BDO NEWS

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ESG UPDATES
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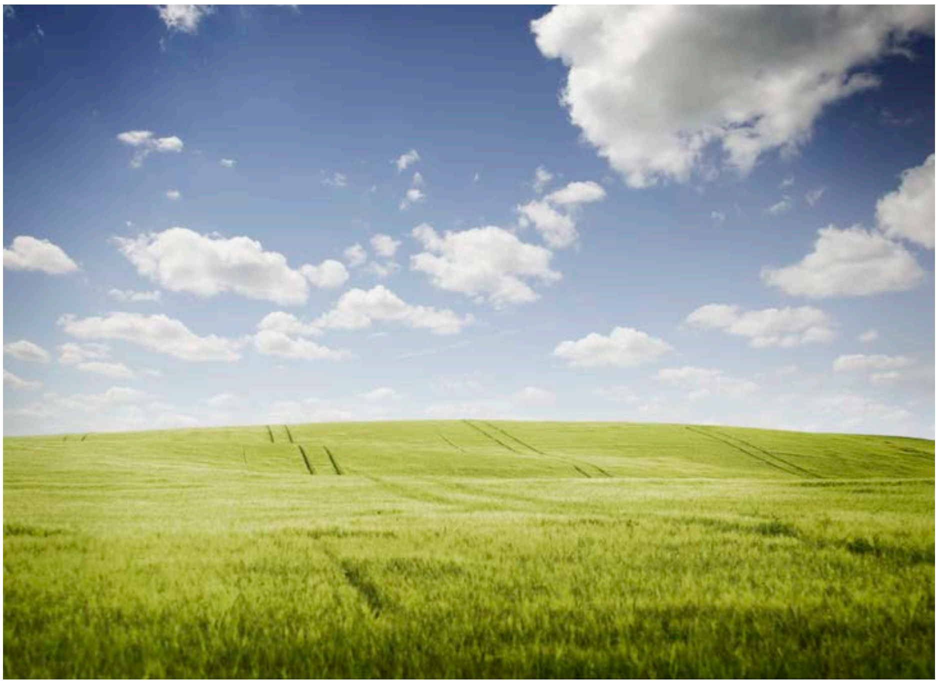

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To achieve corporate sustainability and generate long-term benefits, the integration of environmental, social and governance (ESG) factors into one company's business strategies, management and operation is the key to success. In every monthly issue of our 'ESG Updates' it will include the latest updates from various aspects in ESG.

New assurance standards & SDG-enabling investment guidance

Green bond and SDG-enabling bonds that help focus the attention of the boarder investment community to other social and environmental challenges, and direct funds towards taking them on, are growing more popular globally.

Translating interest into action

The United Nations Development Programme (UNDP) is going to release new assurance standards that provide guidance in strategic intent and goal setting, impact measurement and management, and transparency and accountability this February. Its key aim is to encourage private capital in a more informed way towards SDG enabling investments – moving beyond using the SDGs as another reporting template to a way that helps users make different decisions and reorient and redirect more capital towards SDG-enabling activities and investment.

Recently UNDP hosted consultation sessions in Hong Kong with the ADM Capital Foundation, BNP Paribas, the Sustainable Finance Initiative, and the Hong Kong Green Finance Initiative; in Beijing with China Alliance of Social Value Investment (CASVI), and in Singapore with Temasek Trust. Hundreds of Asia-based investors and leading human rights and civil society organisations are going to discuss further on incorporating the UN Guiding Principles with respect to business and human rights.

The new assurance standards will benefit the bond issuers, investors, industries and communities, analysts, and financial institutions by gaining a more valuable and credible information of the bonds.

Read more from the source:
https://www.undp.org/content/undp/en/home/blog/2020/connecting-the-bond-market-to-social-impact.html

MSCI pushes ESG integration into investment processes

MSCI has published 'The MSCI Principles of Sustainable Investing', a framework designed to illustrate specific, actionable steps that investors can and should undertake to improve practices for ESG integration across the investment value chain. The framework includes three core pillars to full ESG integration:

Investment strategy	Asset owners should integrate ESG considerations into their processes for establishing, monitoring and revising their overall investment strategy and asset allocation
Portfolio management	Portfolio managers should incorporate ESG considerations throughout the entire portfolio management process, including security selection, portfolio construction, risk management, performance attribution and client reporting
Investment research	Research analysts assessing companies and issuing investment recommendations to portfolio managers should integrate ESG considerations (including ESG company ratings) into their fundamental company analysis

MSCI urges all investors globally to integrate ESG considerations into their investment processes and these principles are designed to help investors identify new investment opportunities, manage emerging risks associated with ESG considerations in pursuit of long-term, sustainable investment performance.

Read more from the sources:
https://www.msci.com/documents/10199/16912162/MSCI-ESG-House-View-FINAL.pdf/63bba1a1-aecf-ba80-aa49-7910748ed942

https://esg.theasset.com/ESG/39603/msci-pushes-esg-integration-into-investment-processes

It's time for company directors to step on sustainability

Corporates worldwide are now expected to stay on the front foot, working closely with policymakers and regulators to confront far-reaching global challenges. At the same time, the role of ESG in investment strategies is fast becoming institutionalised, channeled by regulators, indices and exchanges. There is evidence that balancing short-term performance with sustainability, transparency and good governances leads to long-term successes for organisations. This makes delivery on ESG measures no longer merely a 'nice to do' or a 'box-ticking exercise': it has become essential for business and societal prosperity, it is demanded by investors, and it is considered critical for long-term business success.

Creating a tailored local ESG ecosystem

ESG standards and measurements are not universally applied. And to accurately assess and digest these important indicators, consideration needs to be given to disparities in adoption and awareness, cultural and economic differences, market and regulatory customs, and capabilities. There is no one-size-fits-all solution; an ESG ecosystem or model that works well in one jurisdiction may not have the same impact in another region. It is, therefore, important for each key stakeholder – companies, investors and policymakers – to identify their own goals and motivations in order to work out the best integration approach to create long-term impact in their respective local market.

This makes the role of the board more critical than ever. As primary stewards of risk and guardians of long-term enterprise value, a board should be expected to step up in driving the ESG agenda of their companies. This includes setting clear ESG guidelines and giving overall strategic direction to the business operations, as well as overseeing the ESG roll-out and implementation throughout the process.

In principle, a board should take leadership for and accountability in:

- Overseeing the assessment of an organisation's environmental and social impacts
- Understanding the potential impact and related risks of ESG issues on the organisation's operating model
- Aligning with what investors and policymakers expect and require
- Enforcing a materiality assessment and reporting process to ensure actions are well followed through and implemented
- Promoting a culture from the top-down, where ESG considerations are part of the business decision-making process

Having the strong commitment, collaboration and strategic direction from the board is an essential first step for an organisation as it starts its ESG journey. By focusing on both what not to do, as well as what needs to be done, the board should be able to connect with stakeholders within the business and the wider ecosystem, to pursue sustainable practices that fit into the business strategy and achieve positive outcomes for the long term.

Read more from the source:
https://www.weforum.org/agenda/2020/01/company-directors-step-up-sustainability/

What is carbon neutrality, and can it really be achieved?

In theory, a carbon-neutral version of a product or service is better for the environment than its carbon-producing equivalent. For organisations that understand the triple-bottom line (social, environmental and financial) impact of greenhouse gas emissions, that's reason enough to work towards carbon neutrality.

Carbon neutral commitments spread through investment and pensions funds, the construction and agricultural sectors, technology giants and, of course, cities and nations. Some of the more significant attempts at carbon neutrality have been made in electricity and transportation which, combined, make up almost half of global emissions. As transport is increasingly electrified through battery or hydrogen-powered vehicles, electricity generation will play an even bigger role in decarbonisation.

How are they tackling their carbon footprint?

A company might install energy-efficient equipment, source recycled materials, or sign a power-purchasing agreement to buy renewable energy. A country might use policy levers to regulate deforestation or mandate car emissions standards. Whatever's left is tackled through offsetting techniques that counteract unavoidable emissions through other activity, often by purchasing 'carbon certificates' through schemes or markets. Sometimes, this is as simple as supporting land-use projects that soak up and sequester carbon. There is also the (very contentious) idea of direct carbon capture and storage as a possible future market.

The best practice is always to avoid or reduce carbon emissions in the first place. But in some cases, where sustainability can only be approached (with current technology, at least) and not achieved, it may be appropriate to balance out emissions with a carbon-neutral approach. Air travel, for example, can be reduced, but will inevitably continue to emit greenhouse gases until alternative fuels or electrification can be achieved. Voluntary carbon credits are purchased by individuals and organisations on a voluntary basis to compensate for their greenhouse gas emissions.

Ultimately, consumers need to look beyond the label and be satisfied with the impact made by a carbon-neutral product. They may ask companies about their carbon-neutral certification schemes and the projects the schemes support, as well as examine the companies' wider operating model.

Read more from the source:
https://www.eco-business.com/news/explainer-what-is-carbon-neutrality-and-can-it-really-be-achieved/

How can BDO help?

At BDO, our Risk Advisory Services (RAS) team, a group of dedicated professionals trained in ESG reporting requirements, GRI Standard and ISO-14064, knowledge about carbon audit and experienced in providing all the assistance required to meet your needs in ESG practice. Please do not hesitate to contact us and talk to our consultants. We are pleased to provide further insight or assistance, if needed.

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