SECTORAL UPDATES

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JULY 2022

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Singapore issues ESG funds guidelines to reduce 'greenwashing' risks

Reuters, 28th July 2022

To reduce the risk of greenwashing, the Monetary Authority of Singapore, the central bank and the financial regulator of Singapore unveiled a new set of disclosures and guidelines targeted at retail investors. The measures will come into effect by next January and help investors better understand the ESG-related aspects of the funds they invest in. This will reduce the chances of greenwashing and the misinterpretation of sustainability funds. According to Singapore’s Central bank, the new update will enable investors to keep track of the ESG fund they invest in, and investors will receive annual updates regarding the status of their funds as well.

The Monetary Authority of Singapore also aims to shift its equities investment to low carbon intensive exposure to align the regulator’s operations more closely with the low-carbon transition.

https://www.reuters.com/business/sustainable-business/singapore-cbank-issues-disclosure-reporting-guidelines-esg-funds-2022-07-28/

GRESB Launches SFDR Reporting Solution for Real Estate Managers

ESG Today, 27th July 2022

GRESB, the real estate and infrastructure-based data provider, launched its new SFDR reporting solution. This reporting solution will enable real estate fund managers to report on their product and entity level ESG practices.

This follows the SFDR's rules for financial market participants in providing transparency for sustainability risks integration, adverse impact consideration and sustainability-related information of financial products. In 2023, the next phase of regulation will come into effect which will include disclosures on the sustainability risks in investment decisions, financial product sustainability risks assessments, tracking and measurement of KPIs, principal adverse impacts and EU taxonomy alignment.

https://www.esgtoday.com/gresb-launches-sfdr-reporting-solution-for-real-estate-managers/

Accenture Invests in pulsESG™ to Advance ESG and Sustainability Measurement, Decision Making and Reporting for Companies

Accenture-newsroom, 25th July 2022

Accenture Ventures invests in pulsESG, a public benefit cooperation which helps organizations to measure and report on their ESG performance and address the issues identified. With this investment, pulsESG joined the Accenture ventures' Project Spotlight, which is an engagement and early investment program that fills innovation gaps by connecting emerging technology software start-ups with the Global 2000.

The investment was preceded by Accenture's research study which showed that while 78% finance leaders are interested in understanding the ESG risks associated with their businesses, only 47% of them have defined key metrics and data sources for their ESG reporting. Accenture and pulsESG will together design products that enable clients to take appropriate business decisions and respond to evolving ESG risks.

https://newsroom.accenture.com/news/accenture-invests-in-pulsesg-to-advance-esg-and-sustainability-measurement-decision-making-and-reporting-for-companies.htm

E S G

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Moody’s Expands ESG Credit Impact Scores to Cover Healthcare, Agriculture, Transport & Logistics Companies

ESG Today, 26th July 2022

Moody’s Investors Services, a provider of credit ratings, research, and risk analysis expanded its ESG profile by covering the sectors like Health care, Agriculture, Transport, and logistic companies. ESG factors, such as each entity's risk exposure and the degree of credit impact, are taken into account by Moody's when analysing the credit of the companies. Issuer profile scores (IPS) and credit impact scores (CIS) are the two different forms of ESG scores that are included in the reports. IPS scores assess an issuer's exposure to ESG factors that may have a meaningful influence on credit risk, whereas CIS evaluates how such ESG factors affect an issuer's credit rating.

Moody’s added these new sectors over several months after the launch of scores in January 2021, which was focused on sovereign issuers. The agency presented its overall evaluation for each of the sectors in its reports that introduced the scores.

https://www.esgtoday.com/moodys-expands-esg-credit-impact-scores-to-cover-healthcare-agriculture-transport-logistics-companies/

SUSTAINABLE FINANCE

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Rising green bond issuance erodes premiums

Financial Times, 18th July 2022

As more companies and governments continue to issue green bonds around the world investors are becoming less willing to pay the premium associated with these assets. Investors have been looking for more complex ways to interact with sustainable finance solutions and opt for alternative green investment products such as green, social, sustainable and sustainability-linked (GSSS) bonds. The presence of these bonds across global markets has risen from 2% to 12% since 2018 and has happened in conjunction with the shrinking of Europe's largest green bond market shrinking by around 8 basis points.

The reasons for this turn away from green bonds are attributed to renewed awareness as to the propensity for greenwashing on the part of issuers and the heightened regulatory monitoring of what counts as 'green'. One can expect further diversification of sustainable finance tools and potential market imbalances as green bonds lose the favour of investors.

https://www.ft.com/content/32dbf37c-8ff5-436b-88f3-9873fc864a7b

SUSTAINABLE FINANCE

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EU parliament votes to designate gas and nuclear as sustainable

Financial Times, 6th July 2022

To influence direct investment in energy the EU has deemed gas and nuclear power sources as sustainable. This came following months of heated debate regarding the EU sustainability taxonomy and how deeming gas and nuclear power to be sustainable might influence finance solutions. In the wake of the decision the EU has been split between those in favour and those against; outside pressure groups such as Green Peace have also threatened legal action.

It should be noted amongst controversies that the EU has specified that gas and nuclear power will only be considered as sustainable if they are aiding in the transition away from fossil fuel reliance. Gas projects should only be considered if direct emissions are limited, and they switch to fully renewable power by the end of 2035. How quickly people begin using this avenue of sustainable finance will be determined based on how long the stigma surrounding these recent decisions lasts.

https://www.ft.com/content/0df04289-1014-406e-81c7-1e4a6b1ea5bc-

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OPG Issues $300M "Nuclear Green Bond"

ESG Today, 19th July 2022

One of the first green bond offerings associated with nuclear energy has been mobilised this month by Ontario Power Generation Inc. The issuance amounts to US $300 million with proceeds from the bond going towards the refurbishment of the Darlington Nuclear Generation Station in Ontario.

The place of nuclear power in clean energy transitions has been a controversial topic but has gained traction in the last few months with it being included in the recent sustainable finance EU taxonomy. As the place of nuclear power across sustainable finance plans becomes clearer, one can expect increased investor interest as they try to fund nuclear energy plans through 2022. This nuclear green bond sets a further precedent by refurbishing the Darlington Nuclear Generation Station and therefore including nuclear facility maintenance within the remit of nuclear green bonds.

https://www.esgtoday.com/opg-issues-300m-nuclear-green-bond/

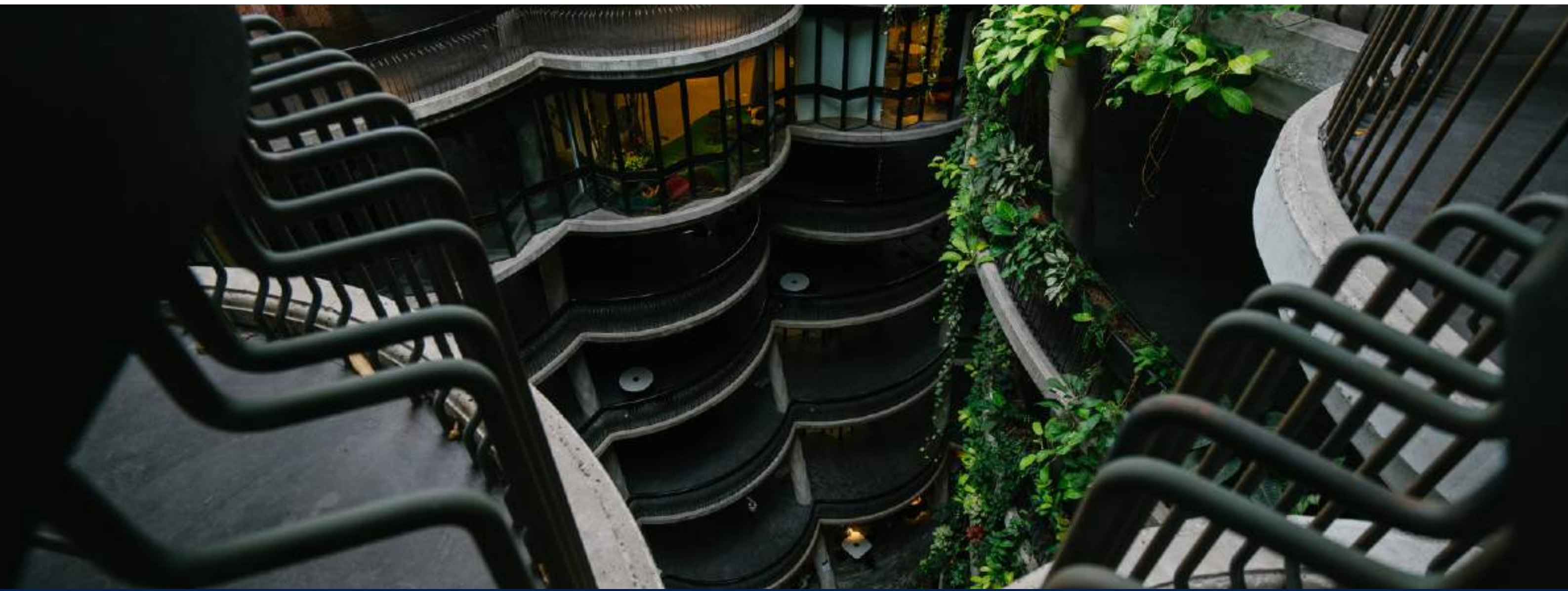
UK Lagging Behind EU on Green Finance

Edie, 4th July 2022

A recent report from think tank 'The New Financial' indicates that while green finance is growing in prominence across Europe the UK has showed much slower progress than its European partners. It was found that sustainable finance accounted for around 6-7% of the country's capital markets activities which leaves it lagging behind the EU. New Financial estimates that it will take the UK four years to reach the penetration position that the EU is currently in.

The report suggests that while the UK has made recent promises at COP26 to achieve the net zero goal there is currently lots of public finance being issued around the country that undermines these goals. This is linked to broader cynicism UK investors have regarding the efficacy of sustainable finance tools. The UK government and private investors will therefore be on the lookout for effective advice on how best to ensure the deliverance of sustainable finance solutions to keep their growth in line with the EU's.

https://www.edie.net/report-uk-lagging-behind-eu-on-green-finance/-



Bank of England, Central Bank of Egypt team up to fight climate crisis

Zawya, 31st July 2022

As part of a British government-funded technical cooperation scheme, a three-day workshop is to be organised between the central banks of England and Egypt. The main aim will be to share good practices, experiences and insights adopted by the Bank of England in analysing, managing and understanding climate impacts on financial stability. The exercise will also draw on the work of the Network for Greening the Financial System, a global coalition of central banks to address climate-related impacts in the financial sector.

Given the difficulties in navigating novel risks to the financing sector, leveraging entity expertise by way of such cooperation schemes would be helpful in addressing the financial impacts of climate change in an effective manner.

https://www.zawya.com/en/business/banking-and-insurance/bank-of-england-central-bank-of-egypt-team-up-to-fight-climate-crisis-o5h1wug6

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ECB to Adjust Corporate Bond Holdings to Reflect Climate Risk

European Central Bank Press release, 4th July 2022

In an effort to step up efforts on addressing climate risk in Europe, the European Central Bank (ECB) will be taking climate change into account for its corporate bond purchases, collateral framework, disclosure requirements and risk management. The step aligns with the bank’s objective to support the green transition in the economy and is designed to maintain price stability. In addition to incorporating climate change into the monetary framework, the central bank has also made provisions to incentivise companies and financial institutions for better disclosures and climate action.

By addressing climate risks in this manner, the ECB has made its stance on climate change explicit thereby encouraging other banks to follow suit.

https://www.bloomberg.com/news/articles/2022-07-04/ecb-to-tilt-corporate-bond-holdings-to-reflect-climate-risk

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Discussion Paper and results of Survey on Climate Risk and Sustainable Finance

RBI Press release, 27th July 2022

The Reserve Bank of India (RBI) released a discussion paper on the need for Indian banks to address climate risks. The discussion paper follows a survey carried out by the RBI in January this year, which reveals that four out of 12 public sector banks and seven out of 16 private sector banks surveyed had yet to consider climate risks as a material threat.

The report also recommends consideration of climate risks in the ICAAPs as well as board oversight on the integration of climate risks for financial decision-making. RBI also recommends banks to leverage tools such as stress tests and climate scenario analysis for identifying vulnerabilities, apart from emphasising the need for training programmes to build internal capacity.

https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR599214E4135AF0F4BB5A7E715BF0760568C.PDF

Financial firms see climate risks as a top priority but lack consensus on how to effectively analyze climate concerns

PR Newswire, 7th July 2022

A Bloomberg survey of over 100 senior executives from financial services firms and corporates globally reveals that 85% of the firms have been focusing on the financial impacts stemming from climate change. However, the abilities to model and monitor these risks vary. Moreover, while companies agree on the need to include climate risk in their larger risk management frameworks for much more than regulatory compliance, consensus on the best way to successfully manage and communicate these risks is lacking. The survey also brought major driving forces for climate risk consideration to the limelight. These include regulator and disclosure requirements, senior management priorities, performance, and reputational risk, among others.

Overall, the findings are suggestive of growing climate risk awareness among firms, which needs to be supplemented with better and more robust solutions going forward.

https://www.prnewswire.com/news-releases/financial-firms-see-climate-risks-as-a-top-priority-but-lack-consensus-on-how-to-effectively-analyze-climate-concerns-according-to-bloomberg-survey-301581811.html

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
LinkedIn: linkedin.com/company/auctusESG-llp