

TITLE: Fund labels, food labels, TCFD & TNFD

OK so what have fund labels, food labels, TCFD and TNFD got in common? Read on!

Funds and food disclosures will both soon show consumers how they can cut their carbon! A massive step forwards for those of us wishing to make positive (or at the very least neutral) planetary decisions.

Make My Money Matter sums it up. MMMM is a powerfully backed and vocal public campaign fighting for a world in which we can know where our pension money goes - and where we can demand how it is invested for a better future. Last week MMMM has been highlighting its 21x challenge;

“Cut your carbon 21x more than going veggie, giving up flying and switching energy provider simply by making your pension green” - <https://makemymoneymatter.co.uk/21x/>

And so to food labels. The Independent reported that Unilever has said; “We intend to roll out carbon labels on our entire product range over the next two to five years and believe it will transform not only the actions of consumers, but of the thousands of businesses in our supply chain as well,” <https://www.independent.co.uk/climate-change/news/unilever-carbon-footprint-labels-food-b1882697.html> And great news is they are not the only company to begin making these sort of food chain disclosures. Transparent disclosures to consumers drives choice and change, companies do not want to be left behind.

And now onto funds, starting with two quick reminders:

1/ (<https://www.unepfi.org/about/>) The **Task Force on Climate-Related Financial Disclosures** (TCFD) was created in 2015 by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders.

2/ the FCA has received its latest remit letter from the Chancellor. This clarifies that the FCA (<https://committees.parliament.uk/committee/158/treasury-committee/publications/>) “should have regard to the government’s commitment to achieve a net-zero economy by 2050... when considering how to advance its objectives and discharge its functions.”

TCFD aligned disclosure obligations mean that, over the coming years, firms will be required at product and portfolio level to include a “baseline core set of metrics, including **metrics related to the carbon footprint of the product or portfolio**” (<https://committees.parliament.uk/committee/158/treasury-committee/publications/>) - these will be client and consumer facing disclosures.

(and a reminder that proposed TCFD scope will cover 98% of AuM in both the UK asset management market and held by UK asset owners, representing £12.1 trillion in assets managed in the UK)

I read the CP21/17 when it was released and sat thinking about the implications of the following - CP21/17 draft handbook - 2.3.9 Product Level Reporting Annex B ESG -

(1) A firm must include in its TCFD product report for each TCFD product information according to the following metrics, using the calculations contained in ESG 2 Annex 1 [and having regard to the TCFD Guidance on Metrics, Targets, and Transition Plans, as relevant]:

- (a) scope 1 and 2 greenhouse gas emissions;
- (b) scope 3 greenhouse gas emissions; FCA 2021/XX Page 14 of 22
- (c) total carbon emissions;
- (d) total carbon footprint; and
- (e) weighted average carbon intensity.

I wrote in our newsletter a few weeks ago, after reading these Product Level reporting possibilities:

“...in theory, does this means advisers will be able set minimum levels of metrics or targets / emissions for a portfolio solution - on a best in class style / screening method? Interesting things to come in our Values Questionnaire updates for sure” (<https://esgaccord.co.uk/newsletter-archive/>)

And so it seems the FCA have been doing the same. They have conducted research and published findings for badging medals (<https://www.fca.org.uk/insight/sustainable-investing-objective-gradings-greenwashing-and-consumer-choice>) and in the Committee Response issued last week;

"We are engaging closely with relevant industry associations and the British Standards Institution on the work they have underway in this area" <https://committees.parliament.uk/committee/158/treasury-committee/publications/>)

Further to this, my thoughts proceed in hope to the incoming Taskforce on Nature-related Financial Disclosures. Nature loss poses material risks and opportunities for the finance sector. TNFD aims to standardise nature related disclosures; think of it as building on the TCFD framework which looks through a climate lens. So, I was tremendously excited to read that the FCA response to the Committee's report, 'Net Zero and the Future of Finance' includes;

"We will also need to deepen our work on ESG issues, beyond climate change. For instance, we will need to consider more fully the role of finance in dealing with other environmental issues, such as biodiversity (as set out in the Dasgupta Review, published in February this year), as well as social issues, such as racial equality, the living wage and diversity and inclusion."

Anyone not yet familiar with TNFD should have a read - <https://tnfd.info/>

Anyone not yet familiar with UK Final Report - The Economics of Biodiversity: The Dasgupta Review <https://www.gov.uk/government/publications/final-report-the-economics-of-biodiversity-the-dasgupta-review>

We know now the scope and scale of mandatory TCFD - what it means to have climate considerations and climate as systemic risk embedded into Regulations. I look forward to mandatory TNFD and the Chancellor bringing TNFD / biodiversity as a remit to the Regulators alongside its partner TCFD. That will mean we are truly on the way to fixing things.

REFERENCES

FCA Response - Net Zero & Future of Green Finance Responses

<https://committees.parliament.uk/committee/158/treasury-committee/publications/>

Independent / Unilever

<https://www.independent.co.uk/climate-change/news/unilever-carbon-footprint-labels-food-b1882697.html>

Make My Money Matter 21x

<https://makemymoneymatter.co.uk/21x/>

United Nations Environment Programme Finance Initiative / TCFD

<https://www.unepfi.org/climate-change/tcfd/>

FCA response to the Committee's report, 'Net Zero and the Future of Finance'

<https://committees.parliament.uk/committee/158/treasury-committee/publications/>

CP21/17: Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers

<https://www.fca.org.uk/publications/consultation-papers/cp-21-17-climate-related-disclosures-asset-managers-life-insurers-regulated-pensions>

ESG Accord Newsletter Archive

<https://esgaccord.co.uk/newsletter-archive/>

FCA Insight - Sustainable investing: objective gradings, greenwashing and consumer choice

<https://www.fca.org.uk/insight/sustainable-investing-objective-gradings-greenwashing-and-consumer-choice>

UK Final Report - The Economics of Biodiversity: The Dasgupta Review <https://www.gov.uk/government/publications/final-report-the-economics-of-biodiversity-the-dasgupta-review>

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