

SECTORAL

UPDATES

auctusESG

DEC 2021





Norway Wealth Fund Ratchets Up Divestments Based on ESG Risk

Bloomberg, 14th December 2021

Norges Bank Investment Management, Norway's \$1.4 trillion wealth fund has exited from almost 370 stocks since 2012. The fund aims to bolster its sustainable investing strategy by divesting based on ESG risks, which include climate change, ocean sustainability, human rights, anti-corruption, governance system, biodiversity, among others. Based on a pre-screening process, the fund has already blacklisted nine companies that could augment financial risks in the long term. While effort-intensive, such screening processes are set to become mainstream as ESG-based financial losses become more prominent, leaving companies with a choice to either pivot, or risk losing investors.

<https://www.bloomberg.com/news/articles/2021-12-14/norway-s-wealth-fund-cut-300-firms-in-a-decade-on-esg-risk>

Indian companies finally jump on the ESG bandwagon

Mint, 22nd December 2021

In response to growing investor pressures and regulatory actions in support of ESG, Indian companies reorient focus and set net-zero emission goals. Transformative action within organisations and target-setting is to lead the ESG agenda in India. While mainstreaming of the ESG mindset remains more or less a challenge, a positive development which recognises ESG for value creation can be seen among companies. With BRSR in the picture, the future of ESG in India looks promising.

<https://www.livemint.com/companies/news/indian-companies-finally-jump-on-the-esg-bandwagon-11640194380818.html>

FCA Announces Rules Requiring Climate Disclosure for Asset Managers, Listed Companies, Starting 2022

ESG Today, 17th December 2021

Asset managers and listed companies to begin climate disclosures in line with Taskforce on Climate-related Financial Disclosures (TCFD) guidelines from January 1, 2022. The comply-or-explain approach, which was earlier mandated for premium-listed companies will now be applied to standard-listed companies as well.

Asset managers and owners will have to disclose on both entity and product-level. This would entail firms to highlight how they align clients' investments in line with climate-related matters and mention their own efforts in incorporating sustainability across their products and portfolios. With this policy release, FCA emphasises the role of corporate disclosures in strengthening greener investments that would help customers make better financial decisions.

https://www.esgtoday.com/fca-announces-rules-requiring-climate-disclosure-for-asset-managers-listed-companies-starting-2022/?utm_source=rss&utm_medium=rss&utm_campaign=fca-announces-rules-requiring-climate-disclosure-for-asset-managers-listed-companies-starting-2022



Nest dumps ExxonMobil over climate change risks

Financial Times, 20th December 2021

A UK-government backed pension fund scheme divests from several oil and gas companies on grounds of climate inaction. Nest pension funds, with over 10 million members and over £20 billion AUM expressed a hard stance towards companies not preparing for a low-carbon economy. Several other pension funds, such as ABP of the Netherlands, New York State Common Retirement Fund resort to a similar plan of action, in an attempt to ensure risk-adjusted returns in the long term for their members.

As divestment strategy gains ground to push companies to take climate action, experts believe that deeper efforts that influence company behaviour would help bring a paradigm shift to ensure true decarbonisation.

<https://www.ft.com/content/b2205f72-fd11-4ac7-8f89-c34a4b00177a>



Leading Japan Financials Launch Initiative to Advance Impact Financing and Investment Efforts

ESG Today, 30th November 2021

Japan's top 21 financial institutions, including Dai-ichi Life Group, MUFG Bank, and Sumitomo Mitsui, signed the "Japan Impact-driven Financing Initiative" in an effort to evolve impact investing in the Japanese financial sector. The 21 signatories commit to develop impact investing in the Japanese financial sector by practicing impact investment in each of their financial institutions, integrating impact measurement and management into investment decisions, developing action plans, collaborating at the working level with signatories, and continuing to promote impact investing until it develops sustainably and autonomously.

The aim is to establish impact-driven finance by measuring and managing the changes in social and environmental issues resulted by investments and financial products. This initiative marks an important step in building on nascent impact-driven finance in Japan.

<https://www.esgtoday.com/leading-japan-financials-launch-initiative-to-advance-impact-financing-and-investment-efforts/>

The Kingdom of Denmark to issue a green bond in 2022

Press Release (Danmarks Nationalbank), 8th December 2021

The Kingdom of Denmark plans to issue its first sovereign green bond in January 2022, with a coupon rate of 0.00% and maturity in November 2031. The Kingdom of Denmark's Green Bond Framework is the basis for the issuance of the bond and examines the alignment of green expenditures with the EU Taxonomy as well. The bond will be issued as a 'twin bond,' with characteristics mirroring that of the central government's conventional bonds, to support liquidity.

The Danish government intends to allocate proceeds to eligible central government activities involving production of renewable energy and green transition of the transport sector, while providing transparent reporting of the expected environmental impact. With growing demand for green bonds and green financing, the Nordic nation is committed to developing the green capital market to meet its climate targets.

<https://www.nationalbanken.dk/en/pressroom/Pages/2021/12/DNN202122236.aspxEU>



Taxonomy on Sustainable Finance Becomes Law

Institute for European Environmental Policy, 9th December 2021

In a landmark moment for EU's climate targets, the European Council approved the EU Taxonomy Delegated Act (DA) on 9th December 2021. The passage means that Technical Screening Criteria for economic activities contributing to EU's climate change adaptation and mitigation targets have been adopted into EU law.

The criteria cover over 100 adaptation activities and around 80 mitigation activities, providing stronger clarity on environmental performances required to meet Europe's 2030 climate targets. It is also a crucial step in guiding private finance towards sustainability and climate-oriented investments. Starting from 1st January 2022 onwards, companies and investors will be required to disclose their alignment with the criteria of the DA. With an annual investment of approximately EUR 350 billion needed to meet its 2030 climate targets, the EU shows commitment to marking its place as a global climate leader with the DA.

<https://ieep.eu/news/green-economy/eu-taxonomy-on-sustainable-finance-becomes-law>

Bloomberg Launches U.S. Municipal Bond Impact Index to Track Green, Social, and Sustainability Bonds

Bloomberg, 15th December 2021

Bloomberg launched its U.S. Municipal Impact Index on 13th December 2021 to monitor the growing market of municipal impact bonds categorized as Green, Social, and Sustainability. Currently tracking more than 2,800 securities, the index makes use of data, municipal data analysts' research, green bond market governance to identify green securities and evaluate alignment with Green Bond Principles of the International Capital Markets Association (ICMA).

A bond is eligible to be included in the index on account of either its labelling as Green, Social or Sustainability, review by an independent assurance provider, or use of proceeds for projects that falls in line with ICMA Principles. Additionally, they need to have principal and interest denominated in USD and minimum one year till final maturity. The index aims to serve as an effective measure to provide standard reference for ESG-adherent securities in municipal impact bonds market. This is a welcome step in corroborating the growing investor demand for municipal impact bonds with the need for financing green projects.

<https://www.bloomberg.com/company/press/bloomberg-launches-u-s-municipal-bond-impact-index-to-track-green-social-and-sustainability-bonds/>



Goldman Sachs Sets Targets to Reduce Financed Emissions in Key Carbon Intensive Sectors

ESG Today, 17th December 2021

Leading Wall Street firm Goldman Sachs revealed its plans to decarbonize the economy by focusing on initial targets set to reduce financed emissions of Oil & Gas, Power and Auto Manufacturing sectors. These sectors were chosen due to their large stake in global emissions, the bank's own business, and the availability of data for client engagement.

The targets intend to reduce Goldman Sachs' portfolio emissions intensity by 17-22% for O&G, 48%-65% for power, and 49%-54% for auto manufacturing as opposed to their respective 2019 baseline emissions. Each of these proposed target ranges are in alignment with the Paris Agreement goal to limit global warming to 2 degrees Celsius. These targets are an opportunity for the firm to accelerate transition by incorporating its corporate lending commitments, debt and equity capital markets financing and on-balance sheet debt and equity investments.

<https://www.esgtoday.com/goldman-sachs-sets-financed-emission-reduction-targets-for-carbon-intensive-sectors/>





KfW Gives Outlook on Funding Plans in 2022 and Expands its Green Bond Framework

Press Release (KfW), 17th December 2021

German development bank KfW forecasts a funding volume of EUR 80-85 billion in 2022, including green bond issuances of no less than EUR 10 billion. 2021 saw KfW raising an equivalent of more than EUR 16 billion through green transactions in 15 different currencies, making it the world's second-largest green bond issuer after France.

KfW also updated its Green Bond Framework to align with ICMA Green Bond Principles and a Second Party Opinion by Cicero. It also included loan programs for renewable energy, sustainable mobility, and federal funding for efficient construction. The bank is also working on group-wide impact management under its flagship tranSForm project to make all its finance operations transparent to stakeholders. KfW's agenda for 2022 bodes well for the green bond market in general.

https://www.kfw.de/About-KfW/Newsroom/Latest-News/Pressemitteilungen-Details_686592.html

Global Issuance of Sustainable Bonds Hits Record in 2021

Reuters, 23rd December 2021

Sustainable finance bonds hit a record high of \$859 billion in 2021, a promising increase from \$534.3 billion of 2020. Issuances included green, social bonds, and sustainability bonds – where green bonds fared at the top with an issuance of \$481.8 billion, followed by social bonds at \$191.8 billion, and sustainability bonds filling the gap by \$177.2 billion.

Europe issued the most sustainable bonds in 2021, worth \$475.9 billion in proceeds, followed by United States at \$ 182.1 billion, and Asia-Pacific at \$149.2 billion. The increasing rate of sustainable bonds issuance is proof of a growing conscious trend amongst investors, companies, and financial players, and a definitive step in realizing 2030 climate targets.

<https://www.reuters.com/markets/commodities/global-markets-esg-2021-12-23/>

Spanish Treasury Plans to Reopen Green Bond Issue Next Year

BloombergQuint, 28th December 2021

After an inaugural sale of EUR 5 billion in September 2021, Spain intends to open its green bond issue once more in 2022 to fund climate change mitigation projects. The Spanish Treasury Secretary General revealed that the Spanish government is currently examining environmental projects to decide the amount it will auction. He also remarked that there is a need to keep the demand for public and private green issuances high by accelerating high-quality projects. As temperature rises by an alerting 1.3 degree Celsius in Spain, green financing is paramount to the nation's ambitious 2030 targets which include a 100% renewable electricity system and 23% reduction in GHG emissions as compared to 1990.

<https://www.bloombergquint.com/onweb/spanish-treasury-plans-to-reopen-green-bond-issue-next-year>

2021 Brought a Wave of Extreme Weather Disasters. Scientists Say Worse Lies Ahead.

Washington Post, 17th December 2021

In a meeting of the American Geophysical Union, scientists presented studies of 'attribution science' or the relation between individual extreme events and human-caused emissions, resulting in ominous conclusions about the planet's future. A researcher explained that more than one-third of deaths caused by heatwaves can be linked to climate change, while another remarked that weather events will become more powerful as more energy is emitted in the atmosphere. With the window on SDG targets for 2030 closing quickly, it is imperative to consider future implications of business-as-usual activities on societal functioning.

<https://www.washingtonpost.com/climate-environment/2021/12/17/climate-change-extreme-weather-future/>

Scientists Watch Giant 'Doomsday' Glacier in Antarctica with Concern

The Guardian, 18th December 2021

A floating section at the front of the Thwaites glacier in Antarctica, roughly the size of Florida, is in danger of collapsing due to warming ocean water. The glacier contains enough water to contribute to rising sea levels globally by more than half a metre, and presently contributes 4% of annual global sea-level rise. To the surprise of glaciologists, the Thwaites glacier is melting at a faster rate than in the 1990s and may break off within five years. Thwaites glacier plays an important role in barricading other glaciers in Antarctica that are melting and retreating as the Southern Ocean warms. A collapse of the Thwaites glacier would lead to a cascading effect that would lead to a collapse of the entire West Antarctic ice sheet, leading to disastrous rise in sea levels.

<https://www.theguardian.com/world/2021/dec/18/scientists-watch-giant-doomsday-glacier-in-antarctica-with-concern>

Yaas and Tauktae in top 5 global climate disasters of '21: Report

Times of India, 27th December 2021

According to a report by Christian Aid, cyclones Tauktae and Yaas are the 4th and 5th most expensive disasters globally in 2021. Cyclones Tauktae which hit Indian west coast, Sri Lanka, Maldives in May 2021, incurred losses of \$1.5 billion, while Cyclone Yaas, which made landfall on Indian east coast and Bangladesh, incurred losses of around \$3 billion. The estimates in the report are based on insured losses, which means that financial costs of the damage caused might be higher. Additionally, 4 of 2021's ten most expensive disasters occurred in Asia, collectively costing \$42 billion in losses.

Leading insurer Aon cautions that 2021 is the sixth time, and the fourth consecutive year, global natural disasters have exceeded the \$100 billion insured loss benchmark. Such huge losses will be a constant in the years to come, especially in climate change vulnerable countries like India, if adaptation finance is not mobilised globally to prevent extreme weather events and adapt to climate change.

[http://timesofindia.indiatimes.com/articleshow/88511277.cms?
utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst](http://timesofindia.indiatimes.com/articleshow/88511277.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

Hurricanes to Expand into More Populated Regions

BBC, 29th December 2021

Researchers warn of physical expansions of the range of tropical cyclones, going beyond their present trajectory of tropical regions and brewing in the mid-latitudes, if global temperatures continue to rise. The mid-latitudes include cities like New York, Beijing, Boston, and Tokyo. The study explains that rising temperatures will result in formation of storms and hurricanes in the mid-latitudes, home to most of the world's population and economic activity. Anthropogenic influence plays a significant role in the widening of formation belt of hurricanes, according to the authors of the study. With the projected rise in global temperatures and sea level rise, the estimated increased frequency of hurricanes has the potential to drastically impact society, causing loss of billions in damage.

<https://www.bbc.com/news/science-environment-59775105>



auctusESG LLP

1008, Kohinoor Square, N. C Kelkar Road, Shivaji Park, Dadar West,

Mumbai, 400028

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)