

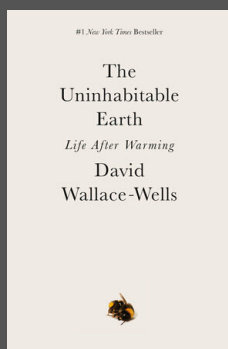
INDOS is proud to provide a range of services for clients who incorporate environmental, social and governance (ESG) considerations into their investment businesses. Our monthly newsletter 'ESG Insight' will provide you with the latest news and views on ESG, helping you to stay on top of developments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

Pandemic reads

Bored in quarantine?

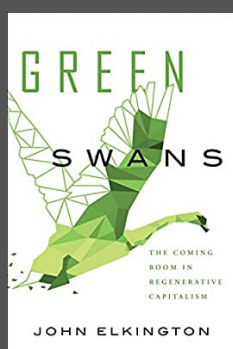
Us too, after the workday with nothing to do we have been sitting down with a good read in the sun. With webinars on the technical subject of ESG a plenty we can become removed as to the point of it all. These books are a good reminder.

The Uninhabitable Earth



No stone is left unturned by David Wallace-Wells travelogue tsunami. Behind this minimalist cover he describes what will be left behind after we have completed our business as usual approach leading to a real climate crisis.

Green Swans



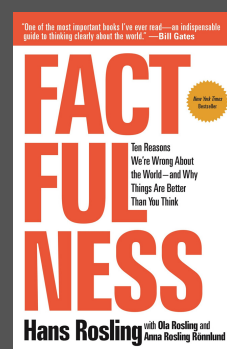
Taking the name from Nassim Taleb's famous 'Black Swans', John Elkington, well known for coining the phrase triple bottom line, introduces Green Swans. These market disrupters are born out of high impact, highly improbable events and launch industries towards positive change.

The Lorax



Think I'm kidding? This haunting fable is about the dangers of destroying our forests and woodlands, the Lorax struggles to save all the Truffula Trees from the Once-ler's axe. With this you can start teaching kids about how to save their world too.

Factfulness



Hans Rosling was without a doubt one of the greatest minds in development and public health, his talks and writings are humorous and educational. Factfulness is an optimistic and realistic view on how far we have come to create a better world.

Progress on the SDG's

The UN has released a stocktake on the global progress towards the (Sustainable Development Goals) SDGs, the 17 goals which aim to achieve a wide range of sustainable development objectives such as ending poverty, increasing gender equality and ameliorating the impacts of climate change. Unsurprisingly progress has somewhat stalled due to the Coronavirus and slow global GDP growth.

The outlier was “Ensuring access to affordable, reliable, sustainable and modern energy for all”. One measure for this is the global electrification rate which rose from 83% in 2010 to 90% by 2018.

The full report can be found [here](#).

Central Banks



Photo by Paul Fiedler on Unsplash

The European Central Bank

The European Central Bank will expect banks to assess and disclose their environmental and climate risks as early as this year. Last week the ECB published a consultation guide which shows they will expect lenders to align their reporting of climate risk to the coming EU sustainable finance regulations from the EU Commission.

The guide shows that the ECB wants banks to disclose their emissions broken down to project and building specific figures as well as factor these into the bank's lending strategy going forward.

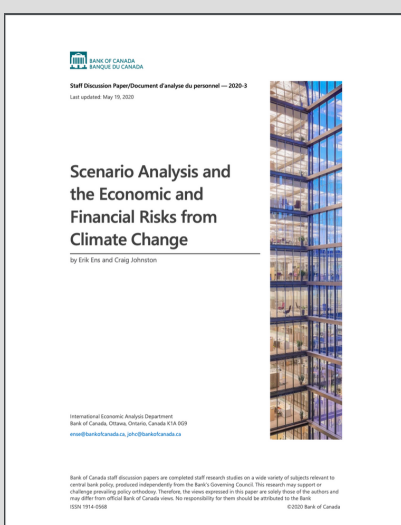
These consultations are becoming par for the course for banks which have enthusiastically adopted TCFD reporting and it is likely the regulations will trickle down eventually to investment funds.

The Bank of Canada

The Bank of Canada (BoC) has published climate scenario analysis of the global economy using four scenarios of climate change.

Climate scenario analysis is recommended by the TCFD and explores the risks of climate change to financial performance. Investment managers and companies can model the potential impacts of different 'scenarios' such as the introduction of a higher carbon price by policymakers or an increase in climate-related weather events.

The BoC estimates that delaying climate action until 2030 would require a carbon price of over \$600 per metric tonne in 2050 to limit warming to 2°C, while immediate action would result in a carbon price of around \$400. Under the scenario where countries meet their CO2 reduction target, carbon prices rise to nearly \$200, although further increases will be required to meet the 2°C limit outlined in the 2015 Paris Agreement.



Mark Carney, Eco-warrior

Mark Carney is always immaculately turned out, typically in a dark suit with white shirt and tie, which is what one would expect of a former Governor of the Bank of England. After spells at Goldman Sachs followed by the Central Bank of Canada, where he helped Canada weather the storms of the Financial Crisis, he has established himself, well and truly, as a qualified member of the financial establishment. On the surface then he is an unlikely candidate for “Eco-warrior of the year”.



If there was such an award, then surely it should go to more obvious contenders, including Roger Hallam and Gail Bradbrook, the co-founders of Extinction Rebellion, or Time Magazine’s Person of the Year, the Swedish student eco-activist, Greta Thunberg. However there is a case to be made that Mark Carney, working behind the scenes, has had a bigger impact in the battle to tackle the climate crisis and therefore it should be his name on the trophy.

It has long been understood amongst the experts in the scientific community that, in order to avert a climate crisis, the world has to transition to a low carbon economy and quickly. After the Paris Agreement in 2015, the Finance Ministers of the G20, recognising that climate change was a threat to the financial system, turned to Carney, then Chairman of the Financial Stability Board, to take action. He had spoken previously of the dangers that climate change posed and outlined them clearly in his “Tragedy of the Horizon” speech to Lloyds of London in September 2015, stating that atmospheric concentrations of greenhouse gases were at levels not seen in 800,000 years. His words: “The more we invest with foresight, the less we will regret in hindsight” are similar to these uttered by Bill Gates, also in 2015, regarding the risk of a global pandemic.

In 2016, Carney established the TCFD (Task Force for Climate-related Financial Disclosure). In order to create a smooth transition to a low carbon economy and to break the tragedy of the horizon three things were required:-

1. Transparency with regard to the climate risks faced by companies;
2. Risk management which included a focus on climate risk;
3. Coherent and credible public policy frameworks.
4. In 2017 the TCFD published their recommendations: a reporting framework for companies designed to achieve the first two objectives above by recognising the relevant, financially material risks and acting thereon.

Key features of the recommendations are that they are adoptable by all organisations, should be included in mainstream financial filings, are designed to solicit decision-useful, forward-looking information on financial impacts, and have a strong focus on risks and opportunities related to the transition to a lower-carbon economy.

Establishing a reporting framework is one thing – there are many around – but the real challenge is to achieve widespread acceptance. Since the initial recommendations were made, the TCFD has won recognition from the majority of the world’s largest Central Banks, asset managers, (recently including Blackrock), pension funds, insurers, credit rating agencies as well as the big four accounting firms. In doing so, the TCFD is fast becoming a global standard.

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After developing a framework for corporates to consider climate risk as part of their normal everyday business, Carney has now taken on the role as the UN Special Envoy for climate action and climate finance as well as the UK Government climate advisor. In doing so he is taking on the 3rd requirement listed above for the world to undergo a smooth transition to a low carbon economy– that of developing a coherent and credible public policy framework. Helping to find common ground amongst the developed and developing countries will test Carney’s diplomatic skills to the limit. His ultimate challenge will be to tackle Trump and persuade him that climate change is not a hoax. Their tactics might be different but there is no doubt that Mark Carney stands alongside Greta Thunberg as an Eco-warrior.

This is an article by Seymour Banks and was featured in [ESG Clarity](#) on the 21st of May 2020

ESG articles need a refresh

Our ESG Analyst's view on imagery to aid action on climate

As an ESG analyst I read a lot, and one admittedly trivial, yet persistent question often comes to mind when I read industry reports and presentations.

Why, despite the exponential growth in the financial service's understanding of climate change, do I still see stock images of trees inside incandescent lightbulbs? Some analysts are monitoring satellite imagery to see nitrogen dioxide levels over mainland to indicate when they will recover, yet great articles like this are still crowned with a conifer.

The tree in a lightbulb is the new polar bear on ice but worse, a cliché at best, yet at a fundamental level surely an unintended oxymoron? Incandescent lightbulbs are inefficient and outdated, shunned for their newer alternatives. So why on god's not-so-green earth are we throwing trees in them?

Research has shown the importance of visualisations in regard to explaining climate change to readers (see - <https://climatevisuals.org>). Adding engaging imagery which aligns to the subject of the article attracts a diversity of opinion, and helps to simplify a complex subject matter. Further, stock images of pollution from flumes, or men holding the earth in their hands likely presents the subject as less engaging, thereby attracting fewer new candidates for sustainability.

Our collective goal of reshaping finance to make it more inclusive is made harder still if we do not attract the diversity of opinion needed to prevent market failures such as climate change. Everything we, as sustainable finance professionals, publish should engage and inspire hope that moving our portfolios away from the worst polluters will help, a good way to start is to put away the stock images and show the people working to elevate the impacts of climate change.

This is an article by Alex Booth and was featured in [Responsible Investor](#) on the 11th of May 2020

If you would like to keep on top of ESG developments and receive ESG Insight in your email every month you can subscribe here

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