

SECTORAL

UPDATES

auctusESG

MAY 2021





ESG

ESG-Linked Loans Grow in Canada as Regulator Takes on Climate

Bloomberg Quint, 25th May 2021

Anticipating potential regulatory changes from Office of the Superintendent of Financial Institutions, its market regulator, Canadian investors and issuers are turning to sustainability-linked loans. These loans, which are price-adjusted against ESG compliance have the potential to reach US \$16.6 billion in 2021.

Canada's federal government has reinforced its emissions reduction goal and currently aims for a 40-45% reduction by 2030. National targets, financial and banking regulatory changes are increasing traction for sustainability-linked loans in the country. Jonathan Hackett, head of sustainable financial group at Bank of Montreal, highlighted the long-term risk reduction benefit on lending and consequently, the limited exposure to transition risk resulting from undertaking sustainability-linked products. Moreover, climate risk integration in banking regulation is demonstrative of future-proofing that Canada is working towards.

<https://www.bloombergquint.com/onweb/esg-linked-loans-grow-in-canada-as-regulator-takes-on-climate>

France votes in gender quotas for executives

ESG Clarity, 18th May 2021

Following the success of the Copé-Zimmermann law, which mandated 40% of company board seats to be filled by women by 2020, the French parliament unanimously voted to set targets for 30% of executive leadership to comprise of women by 2027, and 40% of the same by 2030.

Additionally, companies will now also to publish data gender gaps in their business. The 'Rixain-Castaner' bill, yet to be passed through the senate, aims higher with gender diversity goals including requirements for an equality index and financing to promote women's entrepreneurship.

Such developments are demonstrative of the fact that governments are taking ESG concerns seriously and integrating crucial concerns in policy and regulation, which are bound to mitigate against potential ESG risks in the future.

<https://esgclarity.com/france-votes-in-gender-quotas-for-executives/>

Global ESG Real Estate Goals - Are we aligned on our KPIs? (Study)

GRI Hub, 5th May 2021

The GRI Global ESG & Impact Investment Committee gathered real-estate investors, asset owners, lenders and developers last month to explore the KPI real estate leaders use to achieve implemented ESG strategies. It was found that real estate leaders have set ambitious targets when it comes to ESG, even more so than the Paris Agreement and the EU Taxonomy.

This being said, there is still a lack of mainstream industry approach in establishing KPIs, with some leaders employing a top-down approach, while others aim to customise KPIs based on individual assets in their portfolio.

Other industry challenges include embodied emissions, the potential rise of obsolete assets due to investor shift to greenfield products, and redevelopments of brownfield assets are also being financed, but policy is yet to determine capital relief for green assets or additional charges for brownfields.

https://www.griclub.org/news/real-estate/global-esg-real-estate-goals-are-we-aligned-on-our-kpis_1483.html

CFA Institute Publishes Initial Version of New ESG Disclosure Standards for Investment Products

ESG Today, 20th May 2021

Global investment professionals association, CFA Institute launches an initial draft of its new ESG Disclosure Standards for Investment Products. This Standard is aimed at providing transparency and bolstering comparability across investment products with ESG-related features.

This move follows the recent influx of global capital flows towards sustainability and ESG-related financial products. CFA notes that this Standard is geared towards being applied by investment managers with products that have “ESG-related features”, which include any aspect of the product’s strategy that may use ESG information or addresses ESG issues. The draft contains disclosure requirements and recommendations for the product’s strategy, including its objectives, benchmarks, sources and types of ESG information, and ESG exclusions ESG information in Financial Analysis and Valuation, portfolio-level ESG criteria and characteristics, the process to achieve impact objectives, and stewardship.

<https://www.esgtoday.com/cfa-institute-publishes-initial-version-of-new-esg-disclosure-standards-for-investment-products/>





Bitcoiners Waving Eco-Friendly Bona Fides Bet on Premium

Bloomberg Green, 25th May 2021

The global financial landscape and investor push for sustainability and ESG-linked products is giving birth to new so-called climate-friendly investment products, with large institutions such as Goldman Sachs considering developing green equity for clients.

Most notably, following the recent criticism levied on Bitcoin for massive energy usage, crypto companies are now brandishing their climate-friendly credentials, with a potential new market of 'green Bitcoin' i.e., coins whose transactions can be verified on blockchain by computers using only renewable energy. Sheldon Bennet, CEO of DMG Blockchain Solutions remarked that a number of banks and financial institutions are considering buying Bitcoin which can help push further for ESG compliance amongst crypto companies.

There is also a push towards only pursuing carbon negative projects in the crypto community given the fear of being tagged as non-compliant.

<https://www.bloomberg.com/news/articles/2021-05-22/bitcoiners-waving-eco-friendly-bona-fides-bet-on-green-premium?sref=Ufko9ynM>



SUSTAINABLE FINANCE

Germany hatches plan to attract green investment capital

Reuters, 4th May 2021

The German government unveiled the so-called Sustainable Finance Strategy plan that lists 26 individual measures aimed to mobilise capital for climate-related projects. The strategy intends to develop a “traffic light” system which will help in easier identification of green investment opportunities, thereby responding to a growing body of investors demanding more companies to comply with the ESG criteria. The federal government also plans to increase guarantees and export credit assistance for green projects, and to reallocate 9 billion euros in equities it holds in pension and welfare funds into green investments. This is a major step towards the European Union’s aim to be carbon neutral by 2050 which, early estimates suggest will require 350 billion euros to be invested annually.

<https://www.reuters.com/business/environment/germany-hatches-plan-attract-green-investment-capital-2021-05-05/>

Sustainable finance scramble reaches currency derivatives market

Reuters, 18th May 2021

ESG-linked derivatives reach foreign exchange markets as banks encourage these structures to boost sustainability claims in companies that do not have a funding or capex need related to ESG. The price of products and how value is assigned to an ESG goal remains between banks and their clients but depends on anything from cutting GHG emissions to improving workforce diversity. Primetals Technologies, an engineering business has successfully developed a framework with Deutsche Bank around its day-to-day currency hedging needs using “quantifiable” ESG targets, which if missed makes the company liable to pay a penalty to charity.

SUSTAINABLE FINANCE

Think tank proposes ‘guard rails’ for sustainable finance integrity

Investments & Pensions, 13th May 2021

A unique framework for Sustainable Finance Integrity suggests setting benchmarks for sustainable finance commitments and leadership to highlight best practices. Rachel Kyte, dean of The Fletcher School and co-chair of the council stresses the need for such framework as “we are seeing tremendous momentum for net zero target setting and sustainability measures in the lead-up to COP26, but what’s missing is integrity and this framework allows us to objectively assess commitments, providing meaningful guardrails for credible target setting, implementation, and transparency.” The stated goal of the framework is “a Paris-aligned, environmentally sustainable, socially just, and employment-rich new net zero equilibrium that creates jobs, promotes well-being, addresses climate change mitigation and adaptation, protects nature and biodiversity, and tackles environmental degradation at large” which will ensure a meaningful progress across the system.

<https://www.ipe.com/news/think-tank-proposes-guard-rails-for-sustainable-finance-integrity/10052768.article>

New addition to the ENCORE tool aligns financial portfolios with biodiversity goals

UNEP-FI News, 26th May 2021

The new ENCORE biodiversity module launched by Natural Capital Finance Alliance enables financial institutions to explore the consequences of their financing and investment activities on species extinction risk and ecological integrity. US\$44 trillion of economic value generation, equivalent of over 50% of the global GDP, is moderately or highly dependent on nature and its services but with 1 million species at risk of extinction and progressive impacts of climate change on ecosystem loss, material risks and opportunities for banks, asset owners and asset managers escalate as they invest in and lend to companies facing increasing physical, market, regulatory and reputational threats associated with biodiversity loss. This innovative sustainable finance module will provide financial institutions with an analysis of the potential impact of their portfolio promoting the adoption of urgent measure to reverse biodiversity loss, revision of their pathways to increase impact, paving the way for transition towards a nature-positive future.

<https://www.unepfi.org/news/themes/ecosystems/cutting-edge-biodiversity-module/>

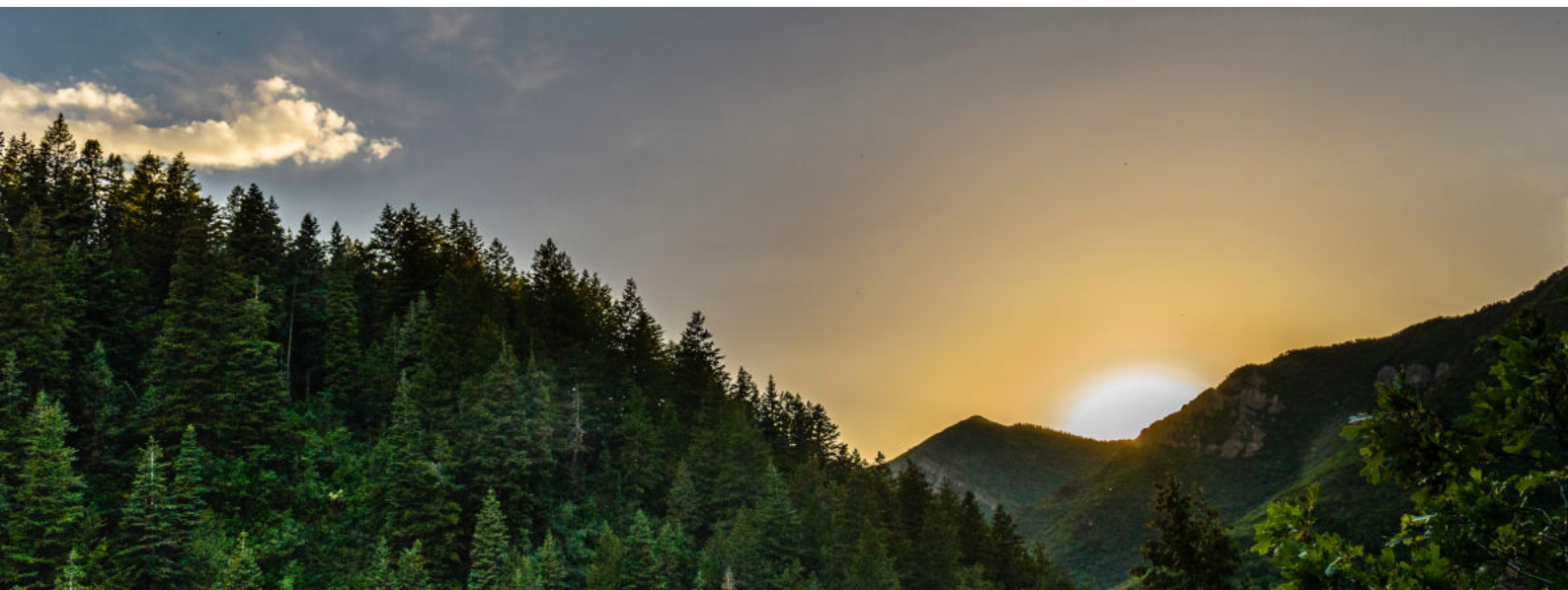
SUSTAINABLE FINANCE

HSBC unveils \$100m WWF/WRI partnership to fund climate start-ups

ESG Clarity, 20th May 2021

The \$100 million partnership will focus on start-ups addressing biodiversity and the growth of renewables in Asia with an aim to reach net zero. In collaboration with leading universities such as University of Birmingham and Imperial College London, research institutes, incubators and accelerators, the Climate Solutions Partnership will also provide support to 150 businesses to scale. The partnership is built on the belief that cutting edge science and innovation and collaboration will help drive the momentum to find the most effective solutions for clean energy, clean transport and overall environmental protection which will ultimately help make these solutions commercially viable. To tap into themes in both emerging and developed markets, HSBC aims to launch a suite of private funds the first of which is planned for the middle of 2021 and will look to raise up to \$1 billion. Such initiatives based on partnerships will help drive the global climate agenda.

<https://esgclarity.com/hsbc-unveils-100m-wwf-wri-partnership-to-fund-climate-start-ups/>



CLIMATE RISKS

Biden Ordering Climate Risk Strategy for Financial Assets

Bloomberg Green, 21st May 2021

President Biden has ordered the Financial Stability Oversight Council to create a climate risk strategy to quantify the risks climate change poses to public and private financial assets. This would include a detailed plans for strengthening disclosures. This strategy is coupled with a government-wide strategy for identifying and disclosing climate risk to government programs, assets and liabilities.

National Economic Council Director, Brian Deese noted that the current financial system is built on the assumption that the climate is stable, and the current global landscape demonstrates that this is not true. Both plans are demonstrative of bringing greater financial stability in the American financial system and improving transparency of climate risks and challenges, with long-term economic growth and sustainability as key goals.

<https://www.bloomberg.com/news/articles/2021-05-20/biden-to-order-climate-risk-strategy-for-financial-assets-today>





CLIMATE RISKS

Arctic has warmed three times faster than Earth since 1971: Report

The Economic Times, 20th May 2021

The Arctic warmed at a significantly higher rate than previously thought about three times faster than the planet as whole between 1971 and 2019, reported the Arctic Monitoring and Assessment Programmer (AMAP). This report showed that the Arctic's average annual temperature rose by 3.1 degrees Celsius, in comparison to the rest of the planet which has warmed by 1 degree Celsius from 1971 to 2019.

Even more alarmingly, the chances of ice disappearing entirely in summers before freezing again in winters is 10 times greater if the Earth's temperature rises by 2 degrees Celsius. This data is yet another clarion call for the world to adapt and mitigate against climate change, since it is now clear that it is undeniably here to stay.

<https://economictimes.indiatimes.com/news/environment/global-warming/arctic-has-warmed-three-times-faster-than-earth-since-1971-report/articleshow/82798621.cms>

Climate disasters 'caused more internal displacement than war' in 2020

The Guardian, 20th May 2021

The Norwegian Refugee Council's Internal Displacement Monitoring Centre reported that at least 55 million people were internally displaced by the end of 2020. Climate-related extreme weather events such as intense storms and flooding triggered three times more displacements than violent conflicts. Unfortunately, these record-breaking numbers are in line with the steady rise of internal displacements over the past 10 years.

CLIMATE RISKS

The rise in frequency and intensity of extreme weather events is already threatening the lives of millions around the world. Displacement is a serious consequence of climate-related extreme weather events but was complicated further in 2020 due to protracted conflicts, political instability and the COVID-19 pandemic.

The loss of homes, livelihood, public and social infrastructure are only some of the consequences of climate risks that people face. Building understanding of climate risks is critical to mitigating against such situations.

<https://www.theguardian.com/global-development/2021/may/20/climate-disasters-caused-more-internal-displacement-than-war-in-2020>

Rising global temperatures 'inexorably closer' to climate tipping point, WMO says

Reuters, 27th May 2021

A UN World Meteorological Organisation (WMO) study says there is now a 40% chance that global temperatures will breach 1.5 degrees Celsius pre-industrial levels in the next 5 years, with these odds rising. WMO Secretary-General Petteri Taalas remarked in a statement that “we are getting measurably and inexorably closer” to crossing the Paris Agreement threshold. These findings are yet another wakeup call to the reality and inevitability of climate change.

The report also predicts that every year from 2021 to 2025 is likely to be 1 degree Celsius warmer, with a 90% chance that at least one of these years will be the warmest year ever. One-off weather events are also increasingly becoming “climate normals.” These changing weather patterns could also give rise to increased precipitation, tropical cyclones, and droughts. Each of these forecasts depict a warming world and pose serious risk to humankind.

<https://www.reuters.com/business/environment/rising-global-temperatures-inexorably-closer-climate-tipping-point-un-2021-05-27/>





auctusESG LLP

A27, Ahuja Towers, Appasaheb Marathe Marg, Prabhadevi, Mumbai,
400025, India

Tel: (+91) 98679 00090

Email: corporate@auctusesg.com

Website: www.auctusesg.com

Connect with us!

Twitter: [@auctusESG](https://twitter.com/auctusESG)

LinkedIn: [linkedin.com/company/auctusESG-llp](https://www.linkedin.com/company/auctusESG-llp)