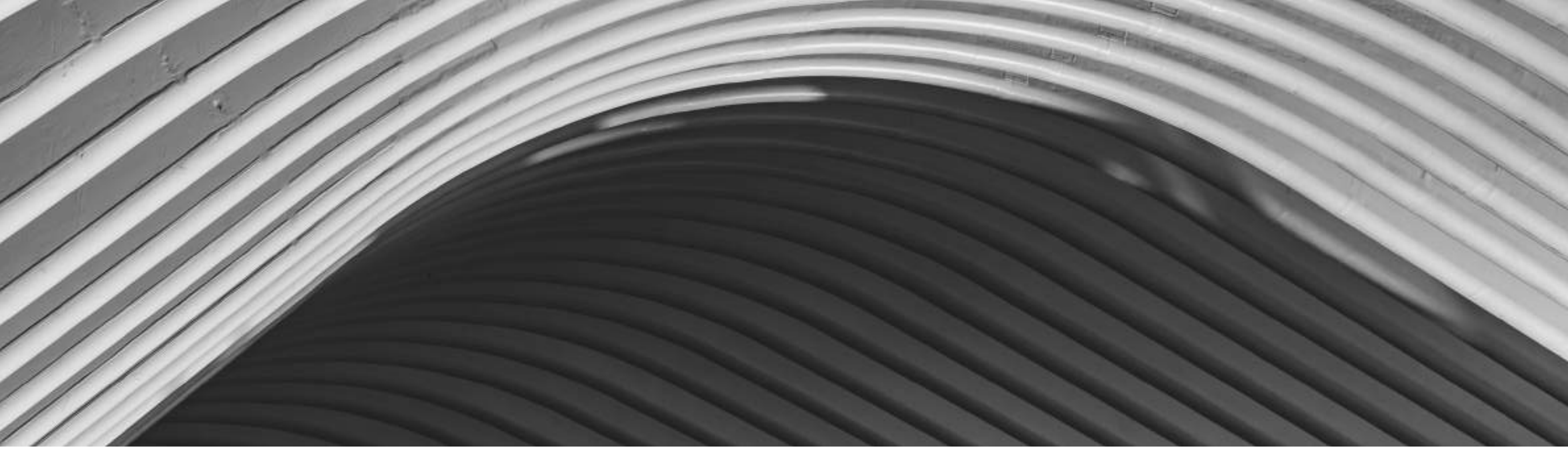
SECTORAL UPDATES

JAN 2021



ESG

The US re-enters the Paris Agreement

President Biden signed an executive order of returning the United States to the Paris Agreement on the 20th January, 2021.
The Paris Agreement is a multination pact developed by parties to the United Nations Framework Convention on Climate Change (UNFCCC) to combat climate change. The agreement's main goal is to limit the global temperature increase in this century to below 2 degrees Celsius above pre-industrial levels, and to work toward limiting the increase to 1.5 degrees.
Biden has clearly signalled his intention to place the US in the centre of the fight against climate change with making key appointments including Former Secretary of State John Kerry as Special Presidential Envoy for Climate.

The AIC to publish individual companies' ESG disclosures

In response to the growing demand from investors for information on ESG criteria and policies, UK-based Association of Investment Companies (AIC) is to launch individual investment company ESG disclosures on its website.
The AIC will give member investment companies the opportunity to share their ESG policies in an easy, accessible way for investors. The free-form disclosures will be available on member companies' profile pages in the second quarter of 2021. These new pages will give investment companies the opportunity to explain their approaches, from how they engage with investee companies, to their integration of ESG principles in investment selection.

ESG

SEBI bats for more ESG disclosures

SEBI (Securities and Exchange Board of India) director Mr Ajay Tyagi on 15th January told business leaders that the regulator's proposal will bring greater transparency through disclosure of material ESG information. This is to push companies to act proactively on their sustainability initiatives. Under the proposed Business Responsibility and Sustainability Reporting (BRSR) top 1000 listed companies need to disclose their ESG initiatives.

HSBC shareholders urge bank to cut fossil fuel lending

Major HSBC shareholders are calling on Europe's biggest bank to toughen its commitment to cut lending linked to fossil fuels and to turn its climate "ambitions" into targets. Investors collectively managing some $2.4 trillion in assets have filed the resolution to be voted on at HSBC's annual general meeting, after HSBC in October stated its ambition to get to net zero carbon emissions by 2050.

Banque de France to exit coal, cap oil and gas investments

The French central bank would exit from coal and limit exposure to gas and oil in its investment portfolio by 2024 as part of a shift towards more environmentally friendly assets. The bank of France manages 22 billion euros of its own portfolio investment. It would no longer invest in companies which generate more than 2% of their revenues from coal and reduce to threshold to zero by end of 2024. It would also exclude by 2024 companies with more than 10% of revenue coming from oil or 50% from gas as part of a shift towards more environmentally friendly assets.

PepsiCo aims for net zero GHG emissions across its supply chain by 2040

PepsiCo pledged to reduce greenhouse gas (GHG) emissions across its value chain by more than 40% before 2030 and to reach net-zero by 2040, a decade earlier than called for in the Paris Agreement. This change is expected to avoid more than 26 million metric tons of GHG emissions. To achieve its goals, PepsiCo wants to focus on sustainable agriculture using low emission fertilisers, precision technology and regenerative practices to improve soil health, biodiversity and productivity; alongside maximizing efficiency in its supply chain and adopting low or zero emission fuel transport.

ESG

Blackrock buys stake in ESG data fintech 'Clarity AI'

Blackrock, the world's largest asset manager, has strengthened its sustainable investment analytics on its influential risk and operations platform with the acquisition of a minority stake in a data fintech 'Clarity AI', which was founded by Rebeca Minguela in 2017, also announced that it had secured $15 million funding in December 2020, to develop its platform, uses bigdata and machine learning to create sustainability and impact insights.

Moody's launches ESG scores for sovereigns, measuring ESG impact on credit quality

Moody's newly launched scores for Sovereigns Measuring ESG Impact on Credit highlights in a clear and consistent way the relative vulnerability of sovereigns to climate change, water risk or carbon transition, demographics or income inequality, among other environmental and social considerations. They also highlight the credit impact of governance strength and generally the varied capacity of sovereigns to respond to ESG risks.

S&P DJI Launches ESG Aligned Index Series with Targeted Risk Allocations

S&P Dow Jones Indices ("S&P DJI"), the world's leading index provider, launched the S&P ESG Equity Target Risk Index Series, which measures the performance of stock-bond allocations as it incorporates ESG values.
The series, comprised of three indices, tracks and reflects varied risk-return characteristics. Each index measures the performance of specific allocations to ESG equities and fixed income across a risk spectrum from moderate to growth to aggressive.

ESG

Korea Financial Regulator Calls for Mandatory ESG Reporting for KOSPI-listed Firms

In order to promote responsible investing and improve information for investors, the regulator has called on the Korea Exchange to provide guidance on ESG disclosure by listed companies until 2025. From 2025 until 2030, mandatory filing will begin for firms over a certain size threshold. Mandatory filing of ESG disclosure reports will begin for all KOSPI-listed companies in 2030. The new rules were introduced as part of a series of new disclosure requirements aimed at improving transparency for investors.

ISS ESG has pioneered an innovative, dedicated EU taxonomy alignment solution

Institutional Shareholder Services' (ISS) responsible investment arm, ISS ESG, announced the launch of a new EU Taxonomy Alignment Solution which provides full transparency with granular data and allows users to follow the step-by-step assessment, to customize the model according to their needs. According to ISS ESG, the EU Taxonomy Alignment Solution utilizes over 400 taxonomy-specific screening factors, assessing Taxonomy relevant activities through a rigorous five-step screening process consisting of identifying relevant economic activities, quantifying respective revenues, checking for substantial contribution, checking for significant harm and checking for social safeguards. The solution enables asset managers, pension funds, insurers, banks and other investors to identify the level of alignment of their investments and financial products with defined taxonomy activities and quantify respective revenues in order to comply with upcoming disclosure obligations.

ESG

Apex Launches Toolset for Asset Managers to Comply with Upcoming EU SFDR Requirements

Financial services provider Apex Group announced the launch of Invest Check, a new offering aimed at helping financial market participants collect the necessary data to report on and comply with the upcoming EU Sustainable Finance Disclosure Regulation (EU SFDR) which is a part of the EU's Action Plan on financing sustainable growth. The regulation will go into effect on March 10, 2021.

The new regulations will require financial market participants and asset owners to provide disclosures including the manner in which sustainability risks are integrated into their investment decisions and assessments of the likely impacts of sustainability risks on the returns of financial products. According to Apex, Invest Check will help to evaluate an asset manager's sustainability strategy at both manager and product level, tracking performance and identifying key gaps against an ESG data set based on regulatory standards.

Bloomberg and Rockefeller Asset Management Launch ESG Improvers Index

Rockefeller Asset Management has partnered with Business and financial markets information service provider - Bloomberg, to launch a multi-factor ESG improvers index. The new index, available through the Bloomberg terminal, will rank each company's improvement in performance on material ESG issues compared to industry peers. This multi-factor index combines the Rockefeller ESG Improvers Score, an uncorrelated and proprietary alpha enhancing factor, with quality and low volatility factors to outperform over traditional market-cap weighted indices with low tracking error and minimal sector or other factor deviations.

ESG

ESG Investment Gains Traction Due to Rise in FPI Inflows

The Foreign Portfolio Investors (FPI) are increasingly being mandated by their investors to incorporate ESG into their investment decision-making criteria. Foreign companies are increasingly being restricted to buy or source products from companies that do not comply with the norms, standards and parameters under the entire gamut of ESG-compliance. Hence, FPI investors, especially those from Europe and Canada are demanding Indian companies accelerate their pace of adoption of ESG norms into their businesses.
Going forward, India eyeing the spot of global outsourcing hub, the Indian companies that are supplying globally will need to change their practices and incorporate ESG in their business processes at war footing.

ELFA & PRI launched ESG factsheet to help with ESG disclosures broken down by sectors

European Leveraged Finance Association and Principle of Responsible Investment have published sector-specific guidance on ESG disclosure for sub-investment grade corporate borrowers. The fact sheets cover telecoms firms, the paper and packaging industry, and debt collectors. For the telecoms industry, the ESG fact sheet focuses on private and data security, online child protection, and governmental fines due to customer data. In the paper and packaging sector, the fact sheet covers issues such as environmental disclosure, especially around forest management, energy and water consumption, and waste. For debt collectors, the ESG criteria covered includes fair customer treatment and regulation, customer complaints and policies, and adherence with regulatory requirements and protections in place for vulnerable customers.
Going forward, they are looking to create sector specific ESG fact sheets for the chemicals, industrials, retail, technology and software and towers and infrastructure sectors.

SUSTAINABLE FINANCE

EIB Issues €1.5 Billion Sustainability Awareness Bond, Adding Biodiversity Protection to Scope

The European Investment Bank (EIB) issued a €1.5 billion Sustainability Awareness Bond (SAB), in conjunction with the One Planet Summit for Biodiversity in Paris. According to the EIB, demand for the bond was very strong, exceeding €22 billion, and the deal was upsized from its initial €1 billion target size, and priced at mid-swaps less 7bp, 2bp tighter than initial guidance. Proceeds from the EIB's SABs are allocated to supporting long-terms investment in environmental and social projects, in alignment with EU Taxonomy Regulation.

Tesco issues €750 million sustainability-linked bond

Tesco issued €750 million sustainability linked bond with a 0.375% coupon and 8.5 year maturity which is aligned to the Company's commitment of reducing greenhouse gas (GHG) emissions. Tesco has published clear milestones for carbon emission reductions within its operations: 60% by 2025, 85% by 2030 and 100% by 2050.

Tesco is transparent in its approach to reporting sustainability progress. In November 2020, Tesco announced the creation of three new solar farms in partnership with Low Carbon and have introduced a new fleet of electric delivery vehicles in London as part of its plan to go fully electric by 2030.

Southern Company Launches Sustainable Financing Framework, Issues $400 Million Green Bond

Energy provider Southern Company, published sustainable financing framework, enabling it to issue sustainable financing instruments and allocate the net proceeds to investments in eligible green and social project categories including renewable energy, climate change adaptation, energy efficiency, clean transportation, green buildings, and green innovation, procurement of products and services from diverse suppliers, education assistance for minority populations, as well as economic advancement and development opportunities for underserved employees, communities and students. According to the company, the framework is the first of its kind to be published by a large cap utility holding company in the United States. The company's subsidiary Southern Power Company has issued a $400 million green bond under the new framework.

Eni Transforms More than €4 Billion Financial Instruments to SDG-tied Sustainability Linked Agreements

Integrated Energy company Eni has signed agreements with several banks to amend €4.35 billion of existing financial instruments to be linked with the company's achievement of United Nations Sustainable Development Goals (SDGs). This represents a strong and concrete commitment, through which they want to convey to the market and their stakeholders the absolute rigor and irreversibility of sustainable evolution towards decarbonization. The amendments relate to Eni's existing financial agreements, which consist of Euro 1.5 billion of loans, Euro 2.4 billion of committed credit lines and Euro 450 million of derivatives to hedge interest rate risk.

UK Commits £3 Billion to Protecting and Restoring Nature and Biodiversity

UK Prime Minister Boris Johnson announced, commitment of at least £3 billion over 5 years to climate change solutions focused on protecting and restoring nature and biodiversity, to be allocated from the UK's existing commitment of £11.6 billion for international climate finance. The funding aims to deliver transformational change in protecting biodiversity-rich land and ocean, shifting to sustainable food production and supply, and supporting the livelihoods of the world's poorest.

SUSTAINABLE FINANCE

BIS Launches Green Bond Fund for Central Banks, ECB to Invest

The Bank for International Settlements (BIS) declared the launch of EUR BISIP G2, its second fund for green bond investments by central banks and official institutions, and the first to be Euro denominated. The European Central bank (ECB) also announced a decision to use its own funds portfolio to invest in EUR BISIP G2. The BIS is owned by 63 central banks. The BIS launched its first green bond fund in 2019, denominated in US dollars. According to the BIS, the two funds will manage some $2 billion in green bonds for central banks with the expectation that the funds will continue to grow considerably.

NRG Energy Issues First Sustainability Linked Bond in North America

US energy company NRG Energy announced the completion of the first Sustainability-Linked Bond (SLB) issuance in North America, also marking the first SLB issued by any energy company outside of Europe. The offering raised $900 million through the sale of senior secured first lien notes. Proceeds from the issue will go towards financing NRG's $3.6 billion acquisition of Direct Energy, announced in July 2020, and to supporting efforts to pursue growth, achieve its climate transition strategy, and bring increasing value to its stakeholders, according to the company. NRG's SLB is linked to the company's previously announced goals to achieve a 50% reduction of absolute greenhouse gas (GHG) emissions by 2025 from a 2014 baseline, and to reach net-zero GHG emissions by 2050.

SUSTAINABLE FINANCE

Conservation Fund's Green Bonds Pay Off: Eight Forests And 220,000 Acres

The Conservation Fund closed on $150 million in green bonds dedicated to forest conservation in the United States. It used $131 million in proceeds to acquire eight forests worth more than $245 million and covering a total of 223,760 acres in Virginia, Maine, Pennsylvania, Minnesota, and Florida. These forests would have otherwise been threatened by development and fragmentation.

Sustainalytics accredits BDO's Sustainable Finance Framework

A leading independent Environmental, Social and Governance (ESG) research and ratings provider Sustainalytics accredited Sustainable Finance Framework for BDO Unibank, Inc.
BDO's SFF is in line with the United Nations Social Development Goals (UN SGDs), and focuses on five (5) key strategies, namely: Product Sustainability, Sustainability Contribution, Human Capital Sustainability, Disaster Response Sustainability, and Governance-based Sustainability. This strengthens the Bank's support for targeted and responsible projects that facilitate climate resilience and promote inclusive economic growth.

Qatar Investment Authority commits to invest $125 million in Fluence to drive energy storage

Qatar Investment Authority commits to invest $ 125 million in Fluence through a private placement transaction. Fluence is joint venture between AES and Siemens, the company currently has more than 2.4 Gigawatts of projects in operation or awarded across 24 countries and territories. Fluence intends to use the net proceeds from the private placement to further accelerate development of its product offerings, particularly digital products, and deployment of existing products in more markets globally.

SUSTAINABLE FINANCE

EIB and ADB Form Partnership on Sustainable Ocean, Blue Economy Initiatives

The Asian Development Bank (ADB) and the European Investment Bank (EIB) signed an agreement for a new partnership to support clean and sustainable ocean initiatives in the Asia-Pacific region and ultimately to contribute to achieving the Sustainable Development Goals and the climate goals of the Paris Agreement.

Oceans are under threats as they face an increasing pollution from plastics and micro plastics. In addition, the discharge of untreated wastewater and other micropollutants, oil spills, overfishing, acidification, and warming are all having an increasing impact on the health of the oceans, threatening the livelihoods and well-being of the people dependent on them.

To tackle these issues and protect the oceans, the Clean and Sustainable Ocean Partnership will allow ADB and EIB to support projects that:

- Reduce marine plastic pollution through integrated solid waste management projects, including recycling,
- Follow circular economy principles, such as designing out plastic waste,
- Promote clean rivers and waterways, including through improved wastewater management and inclusive sanitation.

The partnership will also target blue economy activities with a focus on:

- Sustainable fisheries management and sustainable seafood supply chains,
- Sustainable management, protection, and restoration of marine and coastal ecosystems and resources, Integrated coastal protection activities,
- Disaster risk preparedness,
- Green shipping, green ports and maritime infrastructure, with a focus on increasing safety and environmental performance.

In addition, ADB and EIB will develop joint technical assistance programs and advisory support to help partners get sustainable blue economy and clean oceans projects off the ground.

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auctusESG

auctusESG is an expert advisory and enabling firm, which stands at the intersection of finance, investments, and sustainability. With a quest to accelerate global sustainable finance and climate transition, the firm provides holistic financial solutions to climate change, by facilitating businesses to allocate capital more sustainably and encouraging investors to reward companies that take climate change seriously.

With practitioners' knowledge and experience in sustainable finance, ESG and climate risk assessment, responsible banking, green financial product innovation, ESG capital raising, investments, and disclosures, the firm engages with asset owners, assets managers, banking associations, governments, multilateral and bilateral agencies, and academia globally, to create long-term economic growth.

Its founder, board members, and expert associates are accomplished senior industry leaders with a deep understanding of banking, investments, sustainability and have been contributing effectively to the financial world and global economy.

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