Browne Jacobson

ESG in 3D: Society and Environment

Investors groups are calling for action from the Government

11 November 2022

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Environmental Act 2021 – statutory requirement to submit targets not complied with

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The Starling Bank disability discrimination decision

Digest:

- Some signatories include household names such as Tesco, Lloyds Banking Group, BT and Aviva.
- The sentiments in the statement demonstrate an acknowledgement that organisations should be held accountable for their impact on society and the environment.
- The Consumer Duty could be utilised by stakeholders to hold firms accountable for their ongoing impact.
- There is also a growing recognition that organisations should use their power to influence the government and other policy makers to deliver robust climate action.

Source/Context:

The Investor Agenda, a collaboration of seven major groups working with investors, and 602 investors, representing almost USD $42 trillion in assets under management, have signed a statement to governments to urge them to reduce their methane emissions and ensure their climate change plans align with the goal to limit global temperature to 1.5ºC. The statement is addressed to all governments encouraging them to ensure that their actions take full account of the potential impacts on ecosystems, individuals, workers and communities, minimise and mitigate any negative social or environmental impacts resulting from the actions taken, and enhance the resilience and sustainability of their environmental, social and economic systems.

What does this mean for the FS and other industries?

This is an opportunity for organisations to reflect on the role they play in society and the environment, not just on the direct result of their business, but also, on whether they could be doing more to influence other stakeholders including the government. This is particularly pertinent as analysis by Climate Action Tracker of plans submitted to the UN demonstrates that the UK has not increased its ambition to tackle its role in climate change since COP26.

In particular, the letter also acknowledges that as institutional investors, the signatories have a fiduciary duty to ensure that they decrease their exposure to climate risk. This, along with the FCA's final rules and guidance for the new Consumer Duty, demonstrates a growing recognition of the role institutions play on society and the environment. For businesses regulated by the FCA, their responsibility goes even further than their investments, products or services. The Consumer Duty applies "not only when the firm is in a direct relationship with a customer but also through their role in the distribution chain" and to harm caused "through their conduct, products or services". As a result, it is easy to see how the Duty could be used by stakeholders to not only hold firms to account with respect of their climate change promises, but also to police the ongoing impact they are having on the environment/society - irrespective of a connection to a financial product or service.

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