

A turning point in ESG



Introduction



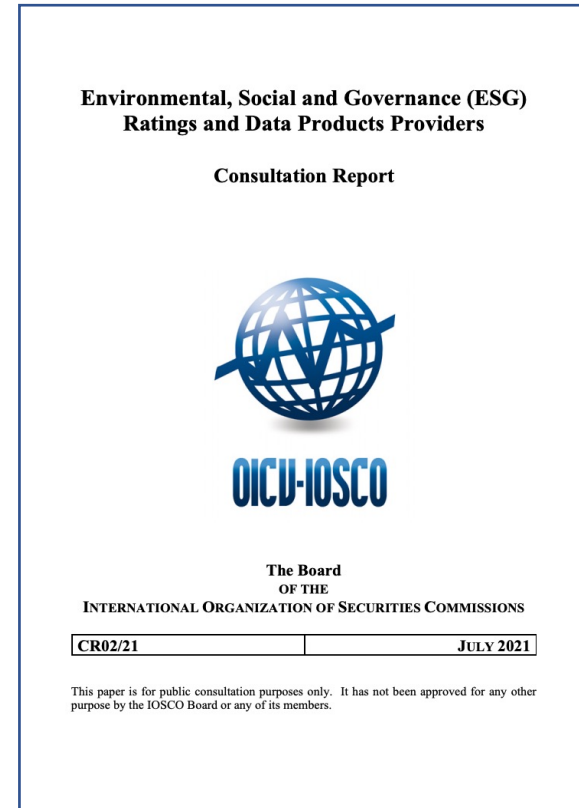
The global regulatory agenda

BIS
“The central bankers’ banker”



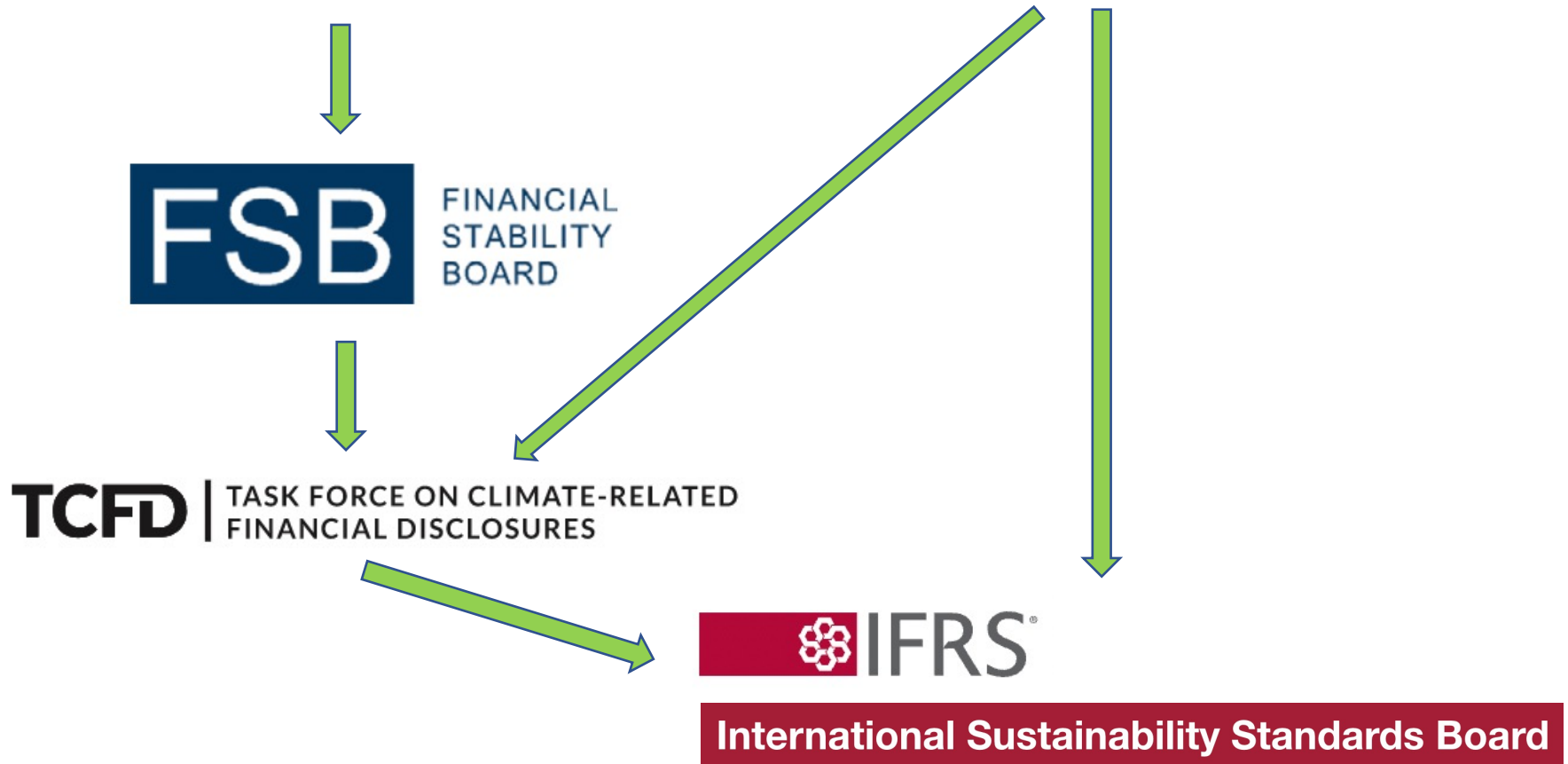
<https://www.bis.org/publ/othp31.pdf>

IOSCO
“The financial regulators’ regulator”

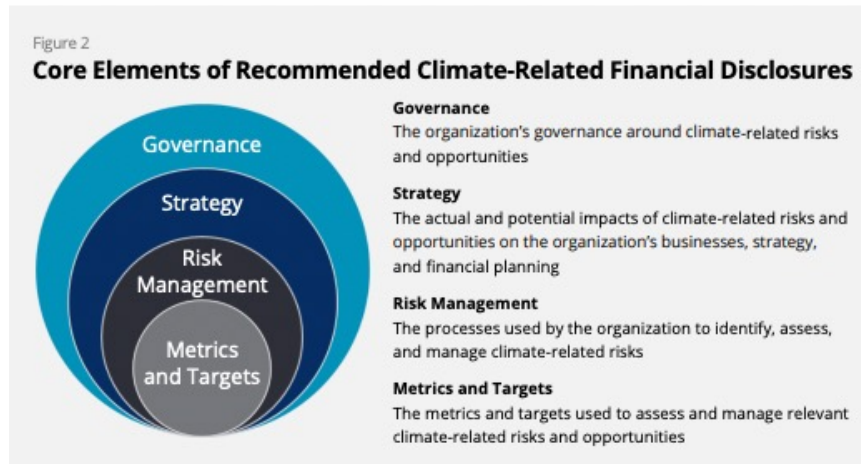


<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD681.pdf>

How it fits together



TCFD Recommendations



<https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf>

TCFD

TCFD Recommendations



Figure 2

Core Elements of Recommended Climate-Related Financial Disclosures



Governance

The organization's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

TCFD

TCFD Recommendations



<https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Status Report.pdf>



<https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics Targets Guidance-1.pdf>



[← Back to Resources](#)

Article name & author

[Real estate metrics: responding to the UK Financial Conduct Authority consultation slides](#)

Author: Association of Real Estate Funds (AREF), the European Association for Investors in Non-Listed Real Estate (INREV) and Investment Property Forum (IPF)
Industry Group: Asset Managers, Asset Owners, Real Estate Management and Development

<https://www.tcfdhub.org/resource/real-estate-metrics-responding-to-the-uk-financial-conduct-authority-consultation-slides/>

UK pension funds

Closed consultation

Consideration of social risks and opportunities by occupational pension schemes

Published 24 March 2021



In effect for pension funds with over £5billion of assets from 1st October 2021 and for pension funds with under £5billion of assets from 1st October 2022.

Consultation outcome

Government response: Taking action on climate risk: improving governance and reporting by occupational pension schemes

Updated 21 July 2021



Closed consultation

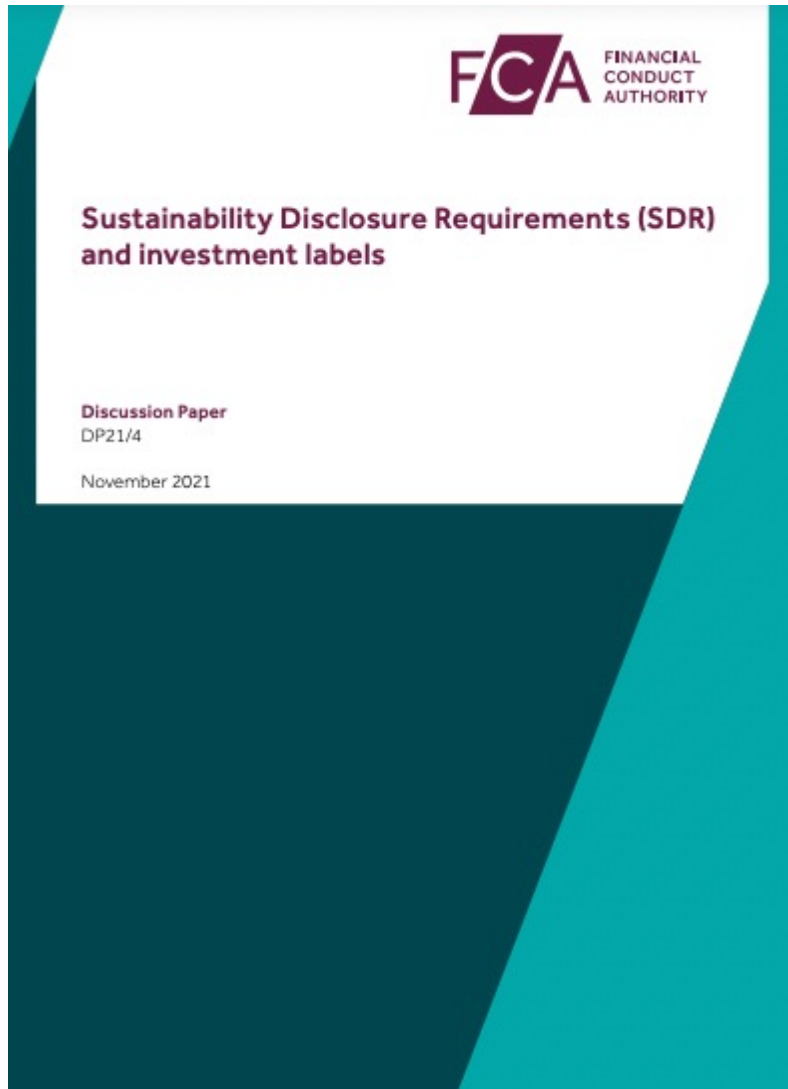
Climate and investment reporting: setting expectations and empowering savers – consultation on policy, regulations and guidance

Updated 21 October 2021

UK fund regulation



UK fund regulation

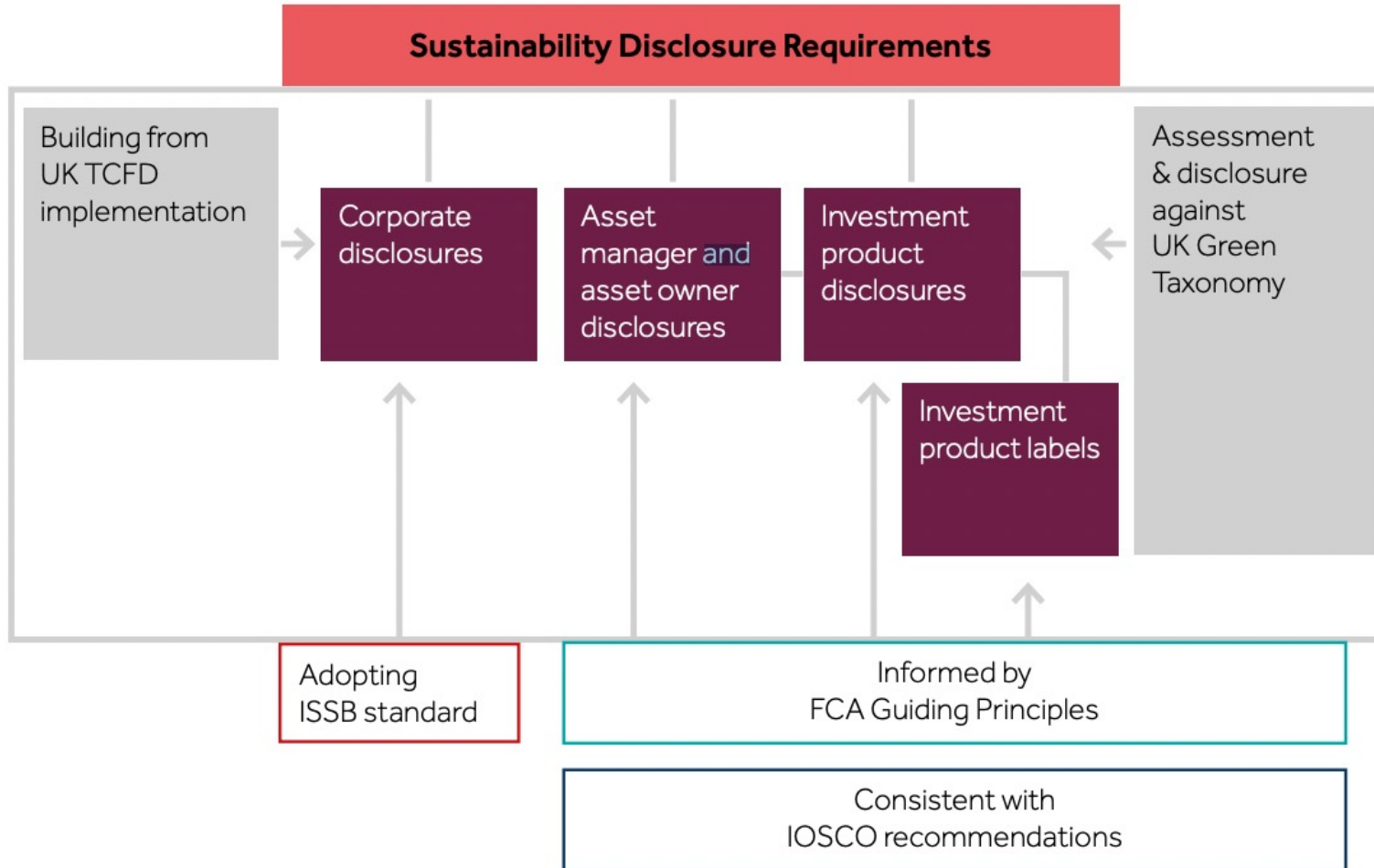


- Sustainability Disclosure Requirements (SDR): Listed companies, asset managers and asset owners will be required to report on their sustainability risks, opportunities and impacts. This builds on the matters covered in FCA consultation CP21/17 and Policy Statement PS21/24 covered above and other ongoing initiatives.
- Sustainable investment labels: Certain investment products will be required to display a label reflecting their sustainability characteristics. Per the FCA, the responses to this discussion paper will be considered in policy proposals to be issued for consultation in Q2 2022.

UK fund regulation

From the discussion paper:

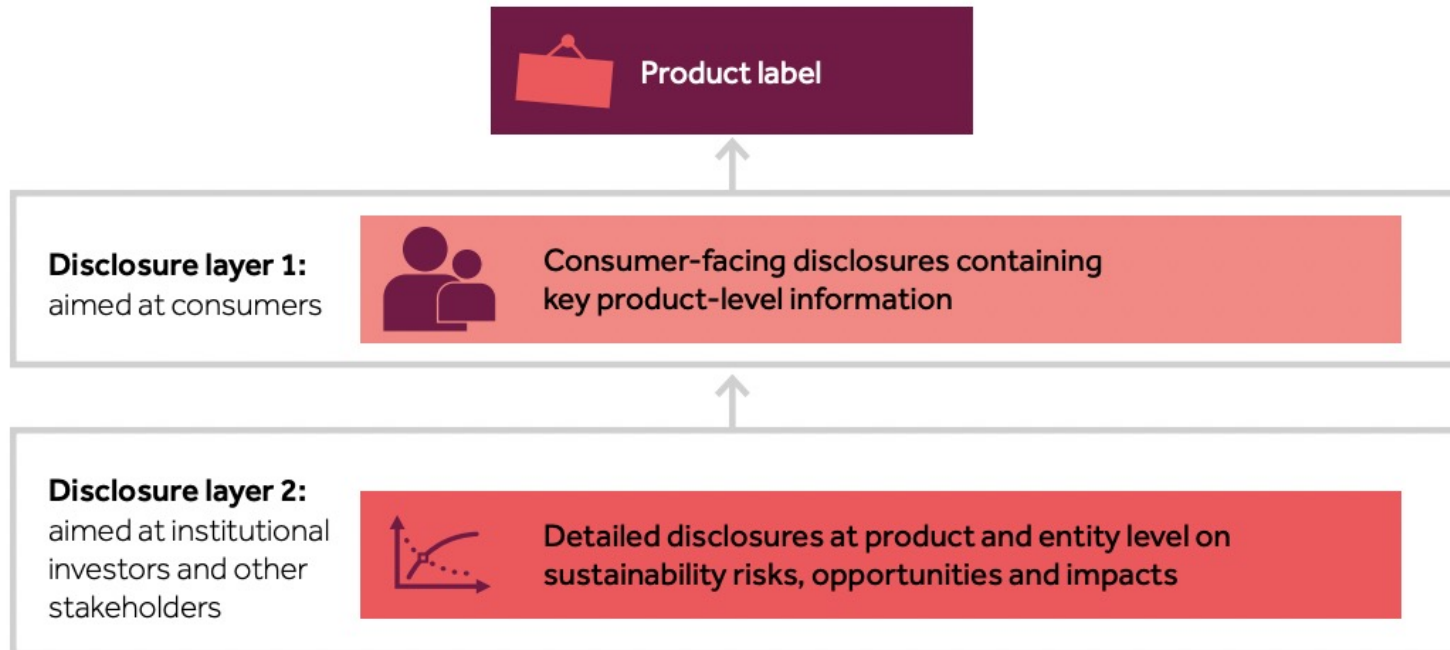
Figure 1: Inputs to SDR



UK fund regulation

From the discussion paper:

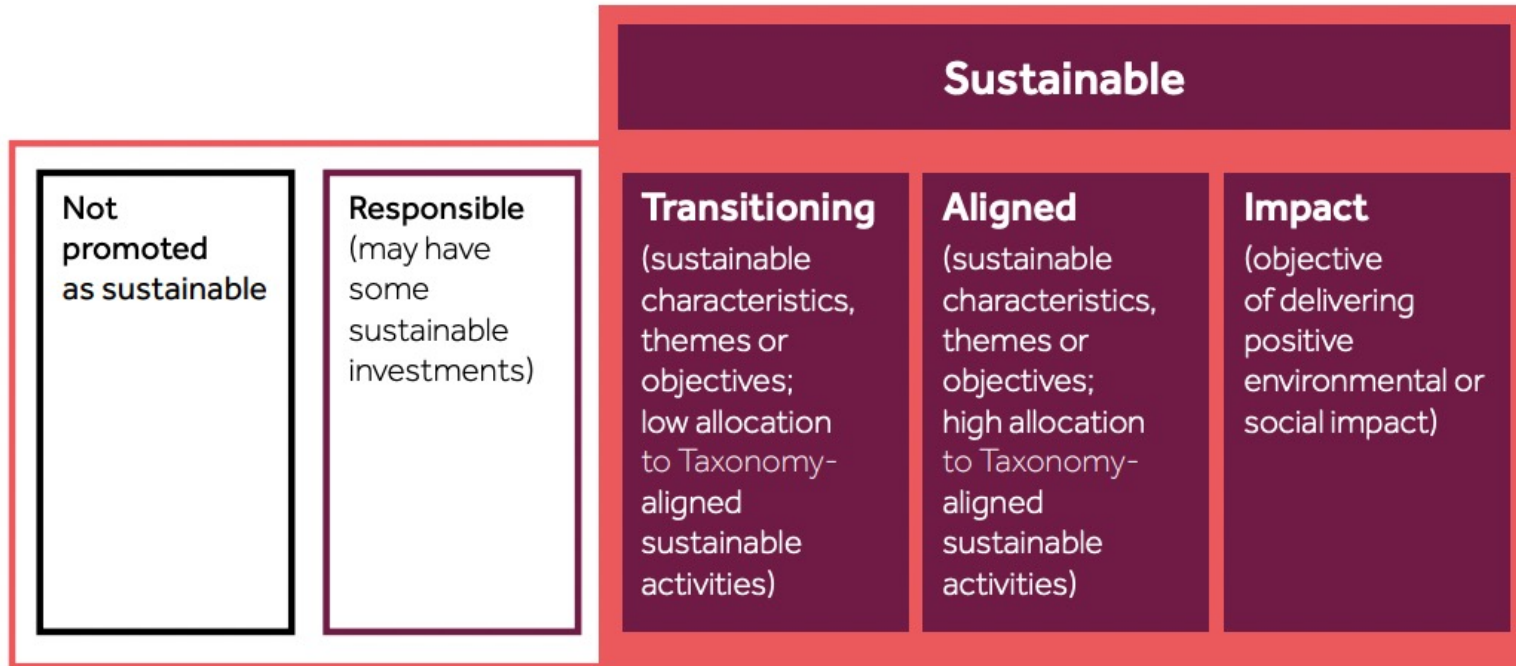
Figure 2: Early views on a product labelling and disclosure system



UK fund regulation

From the discussion paper:

Figure 3: Potential approach to a sustainable product classification and labelling system



Note: The five blocks in this Figure represent potential categories of product in the classification and labelling system. Each would be supported by clear definitions and criteria

UK fund regulation

From the discussion paper:

Figure 3: Potential approach to a sustainable product classification and labelling system



- 3.11** We recognise that many UK firms are subject to SFDR in respect of their EU business and have already invested in systems and processes to classify products according to SFDR provisions. We therefore consider it important to explore how products already classified under SFDR can map against the UK framework.
- 3.12** We consider an indicative mapping of the categories set out above against SFDR could be as follows:
- Not promoted as sustainable: Article 6
 - Responsible and Sustainable 'Transitioning' categories: Article 8
 - Sustainable 'Aligned': Article 9
 - Sustainable 'Impact': a category in its own right, comprising only a (small) subset of Article 9 funds

UK fund regulation

From the discussion paper:

Figure 3: Potential approach to a sustainable product classification and labelling system



WILL PROBABLY CHANGE

- Responsible and Sustainable 'transitioning' categories: Article 8
- Sustainable 'Aligned': Article 9
- Sustainable 'Impact': a category in its own right, comprising only a (small) subset of Article 9 funds

UK fund regulation

Interaction with the new LTAF rules....



UK fund regulation

Interaction with the new LTAF rules....




Department
for Work &
Pensions

Open consultation

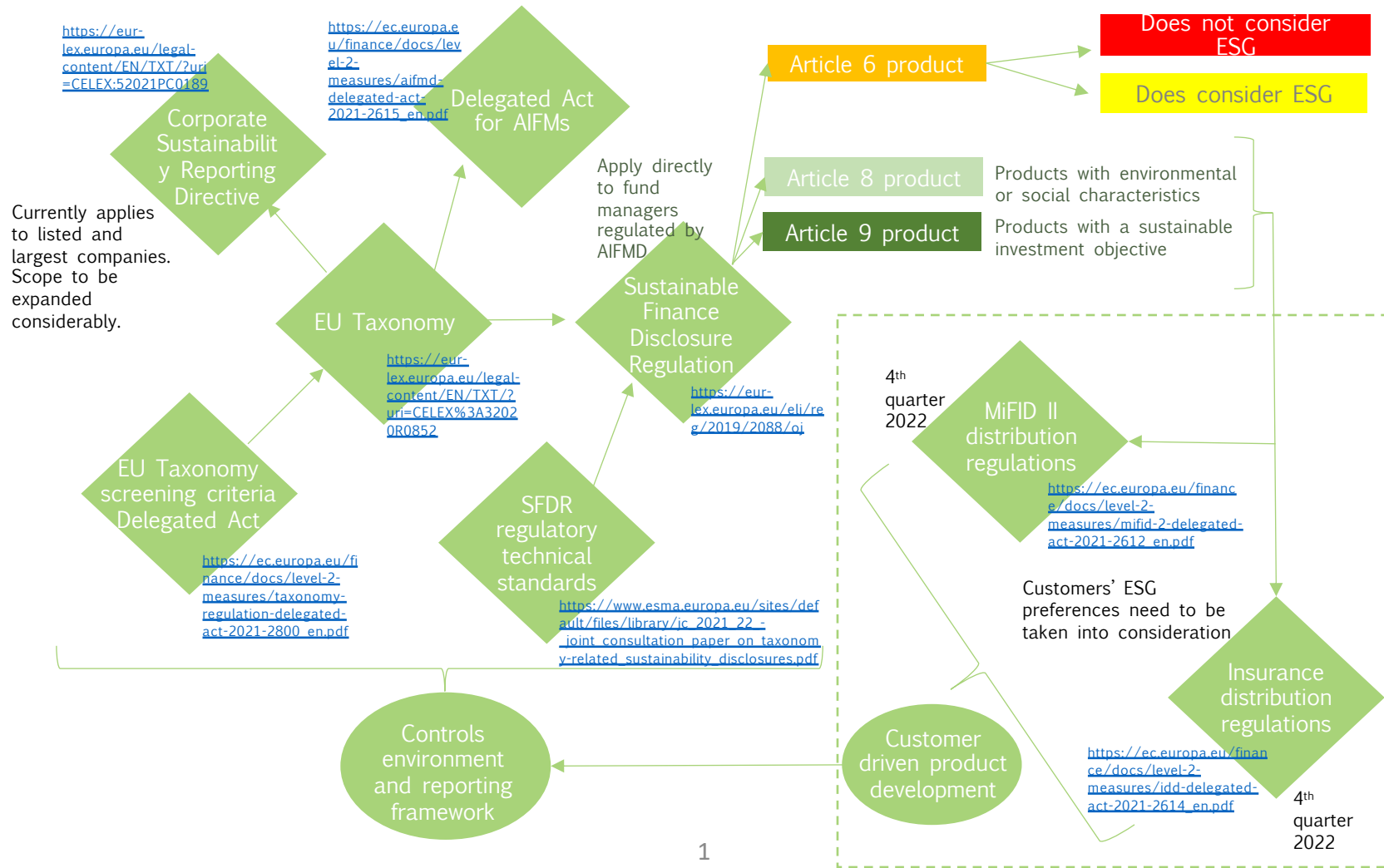
Facilitating investment in illiquid assets

Published 30 March 2022

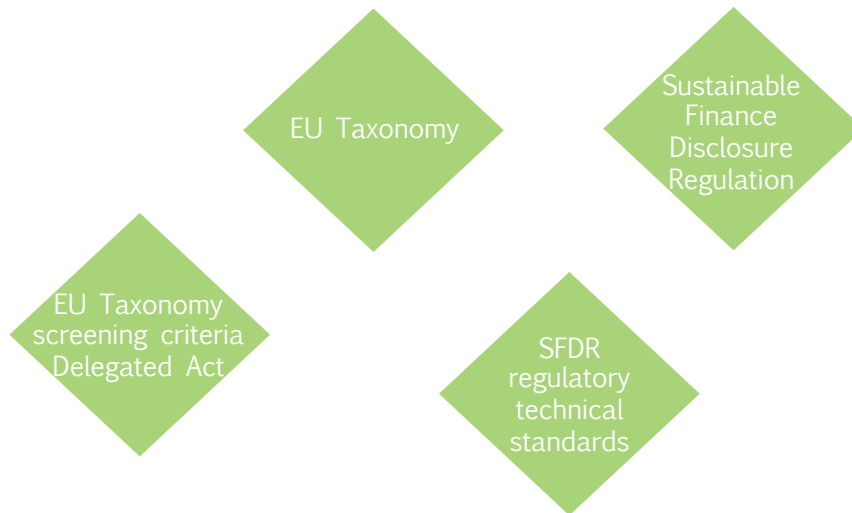
UK fund regulation

What comes next?

EU ESG framework for investment management

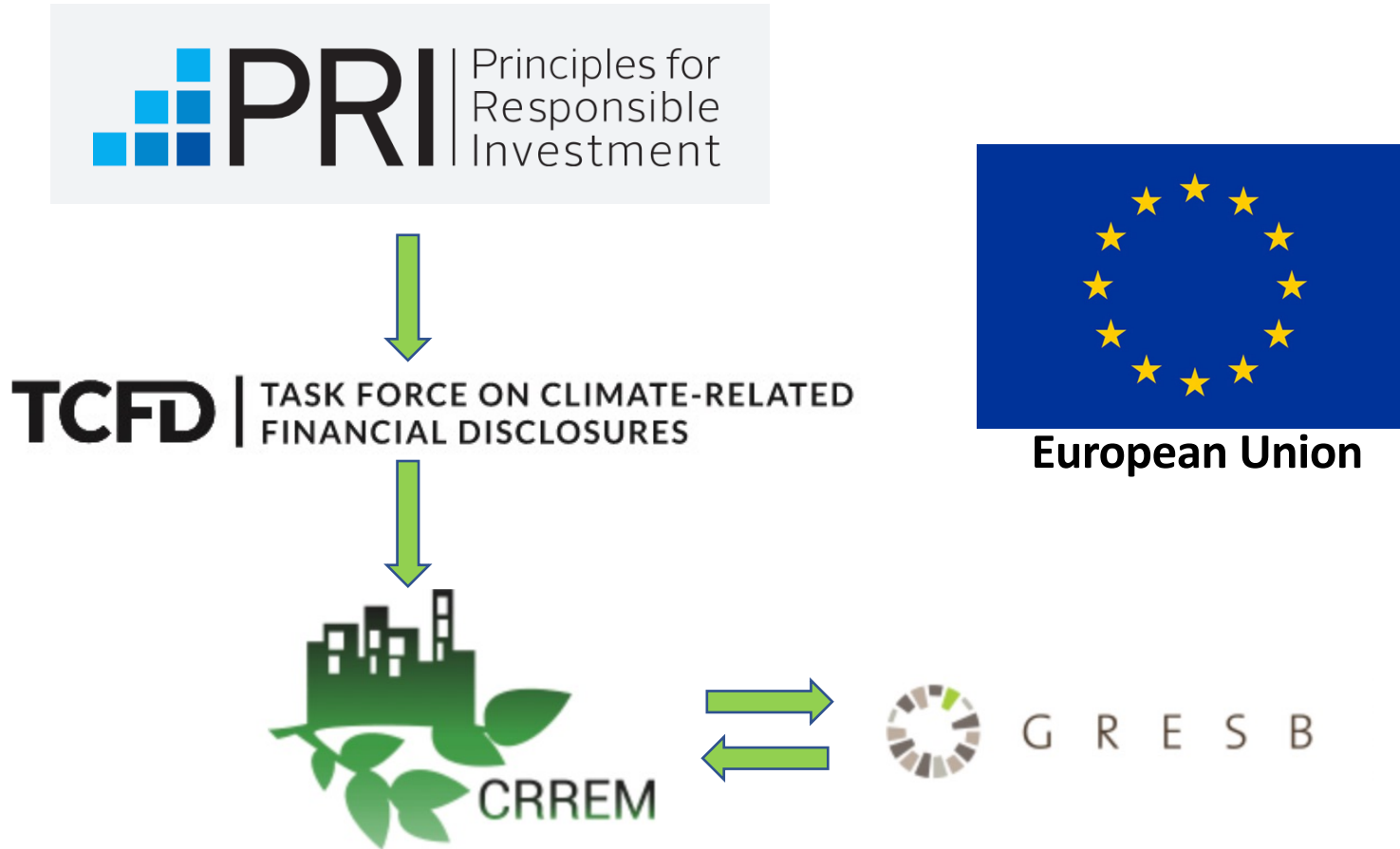


EU ESG framework for investment management



- Problems with the SFDR RTS and how the real estate investment management industry responded;
- The EU taxonomy screening criteria;
- What happens next?
- Do I care?

How it fits together, part II



How it fits together, part II

ESG 2 Annex 1 TCFD Product Report Metrics

	<u>TCFD (see page 43 of the TCFD Final Report)</u>	<u>SFDR (please see annex I of the draft RTS)</u>
Weighted average carbon intensity (WACI)	<p>Portfolio's exposure to carbon-intensive companies, expressed in tons CO₂e / \$M revenue. <i>Metric recommended by the Task Force.</i></p> $\sum_n \left(\frac{\text{current value of investment}_i \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{current portfolio value} \times \text{issuer's \$M revenue}_i} \right)$	$\sum_n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 carbon emissions}_i}{\text{investee company's €M revenue}_i} \right)$
Total carbon emissions	<p>The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO₂e.</p> $\sum_n \left(\frac{\text{current value of investment}_i}{\text{issuer's market capitalization}_i} \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)$	$\sum_n \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1, 2 and 3 carbon emissions}_i \right)$
Carbon footprint	<p><i>Description</i> Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO₂e / \$M invested.</p> <p><i>Formula</i></p> $\frac{\sum_n \left(\frac{\text{current value of investment}_i \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{issuer's market capitalization}_i} \right)}{\text{current portfolio value (\$M)}}$	$\frac{\sum_n \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1, 2 and 3 carbon emissions}_i \right)}{\text{current value of all investments (€M)}}$
Scope 1, 2 and 3 GHG emissions, disclosed separately	<p>Scope 1 refers to all direct GHG emissions.</p> <p>Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam.</p> <p>Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include: the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (eg, transmission and distribution losses), outsourced activities, and waste disposal (see page 63 of the TCFD Final Report).</p>	<p>The scope 1, 2 and 3 definitions are contained in the low carbon benchmark regulation:</p> <ul style="list-style-type: none"> (i) Scope 1 carbon emissions, namely emissions generated from sources that are controlled by the company that issues the underlying assets; and (ii) Scope 2 carbon emissions, namely emissions from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the company that issues the underlying assets. (iii) Scope 3 carbon emissions, namely all indirect emissions that are not covered by points (i) and (ii) that occur in the value chain of the reporting company, including both upstream and downstream emissions, in particular for sectors with a high impact on climate change and its mitigation.

“S”



1
The investment manager, its conduct of its business and the relationship with stakeholders

2
The societal impact of investment choices

3
Specific investments in social assets and infrastructure

“G”

A bit in TCFD....



“G”

More detail in ISSB....


Publication date: 03.11.2021

This document represents recommendations from the Technical Readiness Working Group (TRWG) for consideration by the International Sustainability Standards Board (ISSB) for a general requirements for disclosure of sustainability-related financial information standard. While the recommendations build on the established work of the organisations represented on the TRWG, this document has not been subject to the due process of those organisations or the IFRS Foundation. After starting its work, the ISSB is expected to consult publicly on proposals for a general requirements for disclosure of sustainability-related financial information standard informed by the TRWG's recommendations. The ISSB's work will be subject to the IFRS Foundation's due process.

General Requirements for Disclosure of Sustainability-related Financial Information Prototype

Developed by the Technical Readiness Working Group, chaired by the IFRS Foundation, to provide recommendations to the International Sustainability Standards Board for consideration


November 2021




The footer of the document features five logos: CDSB (Climate Disclosure Standards Board), IFRS (International Accounting Standards Board), TCFD (Task Force on Climate-related Financial Disclosures), ISSB (International Sustainability Standards Board), and the World Economic Forum.

If you want more about any of this....

Our newsletter:

☆  **Helen Forbes**
Some important regulatory stuff, and the return of the quart
To: John Forbes



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John Forbes
CONSULTING LLP

Thank you for your comments on our previous newsletter, particularly from our readers in Luxembourg. We had anticipated some local anguish regarding our suggestion in our historical trivia that we should revert to the Roman classification of Luxembourg as “a region of Germania Inferior”. In fact, the most concerned respondent from Luxembourg, who will for obvious reasons remain anonymous, Gren, appeared extremely disappointed to discover that having been sold to Philip the Good of Burgundy in 1444 to pay off bad debts, Luxembourg had subsequently contrived to achieve independence from the home of Aloxe-Corton Premier Cru. As we know from Brexit, sovereignty comes at a cost.

As usual the eclectic nature of our content came as a slight surprise to
eed, can you find Tom
st duke of Luxembourg?

recent Saltgate real
estate dinner, in the splendid cellars of the Stafford Hotel. Apart from a
slightly ill-judged historical trivia as he told them as they enjoyed their

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