultation Paper here:  
[https://www.esma.europa.eu/sites/default/files/library/esma35-43-2998\\_consultation\\_paper\\_on\\_review\\_mifid\\_ii\\_guidelines\\_on\\_suitability.pdf](https://www.esma.europa.eu/sites/default/files/library/esma35-43-2998_consultation_paper_on_review_mifid_ii_guidelines_on_suitability.pdf)

#### About our ESG & Sustainable MPS Report:

We expect to release the Deep-Dive Report at the end of Q1/22.

£100 for online Adviser access, please email to register. Advisers already signed up to ESG Accord get access to the Report included. Another benefit to working with ESG Accord!

We are excited to share that we are now moving from our Data Gathering phase and on into beta testing for the online delivery mechanism for the Report! Not a small task, we have reached out to over 40 MPS and we have had 29 completed ESG Accord Due Diligence Questionnaires returned.

Website section: <https://esgaccord.co.uk/esg-sustainable-mps-report/>

### Hello to a new section in our Newsletter: Introducing our 'MPS Report Hub!'

In this new section we aim to make the 'MPS Report Hub' the go-to place for advisers (and the broader industry) wishing to keep up to date with ESG & Sustainable MPS.

#### For our very first MPS Report Hub news:

We would like to start with a big THANK-YOU to our generous sponsors for supporting this important piece of work for the UK Financial Services market and for sharing our ethos for transparency and raising market participation.

Here they are (click for more info):

**Brewin Dolphin Limited**

**Brooks Macdonald Asset Management Limited**

**Copia Capital Management**

**EQ Investors Ltd**

**LGT Vestra**

**Psigma Investment Management Limited**

**Rathbone Greenbank**

**Sarasin & Partners LLP**

**Tribe Impact Capital**

**Waverton Investment Management**

**Aviva**

## From 'the news':

Does short selling fit into the ESG agenda?

<https://www.ft.com/content/320fc444-a00f-416f-ae6e-1caf221f7893>

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'IFAs must sharpen provider due diligence under FCA Consumer Duty'

Due diligence involves not just looking at the product or service, but also examining the provider and thinking about the risks the FCA has identified, writes Chris Jones.

<https://citywire.com/new-model-adviser/pagenotfound?aspxerrorpath=/new-model-adviser/news/ifas-must-sharpen-provider-due-diligence-under-fca-consumer-duty>

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Morningstar culls 27% of European sustainable funds after fresh review

UPDATED: The research house has slashed the list of funds it recognises as sustainable by 27%, cutting more than 1,600, with combined assets of \$1.2tn, in a mass reclassification over the fourth quarter.

<https://citywire.com/new-model-adviser/news/morningstar-culls-1-2tn-worth-of-european-sustainable-funds>

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Free trade agreements assess environmental impact following EAC intervention

The Government has confirmed that Ministers will assess the environmental impacts of all future UK free trade agreements (FTAs), and has committed to assess how to deliver environmental net gain in trade deals.

<https://committees.parliament.uk/committee/62/environmental-audit-committee/news/160645/free-trade-agreements-assess-environmental-impact-following-eac-intervention>

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World leaders descend on France for ocean summit as Macron puts spotlight on seas

<https://amp.theguardian.com/environment/2022/feb/08/blue-diplomacy-france-summit-puts-worlds-spotlight-on-oceans>

UK farmers hungry for climate finance but banks want more data

Greenhouse gas emissions from Britain's agriculture sector may be falling, but farmers still need financing to help them transition to a low-carbon economy. Banks are busy gathering data to help them make decisions on, and develop tools for, lending to the industry.

<https://capitalmonitor.ai/factor/environmental/uk-farmers-hungry-for-climate-finance-but-banks-want-more-data/>

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FCA: Speech by Sarah Pritchard, Executive Director, Markets, to City & Financial Global – The Future of UK Financial Regulation Summit.

Includes ESG section:

"There is clear demand for sustainable investment opportunities, with many investors keen to ensure that their portfolio reflects their values on a whole range of sustainability topics. To gain the trust of investors, firms need to ensure that they have a credible strategy to integrate ESG criteria into their investment process, including applying sufficient scrutiny to 'green' or 'sustainable' claims.

Last month, we closed a Discussion Paper on product labelling and product disclosures, with the aim of helping consumers navigate the complex landscape of sustainable investment options. The level of engagement was overwhelming, with around 130 stakeholders providing their views. We are now working towards formal proposals by mid-year."

<https://www.fca.org.uk/news/speeches/enhancing-uk-capital-markets-fca-role-priorities>

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Simon Zadek: Legitimate Investors Are Financing Environmental Crime

Simon Zadek is Chair of Finance for Biodiversity (F4B) on Octo Members Group

[https://app.octomembers.com/posts/20554094?notification\\_id=2257889045](https://app.octomembers.com/posts/20554094?notification_id=2257889045)

IOSCO chief says that impact can clearly be disclosed so enterprise value reporting v double materiality not a concern

<https://www.regulationasia.com/issb-climate-standard-wont-ignore-impact-iosco/>

There have been concerns that the ISSB's enterprise value approach, which focuses on how climate-related risks are impacting companies' financial performance, will not sufficiently capture the impacts of companies and investors on the wider society and environment.

Comparatively, the European Commission (EC) is developing sustainability reporting standards (ESRSs) focused on double materiality, with organisations required to account for both impacts on and impacts of the environment. The ESRSs will be used by corporates to meet their obligations under the forthcoming Corporate Sustainability Reporting Directive.

Due to this divergence in approach, Alder acknowledged that the EC initially expressed concerns that achieving interoperability between the ISSB standards and ESRSs would be too challenging. "These concerns have largely faded because it's clear impact can still be disclosed through the ISSB's climate standard," he noted.

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Growing regulatory activity around sustainable finance has so far led to fragmentation, rather than harmonisation, and created opportunities for 'rules shopping

<https://www.esg-specialist.com/esg-regulation-still-fails-to-harmonise-markets/>

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Rishi Sunak blames fossil fuels for energy bill crisis, as Treasury unveils £9.1bn support package

Chancellor unveils measures to address costs of gas supply crisis as businesses demand more ambition and funding for energy efficiency and renewables

The government has unveiled a £9.1bn package of support for households to help ease the burden of the looming hike in energy bills, as the Chancellor Rishi Sunak today confirmed the UK's reliance on fossil fuels and gas heating was broadly responsible for the ongoing crisis.

<https://www.businessgreen.com/news/4044393/rishi-sunak-blames-fossil-fuels-energy-crisis-treasury-unveils-gbp-1bn-support-package>

Australia LNG sector finds opportunity in EU green energy proposals

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

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UK government looks to push £16bn of LGPS capital to local investments

The Impact Investing Institute has hailed UK government plans to mobilise more than £16bn (€19.2bn) of local government pension scheme (LGPS) capital to investments in local projects.

In its white paper on "levelling up", the government said it would work with LGPS funds to publish plans for increasing local investment, including setting an ambition of up to 5% of £337bn of assets invested in projects that support local areas.

<https://realassets.ipe.com/news/uk-government-looks-to-push-16bn-of-lgps-capital-to-local-investments/10057824.article>

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SEB's The Green Bond: Energy Investments to Surge in 2022

The cost advantage of renewable energy over fossil alternatives continues to widen, and incoming data is starting to confirm a surge in energy investment that will also accelerate the transition for energy-using sectors. SEB's latest The Green Bond report explores this development, and how 2022 is likely to be the first year when total transition investment exceeds USD 1 trillion. In this issue of The Green Bond, titled Biodiversity in the Spotlight, we also take a deep dive into the topic of biodiversity – particularly looking at how businesses and investors are now moving beyond climate-risks to increasingly also focus on the need to protect and restore nature and biodiversity.

<https://sebgroup.com/press/press-releases/2022/sebs-the-green-bond-energy-investments-to-surge-in-2022>

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SimplyBiz: What you need to know when choosing a DFM Picking the right DFM can be a complex, and challenging process, so what are some things advisers must keep in mind during this?

<https://www.moneymarketing.co.uk/opinion/advisers-are-spoilt-for-dfm-choice>

MainStreet report reveals 70% of funds not sustainable  
Over two-thirds classified as Article 6

<https://www.investmentweek.co.uk/news/4044345/mainstreet-report-reveals-funds-sustainable>

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On 2 February 2022, the Commission approved in principle a Complementary Climate Delegated Act including, under strict conditions, specific nuclear and gas energy activities in the list of economic activities covered by the EU taxonomy.

The criteria for the specific gas and nuclear activities are in line with EU climate and environmental objectives and will help accelerating the shift from solid or liquid fossil fuels, including coal, towards a climate-neutral future.

[https://ec.europa.eu/info/publications/220202-sustainable-finance-taxonomy-complementary-climate-delegated-act\\_en](https://ec.europa.eu/info/publications/220202-sustainable-finance-taxonomy-complementary-climate-delegated-act_en)

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Green bonds market grew by \$500bn in 2021, a new record

<https://www.edie.net/news/14/Green-bonds-market-grew-by--500bn-in-2021--a-new-record>

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A must view for all!

Sharing the recent Square Mile Investment Consulting & Research Limited Responsible Pathway event with Mark Manning, Technical Specialist, Sustainable Finance and Stewardship at the Financial Conduct Authority.

The FCA: What do the new regulations mean for advisers?  
"In many respects, ESG is already in scope when advisers give investment advice. Under existing rules, firms have to act in a client's best interest and collect all necessary information to understand the client's investment objectives. In that context, suitability, within our conduct of business rules, already requires the consideration of ESG preferences. The rules set out the objectives that a firm is required to consider but this is not intended to be an exhaustive list."

<https://www.squaremileresearch.com/Insights-Resources/Articles/ArticleID/179/FCA>

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UK Government promises to assess environmental impact of future post-Brexit trade deals

The UK Government has promised the environmental sustainability will become a "key" factor in the development of future free trade agreements (FTAs), after widespread criticism from green groups over the recent FTA with Australia.

<https://www.edie.net/news/11/UK-Government-promises-to-assess-the-environmental-impact-of-future-post-Brexit-trade-deals/>

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A brief history of Social, Green, Blue and Pink Washing

<https://www.abtmarkets.com/abt-blog/green-blue-pink-and-social-corporate-washing>

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Cornish lithium extraction and Arrival's e-bus: The best green innovations of January 2022

<https://www.edie.net/news/8/Cornish-lithium-extraction-and-Arrival-s-e-bus--The-best-green-innovations-of-January-2022/>

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Major investor will target bosses at firms failing on climate

<https://www.bbc.com/news/business-60091071>

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RBC AM: Wholesale investors signal greater move to ESG and emerging markets

Megatrends will play 'vital' role

<https://www.investmentweek.co.uk/news/4043955/rbc-wholesale-investors-signal-esg-emerging-markets>

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Why wealth managers must deliver greater levels of transparency and granularity to their clients

High net worth individuals are increasingly demanding to know precisely how sustainable their portfolios are, but wealth managers have traditionally struggled with the complexity of offering the granular view of ESG metrics such visibility requires. Rodolphe Bocquet of Clarity AI discusses efforts being made to integrate total transparency into one's models – and the implications of a failure to do so.

<https://capitalmonitor.ai/factor/environmental/why-wealth-managers-must-deliver-more-transparency-to-clients/>

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Influential asset owners group lifts its climate change game

<https://on.ft.com/3H19jsK>

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JPMorgan fights nuns and activists over climate disclosure proposals

<https://on.ft.com/3KKx36S>

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Hedge fund short-sellers take aim at green energy stocks

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

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Brussels faces threat of legal challenge over sustainable finance rules

<https://on.ft.com/3At3EJx>

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Natural Asset Companies (NACs) are a potential game-changer on a global scale. NACs will be newly formed, sustainable enterprises that hold the rights to the productivity and health of natural assets like land or marine areas. They are a new asset class on the New York Stock Exchange enabling owners to convert nature's value into financial capital, using that capital to re-invest in the natural assets to protect them or improve their sustainable use

A new asset class comes to the market

<https://impactentrepreneur.com/natural-asset-companies-nacs#>

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Standard Life moves 1.5m savers into sustainable default funds

<https://www.ftadviser.com/pensions/2022/01/12/standard-life-moves-1-5m-savers-into-sustainable-default-funds/>

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Companies say they're serious about corporate purpose, but investors aren't convinced

<https://fortune.com/2022/01/20/corporate-purpose-institutional-investors-skepticism-research-esg-investing/>

More than 50 scientists from 23 countries today delivered to governments a synthesis of the science informing and underpinning 21 targets proposed in the draft 'post-2020 Global Biodiversity Framework' being negotiated under the UN Convention on Biological Diversity (CBD) and scheduled for adoption later this year at a world biodiversity summit in China

<https://phys-org.cdn.ampproject.org/c/s/phys.org/news/2022-01-scientists-urge-quick-deep-halt.amp>

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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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