

INDOS is proud to provide a range of services for clients who incorporate environmental, social and governance (ESG) considerations into their investment businesses. Our monthly newsletter 'ESG Insight' will provide you with the latest news and views on ESG, helping you to stay on top of developments in this increasing area of focus.

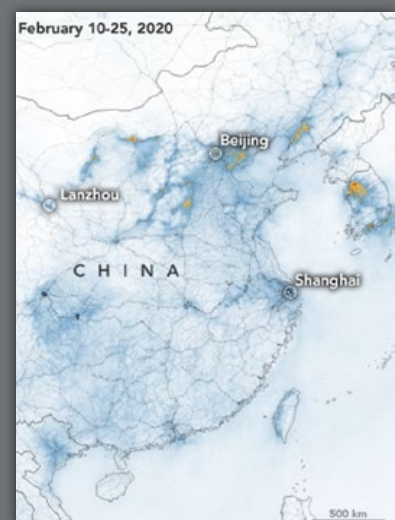
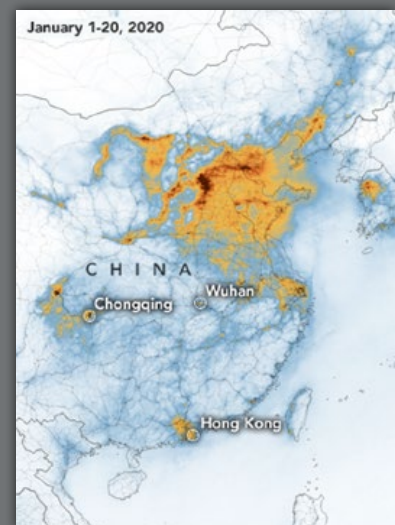
CORONAVIRUS IMPACT UPON CARBON EMISSIONS

Emissions from China have begun to dip. The two model images below show the density of nitrogen dioxide in Eastern China before and after the outbreak of Coronavirus. Such pollution is driven by China's continued reliance on coal plants for electricity.

Many investment analysts have already been looking at this type of 'alternative' data to understand how quickly production in China will ramp up again, unfortunately the data isn't promising.

However, as production slows, the levels of pollution in the country falls, meaning fewer deaths from China's deadly air quality.

Although this is not how most people would like to see emissions falling, it may lead to industries beginning to decarbonise if stimulus packages are directed towards low-carbon or resilient industries via a type of green monetary policy. ■



CARNEY'S CLIMATE LEGACY

Mark Carney's 7 year tenure as Governor of the Bank of England came to an end on the 15th March. During this period, he has taken The Bank and country through the aftermath of the financial crisis, as well as the uncertainty of Brexit. In his final month, he has had to deal with the impact of the Coronavirus, which included a dramatic interest rate cut from 0.75% to 0.25% in his last week in office. The Bank has led the charge in creating a unified UK regulatory approach towards a subject which few would see as the domain of a central bank - climate change. Now the financial sector has begun to realise its shortcomings in the disclosure of risks associated with climate change, and Carney has led the campaign for developing both tools and a framework with which to measure the systematic risks associated with climate change. ■



REGULATION: THE UK BUDGET



Rishi Sunak, the UK's new Chancellor, has delivered his first budget and the first budget since the UK committed to reaching net-zero emissions by 2050. One interesting area was the creation of an £800m Carbon Capture and Storage (CCS) fund, which will go towards installing CCS at two sites in the UK. Such stimulus is designed to keep the grid going in an event where wind or solar power is not available.

The budget increased the Climate Change Levy (CCL) on gas from 2022-23, while freezing the rate for electricity. BusinessGreen editor James Murray argues the budget "provides a down payment on a net-zero future", saying "critics are right to highlight the many gaps", but that "the budget needs to be seen as part of an evolving and genuinely ambitious strategy". ■



EUROPEAN NEWS

FRANCE'S MINIMUM ESG REPORTING GUIDANCE

France will introduce new minimum standards for all ESG funds which will apply immediately. The regulator, AMF, said that they wanted to show the differences between investment strategies with ESG fund managers needing to show 'measurable objectives' visible in all fund documentation. This will need to be updated by November, but will apply now.

Last year the AMF sent out investigator teams to asset managers it believed were failing to integrate their stated ESG objectives. ■

THE TECHNICAL EXPERT GROUP SAY THERE SHOULD BE A 'BROWN' TAXONOMY TOO

The EU taxonomy should be extended to include the brown activities so that the aims of the Sustainable Finance Action Plan can be realised. Brown activities would include projects which provide no environmental benefit and for which other better substitutes exist. The advice contained within a 600 page document is intended to show how the commission will finalise the framework for sustainable finance.

The brown taxonomy has been favoured by a number of central banks, prudential bodies and NGOs that argue that 'brown' activities are a potential indicator of risk, and therefore more relevant to capital requirements and other regulatory intervention than green. ■

KPMG AUSTRALIA GROWS ITS ASIA ESG TEAM THROUGH ACQUISITION

The Australian arm of KPMG has acquired Action Sustainability Asia Pacific. The acquisition will help the company extend its existing capabilities in human rights and modern slavery.

The consultancy “dipped its toes” into the human rights space with the acquisition of Banarra in 2018. There’s now a cohort of around 60 staff across both KPMG Banarra’s and KPMG’s Sustainability Services teams. Action Sustainability Asia Pacific has one of the biggest consultancy teams dedicated to social impact services.

The company also specialises in company sustainable finance, focused on investing and governance and ESG management.

The company stated that there’s been strong demand for climate risk services, and that it’s no longer just the top listed companies concerned about the changing climate and sustainability. ■



LITIGATION NEWS

Recently the government lost the fight to create the contentious third runway at London Heathrow Airport.

R vs Friends of the Earth is an incredibly significant legal judgement, as it’s the first time that the Paris Accord – the 2015 agreement to limit warming at 2 degrees above pre-industrial levels – has been used as an argument against a government policy.

Although the Court of Appeal shied away from ruling the project itself was illegal, they did allow the possibility of future cases using this case as a basis against a government policy not being in line with the Paris Agreement.

This was because the government’s legal department did not follow their own planning process and consider climate change when approving the policy to build the third runway. ■

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