

Trusting the ESG label

According to an industry advisor, hedge fund managers will play a critical role in determining who isn't keeping their environmental, social, and governance commitments. The increase in demand for sustainable assets, according to Goldman Sachs officials, will necessitate more active management, which means more people monitoring portfolios. To serve the asset management industry in the region, the Wall Street firm is increasing its European headcount by 40%.

Certified



ESG Fresh

Meanwhile, the ESG tag is being placed on a bewildering variety of financial offerings, sometimes even quicker than investors can do the requisite due diligence before investing in funds. The Securities and Exchange Commission in the United States recently issued a warning that certain money managers are marketing their funds as sustainable when they actually aren't, putting them at risk of legal action.

Regulators in Europe are attempting to establish a more uniform taxonomy, but investors still face a great deal of confusion when it comes to determining how sustainable securities are. Simultaneously, there is an increasing consensus that fund managers who disregard ESG factors will lose potential investor monies, as financial risk and climate risk begin to converge.

Source: [Bloomberg Green](#), 15 April 2021

Regulations & Standards

The Securities and Exchange Commission's Division of Examinations recent Risk Alert outlines findings of how investment advisors, registered investment firms, and hedge funds handle ESG. A sample of findings are as follows:

- Portfolio management activities relating to ESG (i.e., how companies integrate ESG variables into their investment process) and the use of ESG-related terminology;
- Due diligence and other processes for identifying, investing in, and controlling investments based on a company's disclosed ESG investment approach;
- The extent to which proxy voting practices are consistent with ESG disclosures and marketing materials;
- Advertising and marketing claims relating to ESG;
- The adoption and implementation of written policies and procedures, compliance oversight, and review of ESG investing practices and disclosures.

Fund specific news

Trillium Asset Management, a US impact investment firm, has hired two Janus Henderson veterans to lead a new UK division.

Ian Warmerdam has left his position as Director of Global Equities at London-based Janus Henderson to join Trillium as a Lead Portfolio Manager, where he will oversee the launch of a suite of global ESG equities strategies for the \$5.1 billion firm.

Trillium was purchased by Perpetual, an Australian financial firm last year and subsequently acquired a UK entity to manage and sell funds in the region. According to Responsible Investor, Trillium has "plans to further establish a presence in Europe this year and in Asia in the near future."

Other news

The UK set their sixth carbon budget of emissions reduction of 78% by 2035 compared to 1990 levels.

Case Study: Historic ESG Fund to help Puerto Rican communities devastated by natural disasters

According to Jose A. Torres, Managing Partner of Monllor Capital Partners LLC, a minority-owned alternative asset manager and fund sponsor with operations in the Commonwealth of Puerto Rico, recent natural disasters and the global pandemic have crippled the island in many ways.

To help boost Puerto Rico's economic and environmental recovery, Torres launched Puerto Rico Opportunity Zone Fund LP, an ESG-focused fund that has an initial target of \$20 million to invest in Qualified Opportunity Zone businesses focused on sustainability, renewable energy, and strengthening infrastructure to help the local communities devastated by the recent downturn. Opportunity Zones are government-designated economically distressed communities throughout the United States.

"The potential benefits to the community are significant and needed immediately," said Torres in a press release with JTC Americas, which, along with INDOS Financial, was recently acquired by JTC Group. "Our projects will create jobs and provide other economic and environmental benefits to distressed communities hit very hard by both Hurricanes Maria and Irma, as well as the COVID-19 pandemic."

The fund is also currently working to invest in a biorefinery in Puerto Rico to process Sargassum (commonly known as seaweed), into value-added products. Starting in 2011, floating Sargassum began to impact coastal communities around the Atlantic by suffocating the shorelines in Puerto Rico and surrounding Caribbean countries. The efforts to remove Sargassum is in partnership with C-Combinator, a for-profit, Public Benefit Corporation creating valuable products from seaweed and using that economic return to regenerating life and health in the oceans while improving economic equality.

To learn more about Puerto Rico Opportunity Zone Fund LP, please visit www.proz.fund.



Source: Jose A. Torres

INDOS pick of the month



On Wednesday, May 12th at 8:30 a.m. ET, BNY Mellon is hosting a *Future First* forum with ESG leaders, including Mark Carney, former Governor of the Bank of England, to discuss how companies can address ESG issues effectively. There will also be panels on topics such as measuring impact.

The event is open public and additional registration and schedule information can be found by visiting futurefirstforum.bnymellon.com/.

For more information contact:



www.indosgroup.com/services/esg



ESGServices@indosgroup.com



Carbon
Neutral
Organisation

Signatory of:

