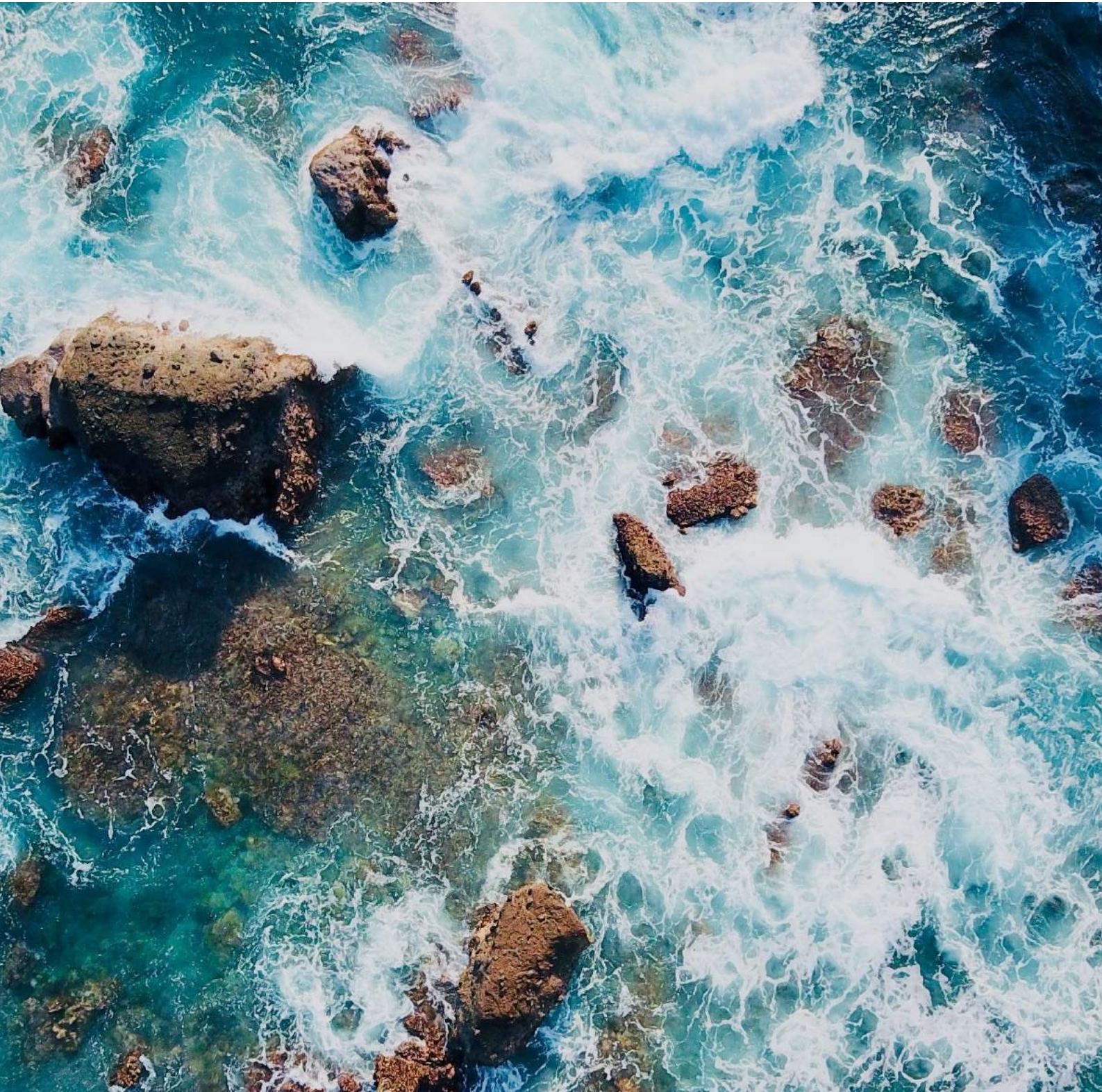


SECTORAL

UPDATES

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UK's Financial Conduct Authority says it's ready to regulate ESG ratings firms to stop greenwashing

Edie, 30th June 2022

The Financial Conduct Authority (FCA) made the statement on “ESG integration in UK capital markets” where it emphasized the rationale for stricter regulation for ESG data and rating providers to ensure they accurately examine the full impacts of businesses.

However, designing and implementing new regulations would take time. The FCA is still in the proposal stages and will need to craft more specific requirements to ensure that data and rankings firms, including third-party organizations, are delivering trustworthy instruments and products. As of right now, it appears that mandates for companies of various sizes may vary. The FCA's move is likely to arrest the greenwashing in the upcoming time.

<https://www.edie.net/uks-financial-conduct-authority-says-its-ready-to-regulate-esg-ratings-firms-to-stop-greenwashing/>

SEC Investigating Goldman Sachs over ESG Funds

ESG Today, 13th June 2022

Continuing its streak of ESG scrutiny, the Securities and Exchange Commission has begun examining the asset-management division of Wall Street major, Goldman Sachs. The regulator has begun the investigation of Goldman Sachs' ESG-themed investment funds - ESG Emerging Markets Equity Fund, Goldman Sachs International Equity ESG Fund and a US Equity ESG separately managed account offering. The AUM under the three entities totals approximately US \$725 million.

SEC's investigation into Goldman Sachs is the most recent in its efforts to combat greenwashing in ESG investment. The regulator's scrutiny follows the enforcement of its new ESG disclosure rules, which necessitate ESG funds to allocate a minimum of 80% of the fund's assets in accordance with an ESG investment policy. Given the rise in investor awareness of ESG, the SEC's efforts are timely and precautionary against inadvertent greenwashing that is likely to stem from a lack of standardization.

<https://www.esgtoday.com/sec-scrutinizing-goldman-sachs-over-esg-funds-reports/>



GRI Unveils Sustainability Reporting Standard for Agriculture, Fishing Sectors

ESG Today, 28th June 2022

The Global Reporting Initiative (GRI), one of the leading groups promoting standardised ESG reporting, has set in motion a new disclosure standard for the agriculture, aquaculture, and fishing sectors. The standard is intended to help businesses that produce crops, animals, and seafood communicate their impacts on important sustainability areas, such as the environment, economic development, and human rights.

The new standard, 'GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022,' consists of new disclosures for the sectors fundamentally on food security, land and resource rights, living wage and income, natural ecosystem conversion, animal welfare, soil health, and pesticides. It essentially supports companies in the sectors in making connections between their impacts and all 17 UN Sustainable Development Goals (SDGs).

<https://www.esgtoday.com/gri-unveils-sustainability-reporting-standard-for-agriculture-fishing-sectors/>



ESG Funds Resist Worst of Downturn But Investors Are Spooked

Bloomberg, 18th June 2022

Europe-focused, US-focused, and global equity funds are treading the negative slope this year. However, ESG equity funds are faring better than their non-ESG peers. Funds aligned with ESG criteria are down by 20.5%, as compared to the 19% drop in non-ESG funds.

ESG metrics in investment decisions have been considered a driver of returns and impact. Yet the market slump this year indicates the possibility of investors prioritizing financial performance over ESG impact. Exacerbated by rising interest rates, investors are likely to bat for short-term investments. According to Bloomberg, in the past five years, global ESG funds have returned with a lesser annual average than broader funds. Notably, the high investor interest in ESG stocks needs to factor in the impact of market gravity. However, increasing market harmony, such as ESG disclosures, is likely to bolster ESG investment decisions in efforts to move past recent fund performances.

<https://www.bloomberg.com/news/articles/2022-06-18/esg-funds-are-losing-less-in-the-market-slump-so-far>

Triodos Bank Netherlands has the first bio-based mortgage

Triodos Bank, 8th June 2022

In a first, Triodos Bank has launched a bio-based mortgage service. With this service, the Dutch lender aims to encourage its customers to build energy-efficient, bio-based houses. Bio-based construction refers to using plant-based building materials that absorb CO2 as they grow. These building materials grow back quickly after harvesting, thereby providing a consistent solution to reducing emissions.

This new mortgage option will entail linking the interest rate to the choice of housing materials in that the interest rate will be based on the MPG (Dutch abbreviation of Environmental Performance of Buildings). An MPG of 0.45 or lower would qualify for the extra low-interest rate. This is when the Dutch building code instructs all new buildings to have an MPG value of 0.8 or lower.

Such innovative solutions challenge the current financing landscape to pivot to greener forms of financing and need to be replicated at scale, with support from ambitious national standards.

<https://www.triodos.com/articles/2022/triodos-bank-netherlands-has-first-bio-based-mortgage>



SUSTAINABLE FINANCE

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EBRD invests in the Lithuanian grid's debut sustainability-linked bond

European Bank for Reconstruction and Development, 6th June 2022

The EBRD backed the €75 million sustainability-linked bond (SLB) by Lithuania's state-owned energy transmission system and exchange group EPSO-G, with an investment of €22.5 million. The SLB is the first such bond issued by a Baltic company and is to be listed on the Nasdaq Baltic exchange, which is a part of the Sustainable Stock Exchanges Initiative. Lithuania remains a net importer of electricity, with heavy dependency on neighbouring countries for energy supplies, The bond proceeds will help Lithuania diversify its energy supplies and integrate its electricity grid with the EU by 2025.

EBRD's role as an anchor investor in this deal is likely to bring in more investors helping Lithuania achieve and deliver on its climate commitments and ensure energy stability in the country.

<https://www.ebrd.com/news/2022/ebrd-invests-in-lithuanias-energy-transmission-operators-sustainability-linked-bond-debut.html>

Singapore Green Bond Framework Introduced for Upcoming Inaugural Singapore Sovereign Green Bond Issuance

Monetary Authority of Singapore, 9th June 2022

Singapore launched its Green Bond Framework for sovereign green bond issuance under the Significant Infrastructure Government Loan Act 2021 (SINGA). The Act will also oversee the bond issuance, which is likely to happen in the coming months. The bond proceeds are to be used to finance the actions underlined in the Singapore Green Plan 2030.

The Framework includes details on the intended use of proceeds, governance structure for eligible project evaluation and selection, the approach to managing the use of proceeds, and commitment to impact reporting. The Framework adheres to market best practices and aligns with the key recommendations of the International Capital Market Association (ICMA) Green Bond Principles 2021 and the ASEAN Capital Markets Forum ASEAN Green Bond Standards 2018.

Given the prominent position that Singapore enjoys in the financial world, efforts like the Green Bond Framework will play a key role to strengthen and scale ESG financing in Asia to build a resilient portfolio in the region.

<https://www.mas.gov.sg/news/media-releases/2022/singapore-green-bond-framework-introduced-for-upcoming-inaugural-singapore-sovereign-green-bond-issuance>



New financing mechanism for climate action becomes operational

UN Environment Programme, 30th June 2022

The Systematic Observations Financing Facility (SOFF), founded by the WMO, UNDP and UNEP, is a new financing mechanism to deliver and improve early warnings to predict and mitigate erratic weather events. The initiative will ensure that early warning services are available to all in the next five years. The initial set of funders includes Denmark, Finland, Ireland, Iceland, Austria, and Norway.

The SOFF will help address the gaps in weather and climate observations, thereby strengthening the capacities of LDCs and SIDs in understanding climate change issues for disaster reduction. A system of data backed by science will inform action not only on the mitigation front but also build the adaptive capacities of the world's most vulnerable communities.

<https://www.unep.org/news-and-stories/press-release/new-financing-mechanism-climate-action-becomes-operational>



G7 accused of ‘backsliding’ on climate goals over energy security fears

Financial Times, 20th June 2022

The G7 have come under widespread criticism for their supposed abandoning of climate goals set by the 2015 Paris Climate Agreement. The G7 has been investing in liquified natural gas (LNG) in a move that climate activists say represents the group’s inability and unwillingness to commit to climate finance pledges that it made in the past. The impetus to invest in LNG has come in the wake of the war in Ukraine as Russia has forced Europe to end its reliance on Russian gas and has sparked fears over potential shortages this coming winter.

The decision of G7 to commit to purchasing gas has split member states, with Italy and Germany standing in support of the decision and the UK and France openly criticizing them. This controversy may lead to potential ESG/SDG failings in the lead-up to COP 27 in November, where all countries will have to detail their commitment to improved climate targets.

<https://www.ft.com/content/cd97c64e-5d11-406b-8b66-24aa1c804a87>



Supreme Court ruling casts cloud over U.S. leadership in global climate fight

Reuters, 30th June 2022

US leadership has come under criticism in relation to climate change following the supreme court's ruling to limit Washington D.C.'s authority to reduce carbon output from power plants. This criticism has come from the United Nations, which identified the difficulty with which the commitments made at the Paris Climate Agreement are being met.

Concern was also shown by the Biden administration, which admitted that the ruling diluted the US's ability to tackle climate change and acknowledged that such a decision could affect the efficacy of US leadership. This thought was echoed by US ambassador Carlos Fuller, who feels that the US government's future attempts to lead will be met with skepticism by countries who are aiming to hit the relevant climate change goals.

The decision also affects internal measures taken by power plants to manage ESG ratings and muddies the waters for those aiming to conduct ethical business with power plants in the US.

<https://www.reuters.com/business/environment/us-emissions-ruling-setback-climate-fight-un-says-2022-06-30/>



Urgent Corporate Action on Deforestation Needed to Meet Climate Goals: Report

ESG Today, 30th June 2022

The UN-backed Race to Zero global campaign has released its findings that indicate that corporate action is needed immediately to address deforestation concerns. The sector currently contributes to 22% of global emissions across companies with land-based value chains.

While there has been a recent increase in pledges from within the agricultural, forest and land sectors 58% of companies deemed critical to tackling deforestation have yet to set a net-zero target. Additionally, while those who have made net-zero commitments have set an excellent example for other companies they are making slow progress in implementing renewable energy practices into their business.

Sectors such as this require in-depth analysis and training to ensure that staff across all levels of seniority understand the format in which greener practices can be implemented.

<https://www.esgtoday.com/urgent-corporate-action-on-deforestation-needed-to-meet-climate-goals-report/>

Temperature records tumble in early, intense heatwave

World Meteorological Organisation, 20th June 2022

Europe is currently undergoing historically high temperatures because of an intense heatwave that has spread upwards from North Africa. Summers have been getting increasingly hotter over the past 20 years, but this most recent heatwave has temperatures up to 10 degrees higher than usual.

Countries across Europe have faced increased fire risks and have had their economy damaged as many members of the population are unable to leave their houses for work due to the intense heat. Furthermore, an influx of the Saharan dust has decreased the air quality across Western Europe with Spain being most affected.

Heat action plans are currently being used to prepare people for such heat although these plans acknowledge the heat waves come as a result of human-induced climate change. Long-term plans could include the adaptation of working sectors to ensure that the region completes ESG ratings and improves the quality of life with the threat of potential future heatwaves.

<https://public.wmo.int/en/media/news/temperature-records-tumble-early-intense-heatwave>

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