

# SENTENTIA



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## A CONSISTENT ESG FRAMEWORK IS NO LONGER OPTIONAL: IT IS IMPERATIVE



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Understandably, I believe governments and citizens are currently very focused on dealing with the health, economic and social implications of COVID-19. I suspect, in many ways, this tragic experience will accentuate the need for greater focus on responsible ESG investing. Governments are already starting to think about how they can rebuild their economies and many are hoping to achieve that in a more equitable, sustainable and environmental way.

*(Cont.)*

Moreover, as political leaders explore financial and other measures linked to a “green recovery”, it is incumbent upon all business leaders to take their own steps to drive lasting change and re-evaluate what “normal” looks like. It is also necessary to stress that environmental and sustainable governance is much more than a regulatory compliance exercise. Those companies which take a proactive approach, placing purpose at the heart of their recovery and long-term growth strategies, should gain the maximum benefit — with society at large benefiting too.

While I strongly believe the political and policy environment will pick up pace towards meaningful action on the ESG agenda in the coming months, I think financial services executives must recognise that — like it or not — this shift is already happening. Surely the last thing they want is to be left holding a portfolio of stranded assets, so now is the time to start planning and rethinking portfolios for the short, medium and long-term.



*"ESG is wholly reliant upon actual metrics... it should be a practical framework and a reporting tool rolled into one."*

This leads me to articulate a specific point of measurement. ESG is wholly reliant upon actual metrics, which are used in different ESG Indexes. Far from being a strategic ambition or a set of guiding principles, ESG should be a practical framework and a reporting tool rolled into one. Herein lies the problem: currently there is no single standard ESG Index for measuring or reporting on a company’s environmental and social performance.

For the financial services industry, this is particularly problematic: comparing one fund or fund portfolio against that of a competitor firm becomes impossible – and potentially irrelevant – when the reporting mechanisms are different. Without consistent, unifying measurement, ESG risks becoming meaningless. Not only does this risk devaluing the fund or funds in question; it also reduces the impetus for firms to be innovative in their offering. Agreeing and implementing a standard, on the other hand, would create a level playing field and intensify competition, leading to greater diversity and insight in firms’ offerings.

*The Policy People believes in ‘environmental capitalism’.  
The time has come for business leaders and policymakers to unite and agree a single standard of ESG reporting that can be adopted by all financial services participants. Developing and implementing this is an urgent shared responsibility.*

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# A GREENER FUTURE FOR CHEMISTRY? THE GC3 INNOVATORS FORUM COMES TO EUROPE

Driven by the [Lowell Center for Sustainable Production](#) at the University of Massachusetts, the multi-stakeholder collaboration in the [Green Chemistry and Commerce Council \(GC3\)](#) has the vision of “a world where green chemistry is standard practice throughout the value chain”. In May 2021, GC3 came to Europe with its first “[GC3 European Innovators Forum](#)”. Hosted with the support of [Kingfisher plc](#) and co-sponsored by [Akzo Nobel](#), [Merck](#), [Reckitt](#), [Covestro](#) and [BASF](#), the Forum focused on perspectives and ideas pertaining to the European market, including the EU’s 2020 ‘Chemical Strategies for Sustainability’: part of their zero pollution ambition. Specifically, the Forum aimed to enable delegates to:

- Exchange strategies and best practices for accelerating sustainable chemistry innovation and adoption
- Network to form new partnerships and collaborative projects
- Connect with companies across supply chains and sectors.

The European chemical industry is a major economic sector, with over one million people employed generating approaching €550 billion in revenues and committing nearly €10 billion in Research & Innovation investments. It will obviously be a major contributor to developing the desired sustainable future for Europe.

The GC3 Forum comes at a timely point in Europe’s action on chemicals. In 2020, the [European Chemicals Agency \(ECHA\)](#) identified almost 300 chemicals in regular use in commercial and manufacturing environments (and therefore also passing into the consumer and household terrain) which may be candidates for further regulatory risk management at EU level, if their hazards are confirmed. Separately, in October 2020, the European Commission adopted the [EU Chemicals Strategy for Sustainability](#) - an important first step towards achieving a toxin-free environment as detailed in the [European Green Deal](#). Whilst the strategy itself recognises the important role that chemicals play in everyday life – from paints to polythene; from carpet-cleaner to carwash – it acknowledges that more needs to be done to address the health and environmental challenges caused by the most harmful chemicals.

Clearly, policymakers and regulators are intensifying scrutiny on chemicals that may cause harm to the environment and/or to humans, at any stage in their usage. But regulation and rulings from the top are only a part of the battle. The phasing-out of toxic chemicals in favour of affordable, appropriate alternatives is largely down to manufacturers and retailers themselves, who in turn are able to offer consumers safe, sustainable products that meet their needs.

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In the second session, “*Innovating under the EU Chemical Strategy for Sustainability*” - moderated by Joel Tickner (GC3 Executive Director) - there were presentations from:

- Cristina de Avila (Head, EU Sustainable Chemicals Unit)
- Peter Dröll (Director-General, EU Research and Innovation)
- Marco Mensink (Director-General, Cefic)
- Christian Verschueren (Director-General, EuroCommerce).

Focusing on transforming the EU’s economy for a sustainable future, “The European Green Deal”, Cristina de Avila stressed a 2030 zero pollution ambition for a toxic-free environment. For this to happen, five building blocks were identified as essential:

**Objectives:**

- Innovation, competitiveness, and recovery
- Strengthen legislation for better protection

**Enablers:**

- Simplification and coherence
- Knowledge and science
- A global approach.



In describing an approach to “Safe and Sustainable By Design”, Peter Dröll highlighted existing policies and initiatives; not only EU ones, but also the UN’s (2021) ‘Framework Manual on Green and Sustainable Chemistry’, the OECD (2021) ‘Guide on Safer Chemicals Alternative’, and the US Sustainable Chemistry R&D Act. Dröll stressed the need for explicit criteria, if sustainability is to be achieved. He argued that a lot more work needs to be done to develop the methodology for the consistent definition of criteria and their thresholds.

The first industry panellist, Marco Mensink, is the Director-General of The European Chemical Industry Council (Cefic), which is the main European trade association for the chemical industry. In competing for the future, he highlighted a major KPI as the investment in next-generation chemicals, with the general sustainability goal requiring climate-neutral and circular economy solutions by the chemical industry itself.

The second industry panellist was Christian Verschueren, Director-General of EuroCommerce, which stands for competitive, sustainable and fair retail and trade in Europe, and which represents six million retail, wholesale and other trading companies serving 500 million customers. In calling for realism, Christian Verschueren described the different dynamics, drivers and interactions between:

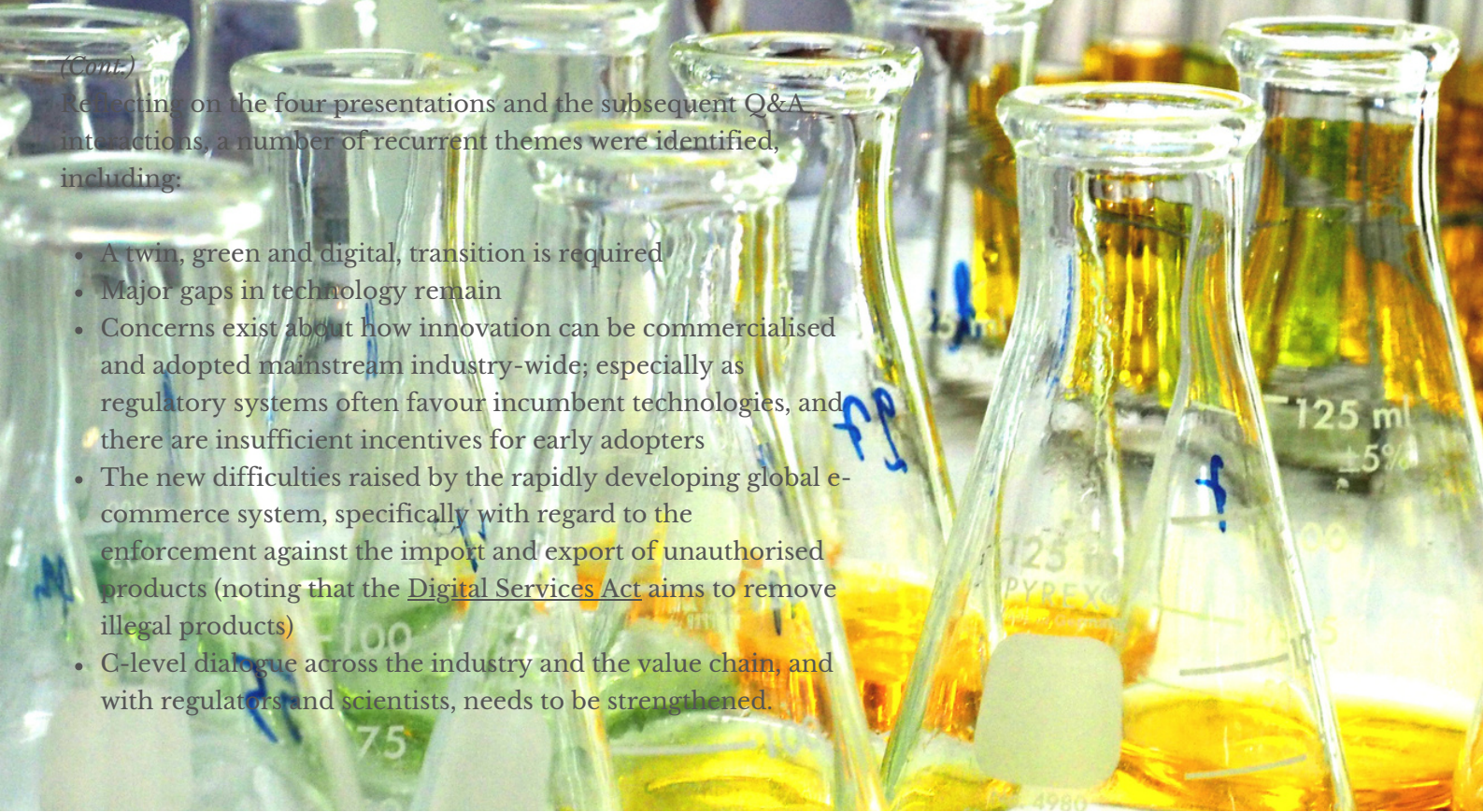
- Retail industry
- Global trade
- Consumers.

He argued the current debate was too limited, with the focus on B2B issues rather than B2C issues as well. Without explicit consideration of all links across the value chain, real progress will not be made. Christian Verschuere also raised the questions: there may be a demand for safer products, but is there a willingness to pay? How can retailers provide upstream pressure from their highly competitive environment?

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Reflecting on the four presentations and the subsequent Q&A interactions, a number of recurrent themes were identified, including:

- A twin, green and digital, transition is required
- Major gaps in technology remain
- Concerns exist about how innovation can be commercialised and adopted mainstream industry-wide; especially as regulatory systems often favour incumbent technologies, and there are insufficient incentives for early adopters
- The new difficulties raised by the rapidly developing global e-commerce system, specifically with regard to the enforcement against the import and export of unauthorised products (noting that the Digital Services Act aims to remove illegal products)
- C-level dialogue across the industry and the value chain, and with regulators and scientists, needs to be strengthened.



In the final session, “*Commercialising Green Chemistry in the EU*”, GC3’s Joel Tickner set the foundation for the discussion with an overview of lessons learnt across the value chain from the last 15 years of GC3, particularly focusing on the challenges. If all the drivers, market, policy and sustainability, are aligned in the same direction, why is there not progress at scale? In considering inhibitors and accelerators of green chemistry, three aspects were identified:

1. Growth deterrents:

- Supply chain complexity
- Incumbency
- Switching risk
- Price/performance
- New technology access/placement

2. Growth drivers:

- Government regulation
- Consumer awareness

3. Growth accelerators:

- Collaboration
- Technology forcing
- Enhanced education.



Joel Tickner:  
GC3 Executive Director

*"If all the drivers, market, policy and sustainability, are aligned in the same direction, why is there not progress at scale?"*

Focusing further on commercialisation and adoption, the main barriers included a real concern that the regulatory environment may not support innovation, and a lack of willingness to absorb the costs across the supply chain.

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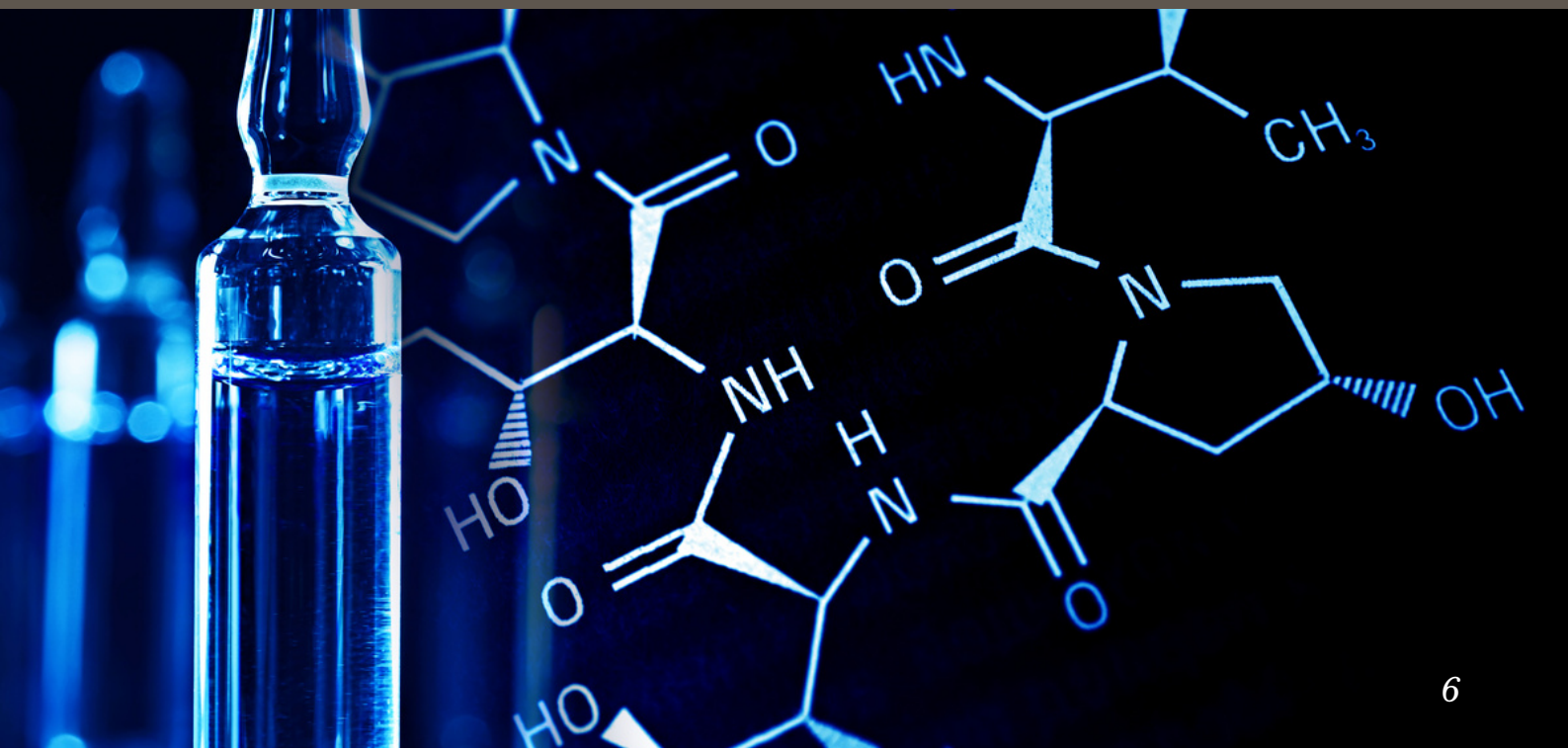
A previously-conducted GC3 challenge was summarised, which focused on the development of new preservatives for personal care and household products. Collaboration for innovation included: product companies (Babyanics, Beautycounter, Beiersdorf, Colgate-Palmolive, J&J); retailers (Target, Walmart); and preservative suppliers (Dow, Lonza). However, innovation does not automatically lead to commercialisation!

Mark Maxwell described the GC3 Collaboration Approach, identifying the component parts of the collaborative innovation phase moving on to the collaborative commercialisation/scale phase (rather than traditional, single entity commercialisation), with shared engagement and returns across the value chain.

In a discussion moderated by Bob Kumpf (Deloitte), company examples were presented by: Jane Murray (Global Head of Green Chemistry, Merck KGaA); Luca Spadoni (Global R&D Director, Reckitt); and Bettina Roth (Head of Quality and Chemical Management, VAUDE Sport GmbH & Co.KG). While the different size of companies created different challenges, there was agreement that regulation should not be the enemy in the commercialisation process. Collaboration was needed across many dimensions.

In the closing Q&A discussion, reference was made to the US Environmental Protection Agency's 'Safer Choice' programme, approaches to 'Doing no harm' and 'Doing better', as well as to major retailers requiring complete adherence to their own sustainability criteria and principles. There was even speculation of the use of blockchain technology for the tracking of resources movements. For companies based in Europe, it was agreed that more open engagement and dialogue was necessary, along with a common sense of purpose.

*The Policy People believes that GC3 is uniquely positioned as the organisation bringing together the complete value chain; this is surely the start of a much-needed presence in Europe.*





# MIGRATION: A SIGNIFICANT GLOBAL POLICY ISSUE

Demographic profile changes are driven by births, deaths and migrations. Simply defined, human migration is the movement of people from one location to another, either on a permanent or temporary basis, and either chosen or forced. Rural-urban migrations and forced displacements continue, but major focus remains on international migrations.

The [International Organisation for Migration \(IOM\)](#) has existed for 70 years, and it is the leading inter-governmental organisation in the field of migration. Today, accounting for about 3.5% of the global population, more people than ever live in a country which was not where they were born.

Discussions on migration must be founded on comprehensive key data and resulting patterns. The latest IOM report, "[The World Migration Report 2020](#)" provides an excellent picture to help better understand migration, as well as offering thematic chapters highlighting the complexities of migration and emerging issues, including:

- Migrants' contributions to societies;
- Migration, inclusion and social cohesion;
- Migration and health;

- Children and unsafe migration;
- Migration and adaptation to environmental change;
- Migrants caught in crises.

In the Report's final chapter, entitled "Recent developments in the global governance of migration", a descriptive analysis of the development and adoption of the two global compacts, especially areas of convergence and divergence, is provided, alongside countries' commitments to follow up.

Severe strain can be put on countries by migration, as well as personal sensitivities for individuals and families. Attention is highlighted on irregular/illegal entries, as well as asylum seekers, human trafficking and vulnerable people generally, and subsequent redistributions.

*With 272 million international migrants in 2020 - 3.5% of the world's population - figures already exceed 2050 projections.*

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Recent actions include:

- President Biden's reversal of some of ex-President Trump's imposed restrictions on immigration to the US, both increasing refugee admissions and maintaining deportation relief. Additionally, a new pathway to permanent legal status is being established for millions of unauthorised immigrants already in the US
- The recent points-based system to obtain work visas which has been introduced in the UK (and the open offer to over 5 million people in Hong Kong to come to the UK)
- The continuing argument by Southern European coastline countries of the unfair burden that they face with the existing EU position that the responsibility for irregular entries is placed wholly on the EU country first entered.

*The Policy People recognises that migration is now an explicit dimension of the sustainability agenda.*



## WATCH THIS SPACE...

**Sir David Attenborough** has been appointed as “the people’s advocate” for the COP26 summit. He will try to explain to the international gathering of political leaders that action is needed now to prevent disastrous and potentially irreversible impacts of climate change.

**Geographically distant** but historically close, Australia could be one of Britain’s early, post-Brexit tariff-free trade agreements. While some commentators have raised concerns on behalf of British farmers and of maintaining food standards, The Policy People believes it would be a sound start for “Global Britain”.

On 10th March 2021, the so-called Sustainable Financial Disclosure Regulations (SFDR) became applicable; not only for financial institutions operating in the EU, but also for non-EU organisations with EU subsidiaries. Disclosures on sustainability will need to be made at both organisational and product/service levels, and it should then be possible to determine an organisation’s approach and commitment to sustainability, hopefully avoiding “greenwashing”. However, it remains unclear whether the necessary clarity, consistency and comparability will exist. For instance, The Policy People remains convinced that, *“Currently, ESG reporting lacks consistency. We need to push for ESG standardisation, and ESG reporting under a single authority.”*



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As railways radically reform, a new public body, Great British Railways (GBR), will be established to centrally manage and operate the rail industry – replacing the fragmentation created by the 1990s privatisation. An enhanced service is desired, but no details about pricing and timetables exist yet.

In the Dutch courts, Friends of the Earth had a landmark victory in “The People versus Shell.” Shell’s current global greenhouse gas emissions are approximately triple the UK’s entire footprint. The company has been ordered to reduce its emissions faster than previously planned; there appears to be less concern about the company’s policy than the necessary detail of its implementation.

The Policy People remains concerned by the lack of focus and action on “the digital divide”, with direct adverse economic, social and political impacts for people. Post-pandemic recovery requirements make this issue more important. The physical connectivity dimension of digital access may be helped by many major telcos now refocussing on their networks, with major investments planned for full fibre and 5G rollouts. However, there is less coherent focus on the digital skills gap. The Policy People highlights Infrastructure and Human Capital as key policy issues.

## *LET'S TALK...*

*If anything we've covered in this issue resonates with you, please contact John ([john@thepolicypeople.net](mailto:john@thepolicypeople.net)); or Helen ([helen@thepolicypeople.net](mailto:helen@thepolicypeople.net)).*

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