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UPDATES

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Cracking down on a Wall Street trend: ESG makeovers

Forbes India, 19th September 2022

Several investment funds have given themselves a makeover in the last 5 years to align with the growing investor demand for ESG investments. Overall, there are 588 sustainable funds and ETFs in the United States – an increase from 203 in 2017. The SEC’s ESG enforcement task force is now investigating these makeovers to determine the extent of tangible action as opposed to mere greenwashing. Their crackdown on Bank of New York in May of this year demonstrated their resolve to take action against greenwashing. The SEC is seeking greater transparency, in terms of disclosures and investment of 80% of its assets consistent with the ESG strategy, from funds that tout themselves as ESG funds.

These proposals are still underway and can potentially shape the future of ESG investing.

<https://www.forbesindia.com/article/news/cracking-down-on-a-wall-street-trend-esg-makeovers/79905/1>

UAE may soon roll out ESG standards for all businesses to comply with

Gulf News, 15th September, 2022

Currently, the UAE and its various government agencies have set clear targets on their plans towards achieving the net-zero goal. The nation raised its GHG emissions reduction target to 31% by 2030, from 23.5% in its updated NDC. In pursuit of these targets, the Dubai International Finance Centre (DIFC) intends to develop a set of unified benchmarks which can assist businesses contribute to sustainability. This builds on the Net-Zero by 2050 Strategic Initiative launched in October 2021. The announcement regarding ESG disclosures is announced ahead of COP 28, which is to be hosted by UAE and provide further clarity on the pathway towards net-zero.

This step will reduce the chances of greenwashing and accelerate the country's efforts towards net-zero.

<https://gulfnews.com/business/markets/uae-may-soon-roll-out-esg-standards-for-all-businesses-to-comply-with-1.90602750>



ESG activists see executive pay as a tool for raising standards

Financial Times, 20th September 2022

Chief executive pay at the 500 largest US companies by revenue hit a median of US \$14.2mn last year. On the other hand, the emissions by the S&P 500 (Scope 1, 2, 3 combined) are on the rise. Therefore, activists are targeting executives' wallets to push companies to reduce emissions and improve diversity. 70% of S&P 500 companies incorporated environmental, social, and governance (ESG) factors into executive bonus plans this year, up 13% from last year. This is also seen with asset managers such as AllianceBernstein who are pushing companies to explain how progress on ESG pay metrics is measured and to disclose performance against those goals.

This bodes well for the ESG sector as material, measurable ESG metrics will become an integral element of company operations.

<https://www.ft.com/content/36e3143b-6c6f-4991-b310-46c07e7c3e02>





Biodiversity quickly rises up the ESG investing agenda

Financial Times, 20th September 2022

Biodiversity is rapidly becoming a big theme in responsible investing. Schroders, which manages €770 billion in assets, bought a minority stake in data provider Natural Capital Research in 2021. The asset manager also partnered with Conservation International to invest in “natural capital” across south-east Asia. Despite the recent interest in biodiversity, only 11 percent of the 75 largest asset managers enforced biodiversity conservation criteria. This is partially due to the lack of standard methodologies for assessing and reporting biodiversity.

The reporting challenges hindering biodiversity investments are expected to be addressed by Task Force on Nature-Related Financial Disclosures (TNFD). Similar to the Task Force on Climate-Related Financial Disclosures (TCFD), TNFD is developing a reporting framework for identifying and assessing nature-related risks and opportunities. Steady disclosures on biodiversity-related risks are estimated to create market cohesion and streamline the investment landscape, paving the way for more capital to biodiversity.

<https://www.ft.com/content/abbcec95-0154-40cd-83b9-d988bd3271b9>

IBA forms key working group of banks on sustainability

Financial Express, 23rd September 2022

The Indian Banks' Association (IBA) has set up a working group comprising representatives of about 18 banks including state-run banks like the State Bank of India; private banks like Yes Bank; foreign banks such as Bank of America and other banks such as Exim Bank and SIDBI. This working group will play an important role in firming recommendations on sustainable finance. These recommendations can be key tools in the discussions surrounding "Sustainable Living-Lifestyle for Environment (LiFE) Movement" at the upcoming G20 meetings that India is hosting.

This will complement the recommendations published by IFSCA's Committee on Sustainable Finance, which focused on various aspects of sustainable finance including products, policies and regulations, capacity building and outreach initiative related to green and sustainable finance.

<https://www.financialexpress.com/industry/banking-finance/iba-forms-key-working-group-of-banks-on-sustainability/2687854/>



SUSTAINABLE FINANCE

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How innovative finance is helping to protect Indonesia's forests

UN Environment Program, 26th September 2022

Indonesia's Bukit Tigapuluh National Park is one of the world's great ecological hotspots. It's threatened by the unsustainable production of oil palm and rubber outside the park's boundaries. Globally, deforestation, together with agriculture and other land use changes, is responsible for roughly 25% of global greenhouse gas emissions. To increase animal habitat, the Tropical Landscapes Finance Facility has channelled US \$95 million in financing to Indonesian rubber producers and helped them plant dense fields of trees on already marginal land, sparing virgin forests. This has resulted in the creation of a 9700-hectare conservation area beside the national park.

By providing long-term capital with strict sustainability-linked lending criteria, this solution has the potential to accelerate investment in deforestation-free supply chains. The model can also be replicated in other rainforest-heavy nations, fostering sustainable commodities markets.

<https://www.unep.org/news-and-stories/story/how-innovative-finance-helping-protect-indonesias-forests>

Central bank, IFC to boost green finance in Laos

The Star, 27th September 2022

The Bank of Lao PDR (BOL) and the International Finance Corporation (IFC) have partnered to upgrade green finance in Laos. The partnership will start with a market readiness assessment to review the current framework for green finance and identify market opportunities for potential green financing products. Building on this step, the partnership will facilitate the development of a sustainable finance roadmap, a climate risk assessment framework for the financial system, and a harmonized green taxonomy, as well as regulations and guidelines on green finance and bonds, while developing a robust green finance market in line with international standards.

This step by the central bank of Laos demonstrates the uptake of sustainable finance in South-East Asia and also aligns with initiatives such as the one for Green and Innovative Financing for Scaling Up Southeast Asian Infrastructure.

<https://www.thestar.com.my/aseanplus/aseanplus-news/2022/09/27/central-bank-ifc-to-boost-green-finance-in-laos>



Coca-Cola HBC raises \$500 million for sustainable projects in first green bond issue

Circular, 26th September 2022

Coca-Cola HBC Finance B.V. has issued its first green bond driven by “strong investor demand”, raising €500 million in support of its sustainability projects. The net proceeds of the green bond will be allocated toward projects that meet the eligibility criteria outlined in the Group’s Green Finance Framework. The issuance of this bond has reinforced the position of the company as Europe’s most sustainable beverage company.

This initiative follows up on the food industry’s net zero pledges at COP26. This can be replicated by companies in the FMCG sector to accelerate the progress towards the SDGs and NetZero targets.

<https://www.circularonline.co.uk/news/coca-cola-hbc-raises-500-million-for-sustainable-projects-in-first-green-bond-issue/>



Nordea issues first-of-its-kind bond to fund climate-focused sustainability-linked loans

ESG today, 16th September 2022

Northern Europe – based financial services company Nordea announced the issuance of a NOK 4.1 billion (~USD \$400 million) bond, the first of its kind to have proceeds earmarked exclusively to finance sustainability-linked loans. Nordea has developed a framework to cater to “transition assets” that still may not qualify as “green”, but that still may have strong alignment to sustainability goals. According to the framework, funds from the bond offering may be used to finance or refinance sustainability-linked loans contributing to combating climate change, with key performance indicators considered “material” and “ambitious” by an external reviewer.

Such a bond will allow investors to capture a wider circle of sustainability and boost the financing to other crucial sectors, particularly those that are carbon intensive.

<https://www.esgtoday.com/nordea-issues-first-of-its-kind-bond-to-fund-climate-focused-sustainability-linked-loans/>



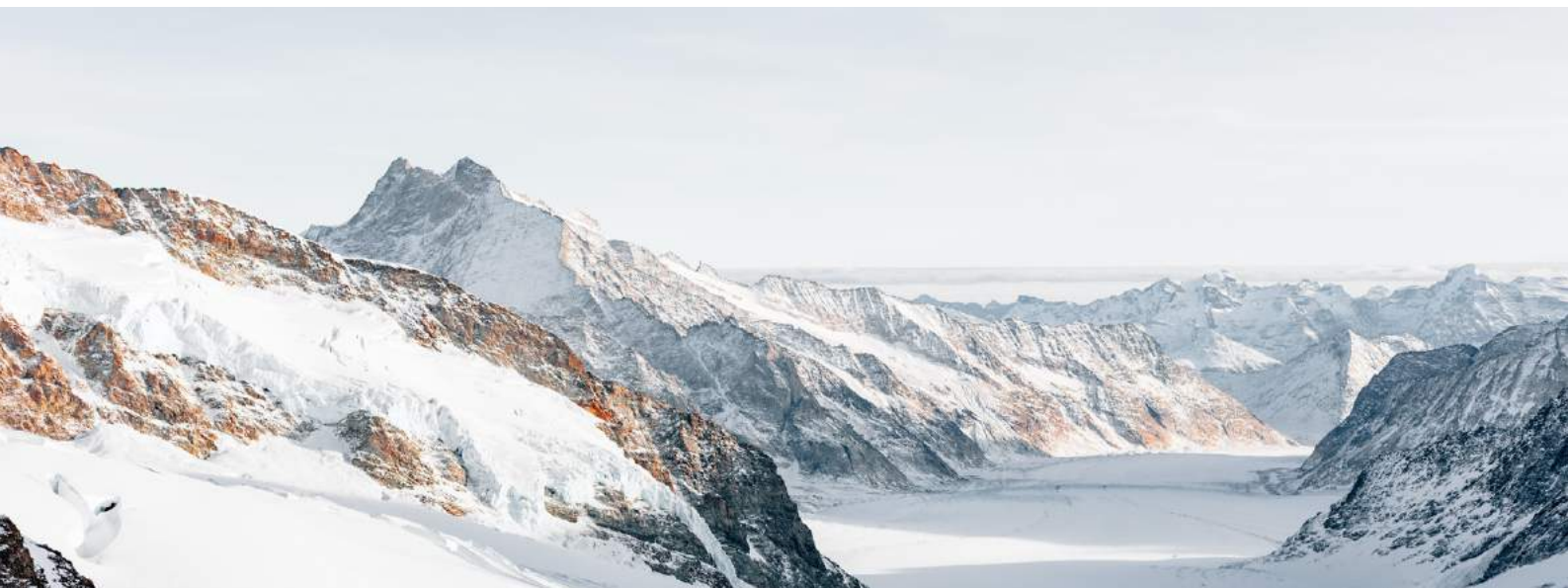
There's a new cop on the banking beat: Chief climate risk officer

Forbes, 13th September 2022

The federal agency overseeing the US's largest banks has hired its first climate cop. The Office of the Comptroller of the Currency of the United States of America announced that the agency will have a chief climate risk officer to work on assessment, monitoring and management of climate-driven risks to banks. With the assistance of the comptroller, the banks will examine the money they could lend to real estate and business deals, and how to price those loans.

The presence of such a supervising authority can aid in stabilizing the financial system by timely consideration of 'larger-than-expected' losses due climate change. This will also increase the uptake of ESG disclosures, an essential element of the risk analysis.

<https://www.forbesindia.com/article/news/theres-a-new-cop-on-the-banking-beat-chief-climate-risk-officer/79753/1>



The Future of Corporate Climate Action: S&P 500 firms assessing risks and financial benefits of transition

CDP, 20th September 2022

400 companies (80%) from the S&P 500, worth over US \$28.2 trillion in market capitalization, disclosed data to CDP on their response to the climate crisis in 2021. The data showed that an encouraging 55% (220) of the S&P companies were 90-99% aligned with the TCDF's key recommendations.

Based on the data, the potential financial value of opportunities related to transition aggregates to US \$4.8 trillion, with companies seeing the biggest financial opportunities in products and services, followed by new markets in transition to a low-carbon economy. The aggregate financial benefits of the opportunities are almost 15 times higher than the potential financial impact of the risks, which ranged from US \$272 billion to US \$334 billion. This provides companies a substantial incentive to invest in sustainable transition.

<https://www.cdp.net/en/articles/investor/the-future-of-corporate-climate-action-sp-500-firms-assessing-risks-and-financial-benefits-of-transition>

Multi-agency Climate Science Report Warns About “Tipping Points”

IISD, 21st September 2022

A group of global partner organizations, coordinated by the World Meteorological Organization (WMO), under the direction of the UN Secretary-General, issued a report compiling the most recent science related to climate change impacts and responses. The report warns that urgent action is needed to mitigate emissions and adapt to climate change. It states that there is a 48% chance that, during at least one year in the next five years, annual mean temperature will temporarily be 1.5°C higher than in 1850-1900. The WMO stressed on the need to scale up action on early warning systems to build resilience to current and future climate risks in vulnerable communities.

This poses higher climate risks to various sectors of the economy and should incentivize climate-risk vulnerability assessments for investors.

<https://sdg.iisd.org/news/multi-agency-climate-science-report-warns-about-tipping-points/>

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