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USD 4 trillion of Asian debt exposed to ESG risks

Environmental Finance, 4th April 2022

S&P Global notes that US $4 trillion in total debt is vulnerable to environmental, social, and governance (ESG) hazards in the Asia Pacific. Environmental concerns accounting for more than two-thirds of the bulk of these ESG risks. Commodities and electricity companies account for over half of the US $2.8 trillion in debt exposed to E risks, according to report. The report maintains that environmental factors can have a detrimental impact on rated companies' earnings stability, growth potential, profitability, capital structure, and finance access. Climate change is of particular concern because it has a negative impact on a third of all S&P ratings in the APAC area.

Companies in China are the most vulnerable to climate change risks, as well as waste and pollution concerns. Because of their dominance in the commodities, utility, power, and infrastructure sectors, Chinese state-owned firms are more affected by environmental concerns than private enterprises. Social and governance issues are substantially less of a concern, affecting only 20% and 22% of APAC enterprises, respectively. Climate risks addressal mechanisms are increasingly becoming pertinent, as climate impacts affect the most climate vulnerable countries.

https://www.environmental-finance.com/content/news/$4trn-of-asian-debt-exposed-to-esg-risks.html

Amundi Transitions Core Equity ETFs to ESG Versions

ESG Today, 7th April 2022

Following the introduction of its ESG Plan 2025, leading European asset manager, Amundi, has transitioned the portfolio of two of its core equities to equivalent ESG stocks. These include Amundi CAC 40 ESG UCITS ETF DR, transitioned from the erstwhile Amundi CAC 40 UCITS ETF DR, and the Amundi Stoxx Europe 600 ESG UCITS ETF DR from the Amundi Stoxx Europe 600 UCITS ETF. In a bid to monitor greenwashing, the transitioned stocks will fall under Article 8 of SFDR.

The former will track CAC 40 ESG index, comprising of 40 leading ESG stocks in the French market. These stocks have been filtered through negative screening from CAC Large 60 index. The ETF boasts of an improved 'green-to-brown' ratio and reduced carbon footprint.

Similarly, the latter ETF tracks STOXX Europe 600 ESG Broad market index, which has selected 80% of developed European countries' best ESG stocks from the STOXX Europe 600 index.

The transition is part of Amundi's ongoing development and strengthening of its ESG investment range, including launch of two new ESG ETFs and the recent change of €12 billion suite of ESG ETFs to track Paris-aligned indices.

https://www.esgtoday.com/amundi-transitions-core-equity-etfs-to-esg-versions/

Moody’s Expands ESG Credit Impact Scores to Cover Retail & Apparel, Construction, Building Materials Companies

ESG Today, 20th April 2022

Leading provider of credit ratings, research, and risk analysis, Moody's has announced the expansion of its ESG profile and credit impact scores to new sectors, including retail and clothing, construction, and building materials.

This development is an exercise in integrating overall material credit factors into Moody’s credit ratings. ESG aspects will be incorporated into the credit analysis of companies and organizations in these sectors, including risk exposure and the degree of credit impact. Two types of ESG scores will be used in Moody's analysis: issuer profile scores (IPS) and credit impact scores (CIS). IPS scores assess an issuer's exposure to ESG factors that may have a meaningful influence on credit risk, whereas CIS assesses the impact of same factors on an issuer's credit rating.

According to Moody’s, most retail and apparel companies face moderately negative ESG considerations due to variables such as carbon transition risk, while many garment companies suffer social risk due to labor and human capital issues in supply chains. Moody’s expansion is a timely effort in mainstreaming ESG as climate risks to sectors multiply.

https://www.esgtoday.com/moodys-expands-esg-credit-impact-scores-to-cover-sectors-including-retail-apparel-construction-building-materials/

Schwab Provides ESG Ratings from MSCI to Investors

ESG Today, 27th April 2022

Charles Schwab, a financial services firm, introduced third-party ESG rating for its clients. The firm is providing its clients with access to MSCI's ESG ratings on individual stocks through its website and the Schwab Equity Ratings Report of the aforementioned stocks.

The new development, according to Schwab, is the latest illustration of the company's commitment to assisting clients in customizing their investment portfolios. Schwab Asset Management, the company's asset management arm, announced the creation of the Schwab Ariel ESG ETF (SAEF) in November of last year, with the goal of providing investors with exposure to an actively managed ESG-screened portfolio of small and mid-cap equities. Schwab also provides an ESG Investing Hub which collates information on ESG strategies, options, and insights.

Given that MSCI ESG Ratings are used to assess a company's resilience with regard to long-term industry material ESG risk, Schwab’s new service is an effort to ameliorate transparency issues in the field.

https://www.esgtoday.com/schwab-rolls-out-third-party-esg-ratings-from-msci-to-clients/

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Moody's Launches New Platform to Deliver Comprehensive and Actionable ESG Data and Insights

Financial Post, 26th April 2022

With the introduction of Moody's ESG360TM, Moody’s aims to bring clarity and confidence to ESG investment decisions. Moody's ESG360TM is a platform that offers portfolio managers with ESG analyst-verified scores and modelled ESG and climate intelligence on private and public companies.

Portfolio managers may use Moody's ESG360TM to identify ESG leaders and laggards across sectors and regions. Moreover, it can be utilized to assess and report on portfolio performance, and examine important risk indicators for both the portfolio and the entity. Through the platform, portfolio managers will have access to comprehensive climate risk data sets of 10,000 companies. Moreover, analyses of 300 million public and private enterprises, through ESG scores, will be enhancing the platform.

In a parallel development, Moody’s also launched a corporate engagement platform Moody’s ESG360™ Connect. The platform allows for easy communication between Moody’s and corporates with regard to sustainability disclosures.

https://financialpost.com/pmn/press-releases-pmn/business-wire-news-releases-pmn/moodys-launches-new-platform-to-deliver-comprehensive-and-actionable-esg-data-and-insights

JPMorgan Ramps Sustainable Finance Activity to $285 Billion in 2021

ESG Today, 19th April 2022

JPMorgan Chase & Co. has showcased progress in mobilizing capital towards sustainable and community development projects in the past year, amounting to $285 billion. In 2021, the company declared its pledge to sustainability by committing to finance $2.5 trillion over the next 10 years. The improved trajectory reflects an increase of 30% as compared to the year before, keeping it ahead of its set target.

A major portion was utilized for funding green projects such as sustainable transportation, renewable energy, and energy efficiency. This was coupled with underwriting green bonds, providing capital raising and advisory services to electric vehicle companies, and lending to emerging renewable energy companies. A significant amount has been invested in education, financial services, healthcare, and telecommunications in developing countries. The funds are also directed toward community development, such as investment in small businesses, housing, and healthcare focusing on the marginalized section.

JPMorgan's ESG report is a step further in the right direction of climate transition of fossil-fuel lender

https://www.esgtoday.com/jpmorgan-ramps-sustainable-finance-activity-to-285-billion-in-2021/

China tops US as world's second-largest climate funds market as sustainable investing gains traction, Morningstar says.

South China Morning Post, 22nd April 2022

According to Morningstar, China surpassed the United States to stand second in the world in climate investments, after Europe. The country's assets in climate funds total US $46.7 billion, recording an increase of 149% from 2020. In comparison, the US achieved a growth of 45% since 2020, totalling US $31 billion. China's development is observed as a result of the ruling party shifting priorities toward economic transformation through climate investments.

Over 60% of the annual inflows in China were invested in clean energy and technology, 35% in the climate solution funds, and the rest in low carbon strategies. China has been witnessing a considerable rise in ESG investing, particularly the Hong Kong market. The motivating factors for the same have been an expectation of higher risk-adjusted returns, and personal inclinations towards positive environmental or social impact. As a result, the growth of the climate funds market in China is a mark of favourable domestic conditions for ESG investing.

https://www.scmp.com/business/markets/article/3175119/earth-day-china-tops-us-worlds-second-largest-climate-funds-market?module=perpetual_scroll_0&pgtype=article&campaign=3175119

CEB issues a new social inclusion bond to bolster its response to Ukraine refugee crisis

CEB, 7th April 2022

Council of Europe Development Bank (CEB) has issued a social inclusion bond worth US $1.7 billion spanning 7 years. The bond has been issued to support the bank's member states in their assistance of Ukrainian refugees and their host communities. It mainly caters to the immediate needs such as transport, food, shelter, and protection of Ukraine refugees. Additionally, the proceeds are also planned to be used for longer term responses such as social housing for the low-income populations, education, health, and social care, and support to MSMEs for job creation and preservation.

The proceeds are expected to be allocated to the bank's lending portfolio for eligible social loans within the next 2 years.

https://coebank.org/en/news-and-publications/news/ceb-issues-new-social-inclusion-bond-bolster-its-response-ukraine-refugee-crisis/#:~:text=PARIS%20%E2%80%93%20The%20Council%20of%20Europe,millions%20of%20refugees%20seeking%20safety

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Poor Nations Face Four Times More Climate Change Risk, S&P Warns

Bloomberg, 27th April 2022

According to S&P Global Ratings, it is estimated that by 2050, poorer countries are in danger of being four times more exposed to climate risk than wealthier ones. In a 'moderate' scenario, projecting an average temperature increase of 1.8°C, 12% of low to lower-middle income nation's economy will be threatened. This is in comparison to 3% of high and upper-middle income countries. Owing to high exposure to storms, floods, and rising sea-levels, South Asia is prominently at risk, 10 times more so than Europe.

S&P found that vulnerable countries exposed to physical climate risks often have less diverse economies and weak institutions. As a result, they would face greater economic losses, incapacitating these nations' ability to adapt to climate change.

The data analysis assesses merely physical risks, and not transition risks, or risks arising from the country's adaptive efforts. This is due to the difficulty in quantifying adaption methods. The report asserts that the international community could aid in erasing the adaptation gap in climate vulnerable countries.

https://www.bloomberg.com/news/articles/2022-04-27/poor-nations-face-four-times-more-climate-change-risk-s-p-warns

‘Misallocated’ Global Capital Raises Climate Risk, UN Report Warns

Financial Post, 5th April 2022

According to the IPCC’s report on mitigating climate change, continuous allocation of global capital into fossil fuels would lead to missing the target on limiting global warming. Citing the low capital flows into clean energy, the IPCC stated that finance is responsible for the missing of the target and is also a driving factor for enabling the energy transition. The IPCC report adds to concern amid the effects from the backlash of pollution caused due to the Russia-Ukraine conflict, as the finances funding coal-related projects are likely to increase with the conflict. The IPCC maintains that high levels of public and private fossil-fuel financing are a major challenge, causing a gap in climate financing by a factor of six globally and eight in developing nations.

Slow climate action by financiers and companies are leading to a ‘systemic underpricing’ of climate risk by the financial sector. IPCC states that alternative funding approaches such as green bonds and ESG products are one possibility to help reduce the underpricing of climate risk in the market. As the window to prevent further climate change narrows rapidly, substantial efforts are imperative to capacitate the world against climate change.

https://financialpost.com/pmn/business-pmn/misallocated-global-capital-raises-climate-risk-un-report-warns

ESG Watch: ‘Writing is on the wall’ for U.S. companies with SEC’s tough new rules on reporting climate risk

Reuters, 26th April 2022

With the release of proposals on risk identification and management, the United States Securities and Exchange Commission (SEC) is mainstreaming climate disclosures for US companies. The SEC’s new standards for climate-related disclosures include the steps taken by companies with regard to scenario analysis and board governance of climate risk. The SEC’s plan highlights that companies falling under certain revenue brackets will need to disclose their Scope 3 (relating to emissions by supply chain and customers), alongside Scope 1 and Scope 2 emissions. As a result, US companies will have to undergo drastic changes to align with SEC’s proposals.

The SEC proposals are timely, as a plethora of tools and initiatives are becoming available for companies to respond to investors’ wants. The proposals are a critical effort to standardise the market and support companies and investors through comparability and consistency.

https://www.reuters.com/business/sustainable-business/esg-watch-writing-is-wall-us-companies-with-secs-tough-new-rules-reporting-2022-04-26/

Vast Forest losses in 2021 imperil global climate target, report says

Reuters, 28th April 2022

Global Forest Watch, a global monitoring project, reported that the world has lost forest masses the size of the state of Wyoming in the US. A large portion of this is due to wildfires in Russia and the continuous deforestation of the Amazon in Brazil. Human causes, such as the clearing of land, and natural causes, such as forest fires, are preventing forests from absorbing carbon dioxide.

According to Global Forest Watch, the forest loss witnessed in 2021 is incongruous with the commitment by over 100 leaders, made at COP26, to halt deforestation by 2030. Brazil accounted for 40% of total loss of rainforests in 2021, releasing carbon dioxide emissions equivalent to India's fossil-fuel use. Cold places like Canada, Russia and Alaska experienced the highest loss of forests since 2001. Extreme levels of forest destruction compound climate risks, becoming a threat to economies globally.

https://www.reuters.com/business/environment/vast-forest-losses-2021-imperil-global-climate-targets-report-says-2022-04-28/

Treasury launches climate transition plan taskforce

FT advisor, 25th April 2022

UK's Treasury has strategized on accelerating the progress on climate transition plans in the country by creating the UK Transition Plan Taskforce. The taskforce has the responsibility of setting standards for the climate transition plans of UK companies. It aims to eliminate the issue of greenwashing by including derivatives of Taskforce of Non-Financial Disclosures (TCFD) for select UK companies. The Treasury has planned to help catalyze progress for UK companies to achieve net-zero carbon goals by introducing measures to develop sustainability-linked instruments, investor stewardship, financial regulation, and corporate strategy. Large UK corporations and financial institutions are expected to submit their transition plans from 2023.

The UK Transition Plan Taskforce follows the mandate of TCFD disclosures for select UK companies from the start of 2022. The TCFD-aligned disclosures, coupled with the UK Transition Plan Taskforce, mark UK's commitment to mitigate the impacts of climate change on businesses and the economy.

https://www.ftadviser.com/regulation/2022/04/25/treasury-launches-climate-transition-plan-taskforce/

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