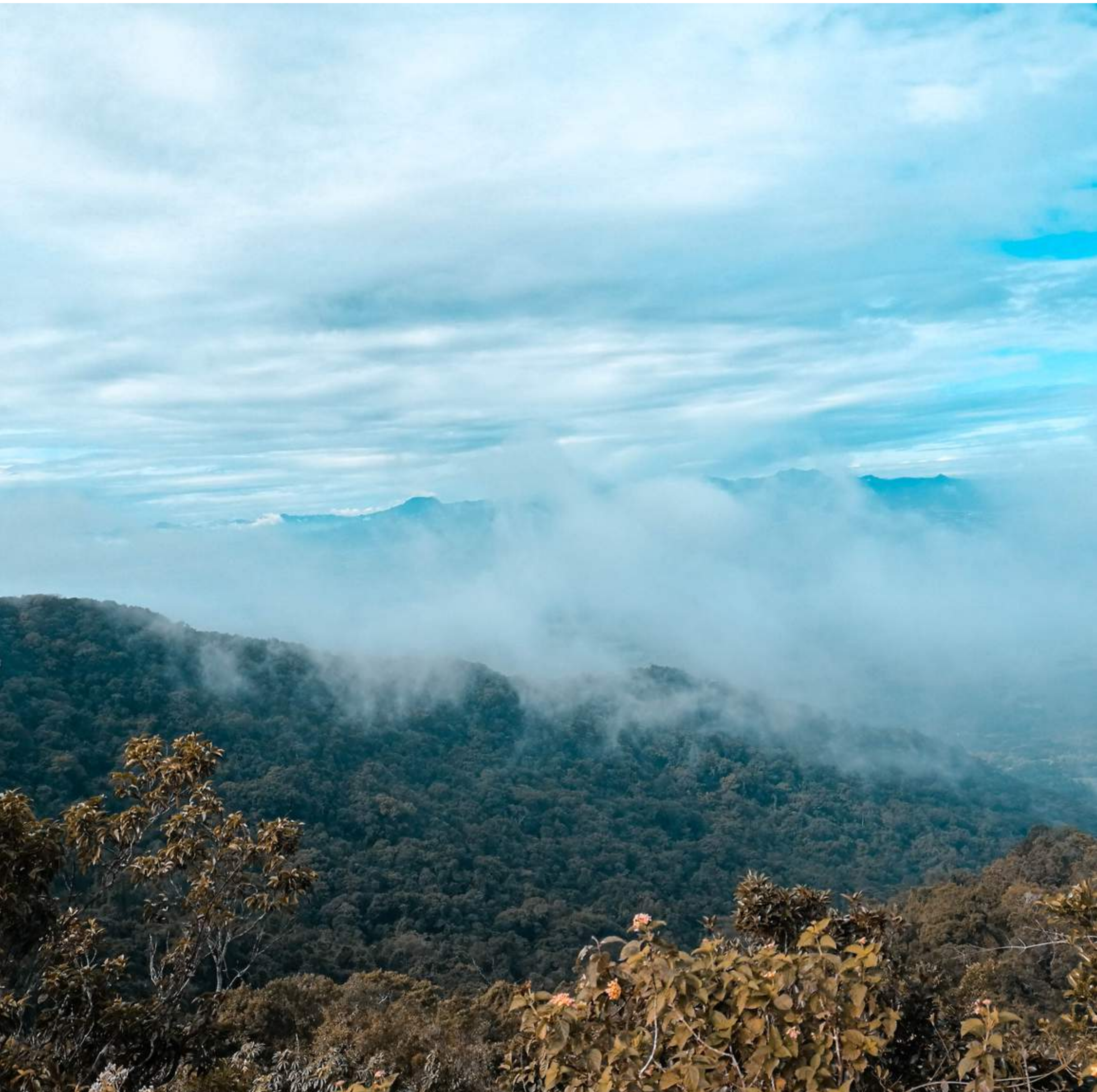
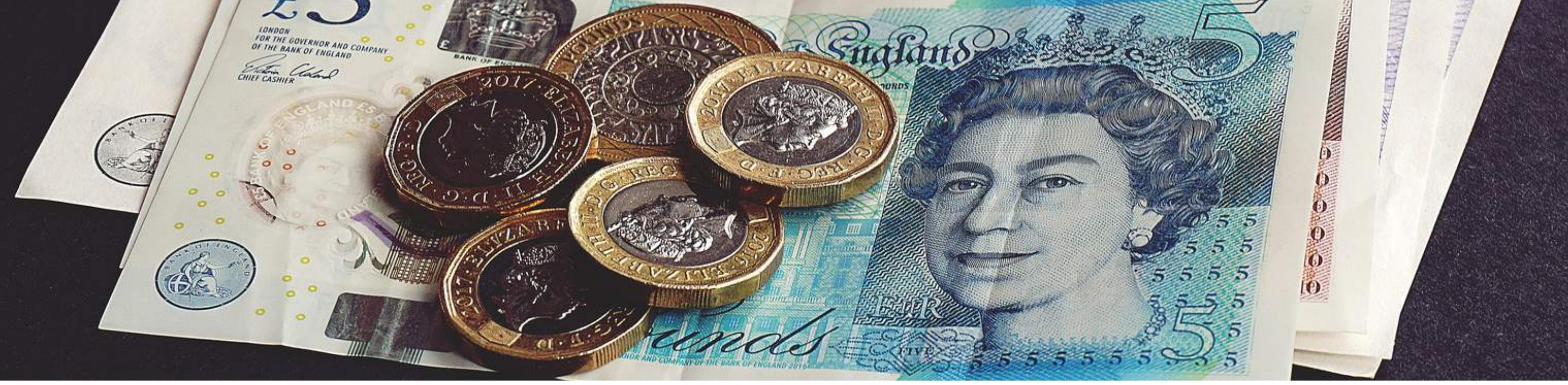
SECTORAL UPDATES

NOV 2022





ESG

Litigation trends for 2023 – ESG claims

Lexology, November 24, 2022

Legal proceedings related to ESG issues are increasingly common in Canada, the UK, the United States, and elsewhere. Ahead of 2023, a growing trend in ESG litigation brought by private individuals, not just climate activist groups is expected. The main areas in this rise might be shareholder claims regarding misleading, greenwashing, and investor claims against false statements about ESG practices.

The main driving forces for the increased litigations include: a developing ESG Regulatory Framework globally; the anticipation of increasing disclosure requirements; growing climate-related group actions; growth of the litigation funding market; and the crackdown by watchdogs.

This makes the clearly defined ESG investment criteria, transparent and comprehensive ESG disclosures, and actual ESG integration into operations imperative.

https://www.lexology.com/library/detail.aspx?g=3d4ffeff-a6d0-4ff8-b618-35529aaec0b8

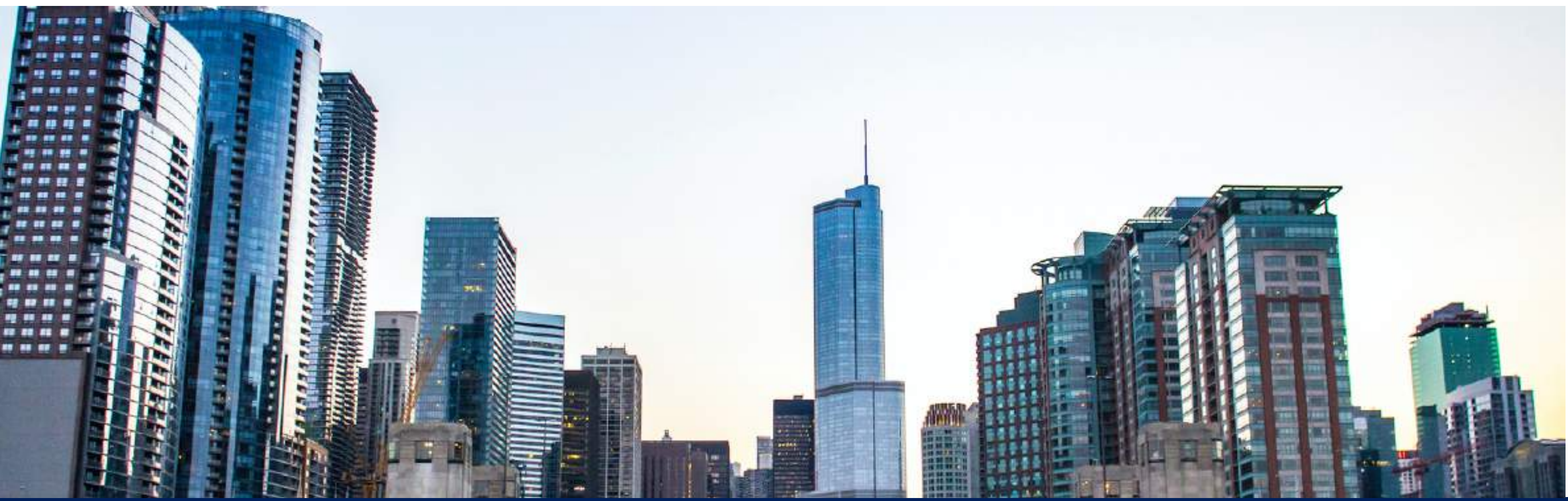
SEC Charges Goldman Sachs Asset Management for Failing to Follow its Policies and Procedures Involving ESG Investments

SEC Press Release, November 22, 2022

The Securities and Exchange Commission has charged Goldman Sachs Asset Management (GSAM) for policies and procedures failures involving two mutual funds and one separately managed account strategy marketed as ESG investments. To settle the charges, GSAM has agreed to pay a US $4 million penalty. This follows the US $1.5 million penalty Bank of New York Mellon Corp had to pay in May this year, demonstrating a trend of increased scrutiny by regulatory watchdogs.

As global regulators and supervisory bodies prioritize the fight against greenwashing, a continued rapid evolution of new regulatory requirements and further guidance to clarify existing regulations is expected. However, globalized markets are likely to face regulatory fragmentation because of the diverging regulatory approach between jurisdictions, posing a challenge for global financial market participants operating across markets.

https://www.sec.gov/news/press-release/2022-209



ESG

Central Bank of Kuwait’s Regulatory Sandbox to Prioritize ESG Products

The Fintech Times, November 25, 2022

The Central Bank of Kuwait (CBK) is prioritizing products that align with Kuwait’s ESG strategy in its regulatory sandbox. In confirming its commitment to best practices, the CBK is seeking products that promote ESG fintech innovation. The sandbox’s priority on ESG-compliant products will positively affect the local market. This initiative is contained in the Kuwait Vision 2035, which marks the country’s efforts to move away from its oil reliance.

Kuwait is not exclusive in these efforts, as similar strategies are picking up across the Gulf Cooperation Council (GCC). Sustainable finance is gaining traction in the region with a Shariah-compliant focus. This implies that the banks and financial institutions in the region need to build the capacity to integrate ESG criteria into their investment decision – both in terms of human capital and operations.

https://thefintechtimes.com/central-bank-of-kuwaits-regulatory-sandbox-to-prioritise-esg-products/

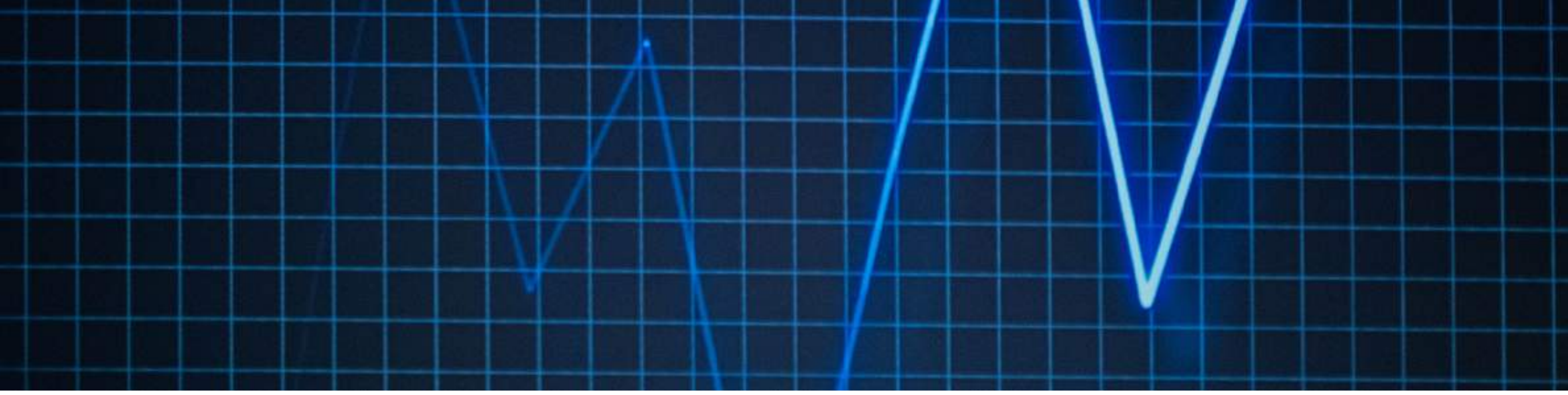
ESMA launches a consultation on guidelines for the use of ESG or sustainability-related terms in funds' names

ESMA Press Release, November 18, 2022

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, is seeking to put guidelines on the use of funds' names of ESG or sustainability-related terms. Names are a powerful marketing tool and in order not to mislead investors, ESMA believes that ESG- and sustainability-related terms in funds' names should be supported materially by evidence of sustainability characteristics or objectives that are reflected fairly and consistently in the fund's investment objectives and policy. The funds launched before the application date of these guidelines need to comply within 6 months.

ESMA's efforts reflect the increased regulatory scrutiny to curb greenwashing. It is likely that asset managers and funds would adhere to new rules in an effort to mitigate reputational risks stemming from targeted scrutiny efforts.

https://www.esma.europa.eu/press-news/esma-news/esma-launches-consultation-guidelines-use-esg-or-sustainability-related-terms



COP27 Reaches Breakthrough Agreement on New "Loss and Damage" Fund for Vulnerable Countries

UNFCCC Press Release, 20th November 2022

COP27 ended on a hopeful note with a breakthrough agreement to provide "Loss and Damage" assistance for vulnerable nations severely affected by climate disasters. An important part of COP27 agenda, the loss and damage negotiations concluded with decisions to create new funding arrangements and a separate fund. A "transitional committee" would also be established to deliberate ways to operationalize the fund and the new finance arrangements at COP28 next year.

COP27 also significantly moved forward on adaptation, with pledges totalling US $230 million being added to the Adaptation Fund. The UN Climate Change's Standing Committee on Finance would also be preparing a report on doubling adaptation finance for COP28. It also continued deliberations on a 'new collective quantified goal on climate finance' in 2024, particularly focusing on the needs of developing countries.

With the window closing quickly, the financing needs for climate mitigation and adaptation need to be backed by robust policies that effectuate a just and orderly transition.

https://unfccc.int/news/cop27-reaches-breakthrough-agreement-on-new-loss-and-damage-fund-for-vulnerable-countries

SUSTAINABLE FINANCE

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Net Zero Asset Managers Initiative hits $66 Trillion AUM

ESG Today, 9th November 2022

The Net Zero Asset Managers (NZAM) effort has engaged more than 290 asset managers, representing over US $66 trillion in assets under management, who have made a commitment to gradually change their investment portfolios to achieve net zero GHG emissions by 2050.

NZAM claims that commitments made till date are mostly in the areas of listed equity and fixed income, where procedures for setting targets are accessible. Over time, as methodologies are developed for asset classes such as private equity and infrastructure, these assets are expected to be incorporated into the targets as well.

169 of the 290 asset managers now have collectively committed to manage approximately US $22 trillion of their total US $55 trillion in AUM in accordance with the net zero target, with 63 of them having pledges that cover more than 75% of their assets.

However, NZAM emphasised that various variables will need to be addressed, including mandates with customers, legal and policy settings, creation of target setting processes, in order to meet the initiative's aim of reaching 100% of assets aligned with net zero.

https://www.esgtoday.com/net-zero-asset-managers-initiative-hits-66-trillion-aum/

Amundi cuts EU sustainability grade of 100 funds

Reuters, 23rd November 2022

Amundi, Europe's biggest fund manager, has downgraded 100 funds with €45 billion (US $46.28 billion) in assets to a lower level of sustainability under EU regulations. The fund manager would reclassify "almost all" of its funds from Article 9, EU's highest sustainability category, to the more lenient Article 8 under the Sustainable Finance Disclosure Regulation (SFDR).

Amundi's move comes ahead of EU's new reporting obligations that would tighten scrutiny on funds' ESG practices to avoid misleading of investors. From January 1st 2023, EU's new reporting obligations require asset managers to define and disclose sustainability targets and claims in the fund documentation sent to clients.

While Amundi maintains that the downgrade does not question the sustainable credibility of the funds, the decision signals an expected pattern of downgrading of Article 9 funds by leading asset managers in efforts to mitigate reputational risk.

https://www.reuters.com/business/cop/amundi-cuts-eu-sustainability-grade-100-funds-2022-11-22/

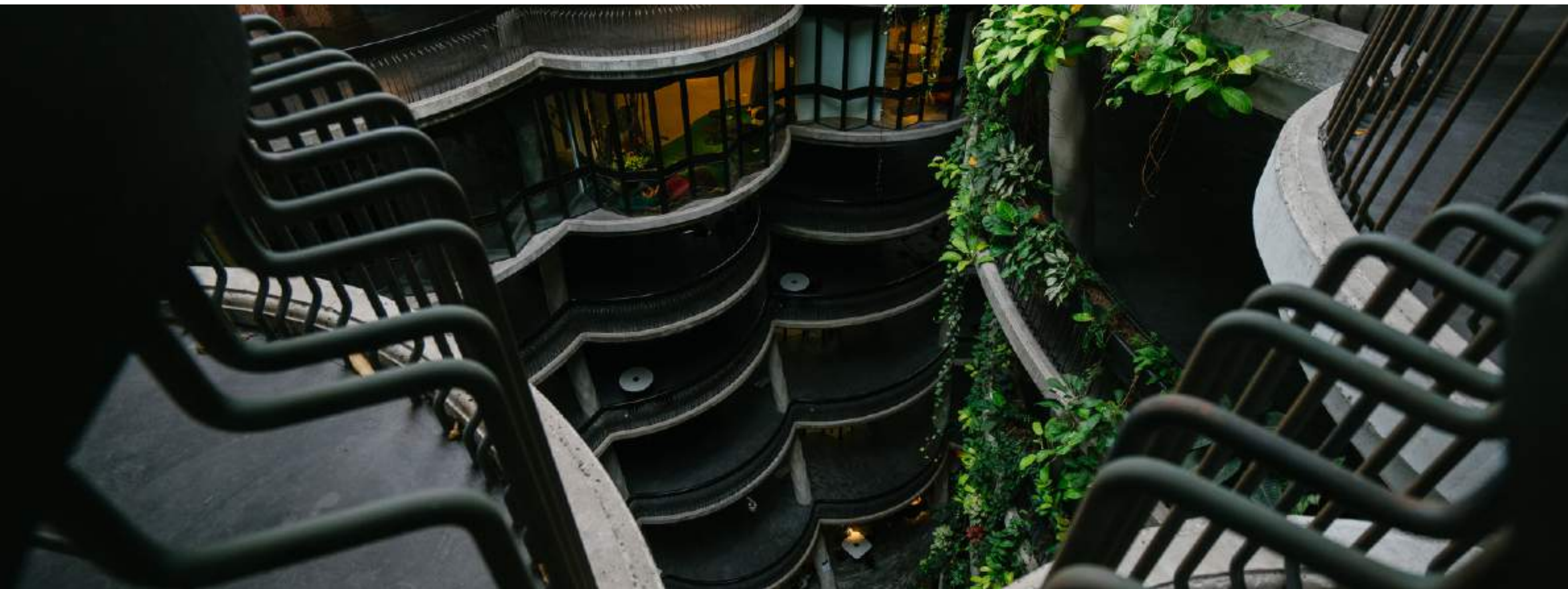
LIFE Programme: €380 million for 168 new green projects all around Europe

European Commission Press Release, 23rd November 2022

The European Commission has authorised funding worth €380 million for 168 new projects across Europe, as part of the LIFE Programme for environmental and climate change action. The money represents a 27% increase over last year's funding and will mobilise a total investment of over €562 million. The funding is expected to impact projects most EU countries, within the themes of biodiversity, circular economy, climate mitigation and adaptation, and clean energy.

Initiated in 1992 as EU's funding arm for climate action, LIFE has co-financed over 5,500 projects. LIFE projects have the potential to operationalise the European Green Deal and make EU climate-neutral by 2050. For the 2021 - 2027 period, the EU has increased LIFE Programme funding by almost 60%, up to €5.4 billion, and included the new clean energy transition sub-programme.

https://ec.europa.eu/commission/presscorner/detail/en/ip_22_6983#:~:text=November%202022Brussels-,LIFE%20Programme%3A%20%E2%82%AC380%20million%20for%20168,green%20



CLIMATE RISKS

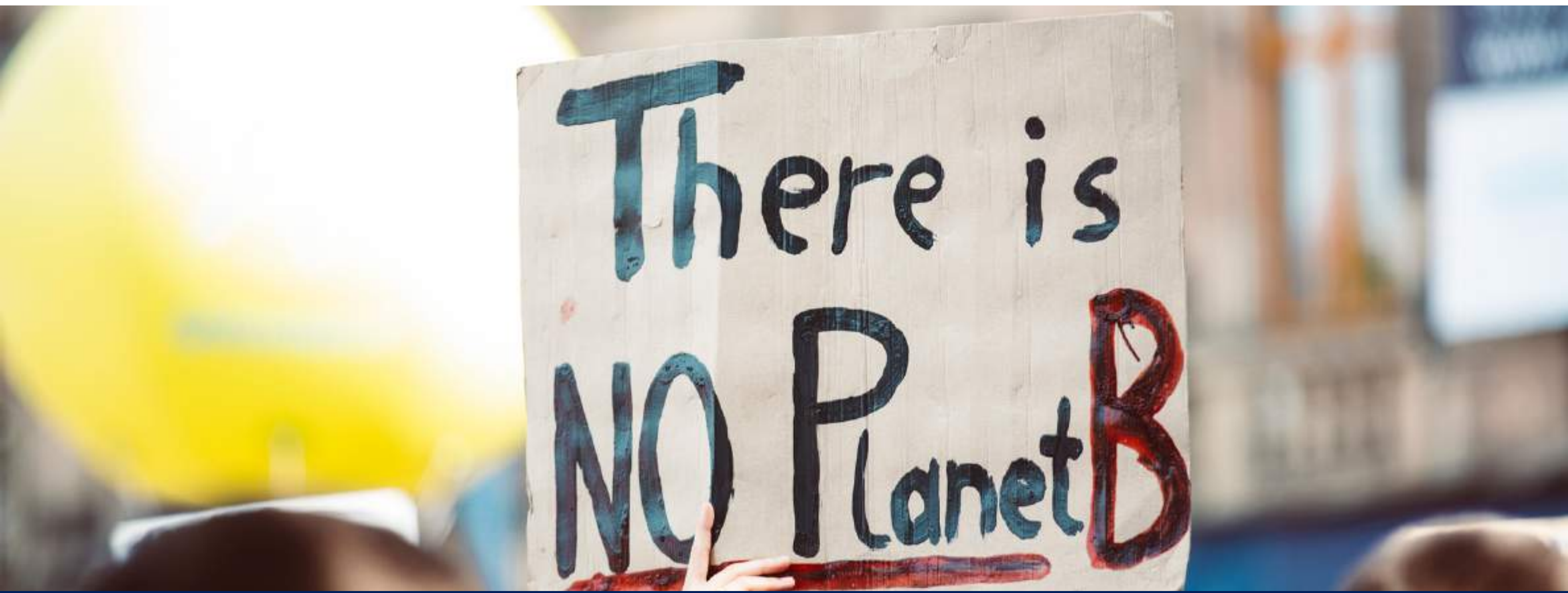
ECB sets deadlines for banks to deal with climate risks

ECB Press Release, November 02, 2022

The European Central Bank (ECB) has set a deadline for banks to progressively meet all supervisory expectations regarding climate risks laid out in its Guide on climate-related and environmental risks by the end of 2024. The bank also published a compendium of good practices observed in some banks to facilitate the transition.

ECB's thematic review revealed that even though 85% of banks have at least basic practices in most areas, they lack more sophisticated methodologies and granular information on climate and environmental risks. Most banks also lack execution capability. Most banks (96%), therefore, have blind spots when it comes to identifying such risks. A similar trend can be observed across Europe and globally, demonstrating the urgent need to build internal capacity to integrate climate risks.

https://www.bankingsupervision.europa.eu/press/pr/date/2022/html/ssm.pr221102~2f7070c567.en.html



V20, G7 Launch Initiative to Address Climate Risks in Vulnerable Countries

IISD, November 23, 2022

The Vulnerable 20 Group (V20) of Finance Ministers and the Group of Seven (G7) launched the Global Shield against Climate Risks to deploy funds in times of climate disasters.” Initial contributions exceed €210 million. The Global Shield’s financing structure includes three complementary funds: the Global Shield Solutions Platform, which builds on InsuResilience Solutions Fund; the Global Shield Financing Facility at the World Bank; and the Climate Vulnerable Forum (CVF) and V20 Joint Multi-Donor Fund. The Global Shield will use a broad range of instruments, including livestock and crop insurance, property insurance, business interruption insurance, risk-sharing networks, and credit guarantees at the household and business levels.

This creates an impetus for the momentum generated in the private sector to support a resilient future. The policy framework sets the stage for clear market signalling that translates into innovation and competitive market forces that ultimately mobilize private finance.

https://sdg.iisd.org/news/v20-g7-launch-initiative-to-address-climate-risks-in-vulnerable-countries/

CLIMATE RISKS

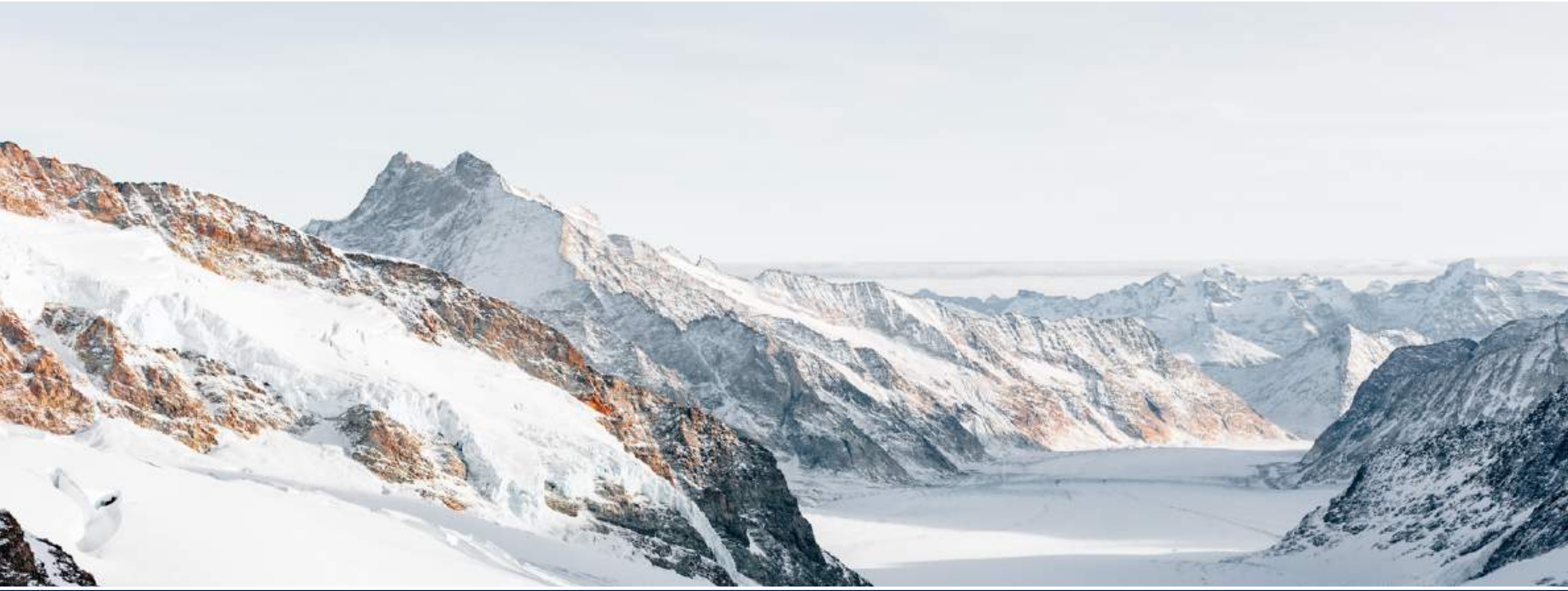
Energy-rich Qatar faces fast-rising climate risks at home

The Times of India, November 26, 2022

Qatar has faced a significant rise in temperatures compared to the pre-industrial period and is second only to the Arctic in terms of the pace of warming. The country has been able to adapt to this rapid temperature rise only due to its ability to pay for imported food, heavy air conditioning, and desalinated ocean water. Qatar is also one of the largest per capita emitters of GHG gases in the world and its climate pledges are less than sufficient to combat the growing climate crisis. Qatar is one of the hottest countries in the world and is expecting even more heat extremes, floods, droughts, and sandstorms.

Several countries in the region face similar challenges, with growing climate risks affecting national economies and valuable assets. Therefore, countries need robust policies to create a conducive environment for carefully evaluating their exposure to climate risks. Importantly, there is an urgent need to equip banks and financial institutions with climate risk management mechanisms to protect them from rising physical and transition risks.

https://timesofindia.indiatimes.com/world/middle-east/energy-rich-qatar-faces-fast-rising-climate-risks-at-home/articleshow/95789598.cms?from=mdr



World Gold Council urges miners to plan for climate risks

BusinessDay, November 09, 2022

The World Gold Council has urged gold miners to plan further for climate change risks and has outlined a range of adaptation strategies to help gold miners remain resilient in its latest report. The report also made clear the disastrous potential impacts of climate change on the communities that support gold mines, which are often located in remote and diverse geographic locations and have a strategic, pivotal role in local economies.

Financial institutions that have extended credit to the mining sector, therefore, are in urgent need of an assessment of the exposure of their balance sheets to the long-term acute climate risks.

https://www.businesslive.co.za/bd/companies/2022-11-09-watch-world-gold-council-urges-miners-to-plan-for-climate-risks/

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