

Moral Money ESG investing

Inside PwC's \$12bn bet on ESG

Plus, a G7 update, nuns sue SEC, Kensington Mortgages' new green bonds



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Gillian Tett, Billy Nauman, Patrick Temple-West and Andrew Edgecliffe-Johnson
YESTERDAY

How do you make sustainability ideas fun — and easy to grasp? That's a question the Moral Money team has been grappling with from inception, since the environmental, social and governance (ESG) sector is drowning in ugly acronyms and jargon — and can sound irritatingly pious to outsiders.

But now we are launching a new experiment: irreverent Moral Money animated cartoons on topics such as ESG, net zero, biodiversity, activism, and so on. You can find the first two [here](#) and [here](#), or on YouTube, and more will soon follow. So please show them to anyone who needs a quick, tongue-in-cheek, explanation of ESG (think: teenager, student, auditor or your friendly neighbourhood CEO.)

Then point out the reasons why these messages are so relevant right now, in sectors ranging from the British mortgage market to the Securities and Exchange Commission to Big Four auditors to G7 policy (and, let us not forget among nuns, who will also feature in an upcoming cartoon.) Read on. — *Gillian Tett*

PwC places a \$12bn bet on trust

The opportunity ESG reporting presents to audit firms has been obvious for some time, not least in [the Big Four's eagerness to shape the standards](#) for how companies measure their environmental and social impact. Now we're starting to see how much they are willing to spend to capture that opportunity.

PwC's [\\$12bn, 100,000-person investment plan](#) for the next five years, unveiled on Tuesday, is full of familiar talk of automation and Asian expansion, but at its core is the need to position its global network for the needs of clients struggling to keep pace with changing ESG expectations.

The new investment will pay for all of PwC's people to be drilled in the rudiments of ESG, for a US push to find more jobs for racial and ethnic minorities, and for new "trust leadership institutes" in which PwC and its partners will teach executives about everything from ethics to empowering economic mobility.

"Our clients have two fundamental challenges and opportunities over the next 10 years, and those two challenges are what we call trust and sustained outcomes," **Tim Ryan**, PwC's US chair explains.

Stripping away the jargon (and there is plenty of it in the announcement), what he means is that trust in business is fragile, companies are going to face tougher questions about everything from their data security to their tax bills, and clients want more help to avoid costly breaches of trust.

PwC's US arm is so wedded to this theme that it is rebranding its audit and tax reporting units as "trust solutions". Its own challenge over the next decade will be to avoid the kind of breaches that would make that sound like a hostage to fortune.

(Andrew Edgecliffe-Johnson)

G7 talks highlight interconnected ESG risks

Now that the leaders of the G7 have packed up and left Cornwall, the real work begins.

There was a lot of talk about tackling ESG issues at the summit, but the question now is: how will the seven nations deliver? As Gideon Rachman notes, the talks were "[stronger on values than hard cash.](#)"

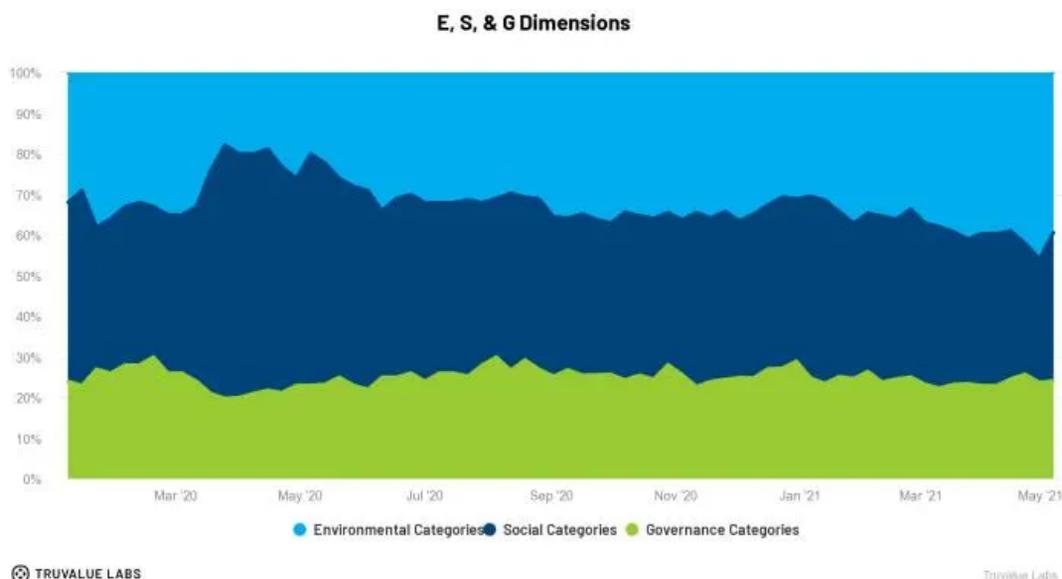
The biggest announcement over the weekend was a plan to launch a “[green belt and road initiative](#),” where the G7 would lend more money to developing countries (and encourage private investors to do the same) to build low-carbon infrastructure such as wind farms and mass transit systems.

Climate was not the only ESG item up for discussion, however. G7 leaders also highlighted social issues, with UK Prime Minister Boris Johnson warning that the pandemic could leave a “[lasting scar](#)” of inequality, should world leaders repeat the mistakes they made in the recession of 2008.

There are few details on what the G7 plans to do about any of this, outside of some broad statements about rejecting austerity and maintaining high levels of economic stimulus.

But the fact that they were talking about the ‘S’ alongside the ‘E’ embodies a larger shift in how people view ESG-related risks.

At the outset of the pandemic, public interest in the ‘S’ in ESG went through the roof. Data provider FactSet has been tracking more than 100,000 ESG data sources through its Truvalue Labs division, and last year recorded a huge spike in interest in social topics, such as how companies were treating essential workers.



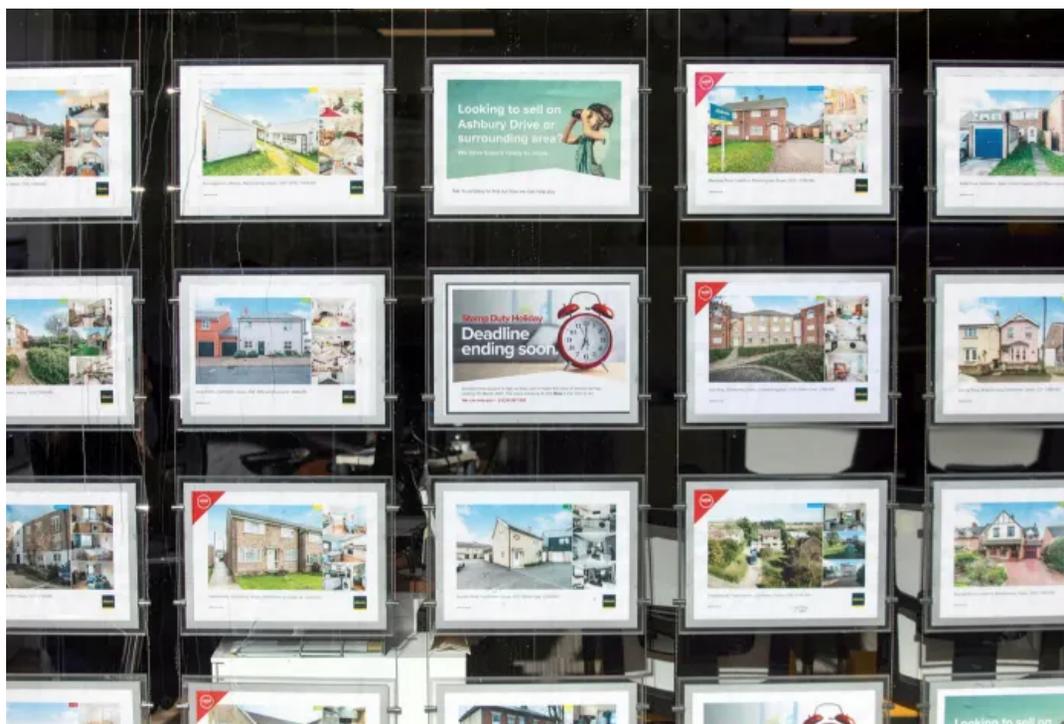
Although the chart shows environmental topics have again risen to the fore, it doesn't mean that people have forgotten about the “S” and “G” — or lost sight of the fact that ESG risks are serious and material.

“Materiality isn't something that's stagnant. It is something that changes through time,” said **Susan Lundquist**, FactSet's head of global go-to-market strategy.

If anything, the pandemic has shown how important it is to recognise how seemingly disparate risks are actually interconnected.

When it comes to ESG, that means focusing on more than one silo at a time. And while the G7 still has a long way to go to back up its talk, the fact that it is highlighting both the “E” and the “S” is an encouraging sign. *(Billy Nauman)*

Kensington Mortgages breaks new ground with green RMBS



© Bloomberg

Home lender Kensington Mortgages, which is owned by Blackstone, has issued the first green bond from a UK residential mortgage-backed securities lender, the company has said.

The deal will help Kensington finance mortgages secured by eco-friendly properties or refurbished homes that have improved their energy savings.

Underscoring the intense, global demand for green debt, Kensington was able to increase the deal size to £750m from £480m. The green bonds received second-party validation from Institutional Shareholder Services.

The deal could have broader implications for the green, asset-backed securities market in the UK, said **Alex Maddox**, capital markets and digital director at Kensington.

Investors who bought the green bonds said there had been a “chicken and egg” problem with green mortgage financing. “It is difficult for us to provide [green] product for them if we don’t think there is an investor there to buy it,” Maddox told Moral Money.

Kensington primarily offers property financing to underserved borrowers in the UK. The company has traditionally served mortgage applicants who are shunned by high street lenders.

The green bond follows Kensington’s first social bond issued in February. The £472m bond will fund the purchase of loans from self-employed, first-time home buyers and other people with difficult credit histories. *(Patrick Temple-West)*

Nuns sue SEC to stop shareholder proposal rule



© Getty Images

The sisters are swinging punches.

The Interfaith Center on Corporate Responsibility, which includes religious organisations, on Tuesday [filed a lawsuit](#) against the US Securities and Exchange Commission to stop a Trump-era regulation that would make it harder for investors to file shareholder petitions.

In July 2020, the SEC adopted a rule to raise the thresholds that investors need to meet to resubmit shareholder proposals at companies year after year — as religious organisations and environmental activists often do to agitate for change. The move to raise the resubmission thresholds was applauded as a win by corporate lobbying groups.

The rule is scheduled to go into effect for the 2022 proxy season. And although the SEC has said it will revisit the rule, the ICCR said it could not risk waiting to see if the agency would reverse the rule later this year. (*Patrick Temple-West*)

Tips from Tamami



Nikkei's Tamami Shimizuishi helps you stay up to date on stories you may have missed from the eastern hemisphere.

When you think of a family business, it can bring to mind a plethora of potential problems, such as a lack of accountability. But **Caroline Seow**, co-founder of B Lab south-east Asia, believes that these companies have strong potential to be aligned with the purpose of stakeholder capitalism.

Family business owners often want to pass on the business to the next generation, so they tend to think in the long term, not by quarters, Seow said.

In Asia — where two-thirds of the largest family-owned firms in the world are based [according to Accenture](#) — family businesses have a strong tradition of giving back to their communities through activities such as building schools and supporting hospitals.

But Seow thinks that B Corp's assessment tool can guide them to do "good" beyond their charitable activities. The assessment tool can improve the sustainability of their whole business, including supply chains, she explained.

Seow established the region's B Corp hub in Singapore, home to 13 certified B Corps. There are about 30 companies in the pipeline in the region, and the hub is aiming to certify 100 businesses across the region by 2025. Globally, there are about 4,000 certified B Corps.

Thomas Ng, chief executive and founder of the certified B Corp Genashtim, an eLearning and digital support service company, said that being B Corp initially helped his company to attract multinational companies as a small start-up based in Singapore. Sixty per cent of Genashtim's employees are people with disabilities and 30 per cent are refugees.

As a prominent B Corp in the region, Genashtim has also been providing ESG-related training and workshops for other agencies and corporations. "[We] have found to [our] delight that this whole area of ESG in business has been growing in prominence, even in our part of the world", Ng said.

Further Reading

- Can racial equality be built into the US cannabis industry? ([FT](#))
- Britain's largest investor blacklists AIG over climate risk concerns ([FT](#))
- The inflammatory Toshiba report may finally change corporate Japan ([FT](#))
- Tokyo vows at G7 to cut off overseas coal financing this year ([Nikkei](#))
- How green bottlenecks threaten the clean energy business ([Economist](#))
- Bangladeshi factory workers fear rollback of safety measures ([Deutsche Welle](#))

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