JTC ESG

INSIGHT

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NEWSLETTER FROM JTC

ARE AMERICAN INVESTORS TORN BETWEEN SOCIAL RESPONSIBILITY AND PROFIT?

For those investing within socially responsible funds, the driver is socially responsible returns, with any financial gain treated as an unexpected benefit.

Two recent surveys published over the summer spotlights how U.S. investors are actually having a hard time walking the walk. According to a MagnifyMoney survey of more than 1,100 U.S. consumers with investment accounts, two-thirds (67%) believe individual investors have a responsibility to put their money in companies that will make the world a better place.

Yet, of the 1,100 surveyed, 32% reported feeling guilty about investing in certain stocks that are not socially responsible. 32% also reported investing in a company they'd be embarrassed for family, friends, or colleagues to know about.

In another ESG-focused survey of 2,200 Americans conducted by Morning Consult this past summer, 53% of all U.S. adults polled said they believe ESG investments are profitable, while 11% say they are not. The survey also reported that it was important for 54% of investors to make profitable investments, while 35% say that it's more important for them to make socially responsible ones.

European investors on the other hand appear to view ESG investing differently. Whilst some time ago, in 2018, Allianz, an international financial services provider, surveyed 10,000 European investors in which 75% said they were interested in sustainable investments. Of those surveyed, 32% are looking for ways to make an impact with their money and 25% would opt for investments that would encourage established companies to change. The Allianz survey also noted that 40% of European respondents believe sustainable investing has a positive impact of financial returns.

The reason why American investors may be disconnected, according to MagnifyMoney, is that money and returns are huge drivers in how some decide to invest. MagnifyMoney also notes that although 65% of investors say they're willing to sacrifice a higher return for a better impact, 67% would opt to invest in an oil company that offered double the return of a solar energy company.

Of those surveyed by MagnifyMoney, more than half (51%) reported that they avoid companies for moral or ethical reasons. Tobacco companies, private prisons, oil companies, and weapons manufacturers topped the list of industries that most investors avoid.

"There's been a huge uptick of interest in socially responsible investing in recent years, but especially so in the wake of the COVID-19 pandemic, which has exposed so many flaws in our economies and social system," said Ismat Mangla, Senior Director of Content at MagnifyMoney. "People are anxious to invest in ways that can help create positive change in our society, especially when it comes to climate change and inequality."

Source: MagnifyMoney, Morning Consult, Allianz

SUSTAINABLE EVENTS: 2021 SUMMER OLYMPICS AND PARALYMPICS

The Summer Olympic and Paralympic games in Tokyo captivated the world, including the sustainability efforts undertaken by the Organising Committee, which was a big hit on the international stage.

In a statement shared with JTC ESG Insight, Marie Sallois, IOC Director of Corporate and Sustainable Development, said: "The Games are one of the world's most widely televised events, and they offer an excellent chance to demonstrate sustainable solutions. One of the biggest potential impacts may be through giving visibility to new technologies and ideas, such as hydrogen-fuelled transport. With their emphasis on the circular economy and sustainability, Tokyo 2020 is setting an example to the world of what can be achieved now and in the future."

A detailed list of Tokyo's sustainability themes can be read more here in detail, but key highlights, as reported by the *Independent*, also include:

- Weeks before the event, organisers purchased 150% of carbon credits required to offset the games' greenhouse gas emissions, which said made it "the first-ever carbon negative Olympics".
- Tokyo chose to use 25 existing venues that were built when the city last hosted the event in 1964. Only eight new venues were built from scratch, while a further 10 were temporary structures designed to minimise construction costs and energy use. In total, there were 43 Olympic and Paralympic venues.
- 5,000 Olympic and Paralympic medals were cast from metals salvaged from nearly 79,000 tonnes of smartphones and other electronics donated by the Japanese public.
- The Olympic torch was also produced from aluminum waste from temporary housing built in the aftermath of the 2011 earthquake.
- The torchbearers carrying the flame at the torch relay wore T-shirts and trousers made from recycled plastic Coca-Cola bottles.
- Standing proud: Podiums made for medalists to stand on were created out of recycled plastic waste.
- The 18,000 athletes who took part in the games slept on beds made from recycled cardboard, which can support up to 200kg. The mattresses were designed to later be recycled into plastic products.

The Organising Committee also noted that both the Olympic/Paralympic Village Plaza was designed to reduce CO2 emissions by promoting the reuse of materials such as launching a project to construct the facilities using wooden materials and to reuse the materials in other areas after the Tokyo 2020 Games as one of Olympic/Paralympic legacies.

The next Olympics and Paralympics, to be hosted in Paris in 2024 promises to be another green event, with even more initiatives planned. Has the Tokyo Games set a precedent for all large organised events? Only time will tell.

Source: Independent, Tokyo 2020 Sustainability

EDITOR'S NOTE

The United Nations' Intergovernmental Panel on Climate Change (IPCC) published their Sixth Assessment Report in early August. According to the UN, the report builds upon the 2013 Working Group I contribution to the IPCC's Fifth Assessment Report and incorporates subsequent new evidence from climate science.

The key message? **ACT NOW**, especially since the report finds unequivocally that "human influence has warmed the atmosphere, ocean and land."

More findings from the report can be read in this summary.

In other UN news, COP26 is scheduled to take place in Edinburgh (Scotland) from 31st October to 12th November. Conference President-Designate Alok Sharma (pictured) met with Pacific Islands leaders at the Pacific-UK High Level Climate Dialogue over the summer to discuss how "the world needs to step up its emissions targets and its actions to keep the 1.5 temperature limit alive, noting that we have now reached levels of carbon dioxide in the atmosphere that we have not seen for 3 million years."

Sharma, a member of the UK Parliament, didn't specify which countries are the worst-pollution emitters during the event, but did note that "High emitters, especially G20, must commit to higher mitigation targets now, and COP26 must set the path for peaking emissions by 2025. Finance and access to finance are lagging behind the needs of countries."

Next steps noted from the event include "keeping 1.5 alive; scaling up adaptation; loss and damage; finalising Article 6 in the Paris Rulebook; and mobilising finance."

Source: United Nations' Intergovernmental Panel on Climate Change, COP26

REGULATIONS & STANDARDS

FCA to AFMs: Stop Lowering the Bar for ESG and Sustainable Investment Funds

In July, the United Kingdom's Financial Regulator, the Financial Conduct Authority (FCA), wrote an open letter to Authorised Fund Managers (AFM) regarding greenwashing and sustainable investment funds. "We have seen numerous applications for authorization of investment funds with an ESG or sustainability focus. A number of these have been poorly drafted and have fallen below our expectations. They often contain claims that do not bear scrutiny," wrote Nick Miller, Head of Department, Asset Management Supervision at FCA.

"When consumers find it difficult to assess whether authorized funds meet their needs and preferences…there is potential to undermine trust and deter consumers from this segment of the market," added Miller.

According to the Global Sustainable Alliance Investment's 2020 Global Sustainable Investment Review, "Europe reported a 13% decline ($2 Trillion) in the growth of sustainable investment assets in 2018 to 2020 due to a changed measurement methodology from which European data is drawn for this year's report. This reflects a period of transition associated with revised definitions of sustainable investment that have become embedded into legislation in the European Union as part of the European Sustainable Finance Action Plan."

This may demonstrate direction of travel for unauthorised Funds.

Source: Financial Conduct Authority; Global Sustainable Investment Alliance

Deferral of SFDR RTS

The European Commission has delayed disclosure of regulatory technical 1 Regulation (EU) six months from 1 January 2022 to 1 July 2022.

Source: European Commission

OTHER ESG NEWS: THE BIDEN ADMINISTRATION WANTS 50% OF NEW U.S. MOTOR VEHICLES TO BE ELECTRIC BY 2030

In early August, U.S. President Joe Biden signed an executive order that sets an ambitious target to make half of all new vehicles sold in 2030 zero-emissions vehicles, including battery electric, plug-in hybrid electric, or fuel cell electric vehicles (EV). The White House reported that the Executive Order also "kicks off development of long-term fuel efficiency and emissions standards to save consumers money, cut pollution, boost public health, advance environmental justice, and tackle the climate crisis."

According to the Pew Research Center, a nonpartisan fact tank that informs the public about the issues, attitudes and trends shaping the world based in Washington, D.C., "47% of U.S. adults support a proposal to phase out production of gasoline-powered cars and trucks, while 51% oppose it."

In another report, the Pew Research Center also reported that the "U.S. represents only about 17% of the world's total stock of 10.2 million EVs, according to International Energy Agency data. China has 44% of all the EVs in the world (more than 4.5 million), and the nearly 3.2 million in Europe account for about 31%."

Pew also reported that the "fastest growth in EV sales has been in Europe: a compound annual growth rate of 60% from 2016 to 2020, compared with increases of 36% in China and 17% in the U.S."

For UBS, a global firm providing financial services in over 50 countries, they forecast that electric vehicles will account for 40% of global new car sales by 2030 and that the transportation sector can be fully decarbonized by 2040.

Source: The White House, Pew Research Center

PICK OF THE MONTH: MEASURE YOUR CARBON FOOTPRINT WHILE SHOPPING IN-STORE AND ONLINE

Ever wondered how much carbon you are emitting when you purchase a loaf of bread, steak, eggs, seafood, or a bottle of wine? Well now you can with a handy "Shopping Basket Footprint" calculator from Carbon Footprint Ltd., a carbon management expert company based in the UK.

Let's pretend we spent £3 on cake. By using the "Shopping Basket Footprint" calculator, we now know that we emitted 3.05 $kgCO_2e$…and that's just from one small cake! The other great feature of the calculator is that you can enter everything from your shopping list and calculate one by one, and see not only the total amount spent, but your total carbon emitted as well.

Interested in learning more or seeing how much you emit? Check out the "Shopping Basket Footprint" calculator today!