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UPDATES

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EU Bank Regulator Outlines Plans to Address ESG Risks, Disclosure, Greenwashing

ESG Today, 14th December 2022

The European Banking Authority (EBA) released the new 'Roadmap on Sustainable Financing'. It contains the EBA's three-year goals and methods for fostering and monitoring the integration of ESG risk factors in the banking sector and sustainable finance.

Some of the priority areas listed in the new roadmap include raising awareness of ESG issues, ensuring that ESG-related risks are addressed in financial institutions' risk management frameworks, and addressing greenwashing threats. The EBA's sustainable finance initiatives will also focus on a number of key objectives over the next three years. This includes Transparency and Disclosure, Risk Management and Supervision, Prudent Treatment of Exposures, Stress-Testing, Standards and Labels, Greenwashing, Supervisory Reporting, and ESG Risks & Sustainable Finance Monitoring.

Such decisive steps with a focus on addressing ESG risks, disclosures and greenwashing would promote the shift to a more robust and sustainable financial sector in Europe, cascading effects of which are bound to be witnessed elsewhere.

<https://www.esgtoday.com/eu-bank-regulator-outlines-plans-to-address-esg-risks-disclosure-greenwashing/>

AI solutions provider- TradeSun acquires Coriolis Technologies to expedite ESG compliant trade

Global News Wire, 12th December 2022

Following the acquisition of Coriolis Technologies, TradeSun, a provider of AI solutions, will expand its solutions base to provide ESG products. The range of products also includes the independent ratings-based platform created with more than 50 financial institutions.

The platform is known for its evaluation, tracking, and verification of supply chain participants in relation to the 17 SDGs and other important legal frameworks, such as the EU Taxonomy. The acquisition will assist financial institutions as well as participants in the supply chain in evaluating and changing their operations to fulfil sectoral and national ESG goals. The merger will enable faster and more efficient compliance with ESG commerce, supporting the expanding need for sustainable finance and practices.

This is a noteworthy development that highlights the significance of ESG in trade finance and indicates momentum within trade for ESG and sustainable data.

<https://www.globenewswire.com/en/news-release/2022/12/12/2571794/0/en/TradeSun-acquires-leading-ESG-company-paving-way-for-further-innovation-in-trade.html>



Global Social Bond Fund launched by Nordea to expand ESG focused fixed income range

CityWire, 19th December 2022

With a new worldwide strategy to focus on the social dimensions of investing, Nordea Asset Management has increased the scope of its ESG-focused fixed-income offerings. The managers of this new strategy will be investing in corporate bonds and debt products that are designated as social bonds and support both social and environmental goals.

This development emphasises the 'S' of ESG, which is becoming more and more important to investors. The financing of social initiatives would create a virtuous cycle where intangible social assets influence and are, in turn, influenced by debt markets.

[https://citywire.com/selector/news/nordea-am-launches-global-social-bond-fund-for-
emd-chief/a2405233](https://citywire.com/selector/news/nordea-am-launches-global-social-bond-fund-for-emd-chief/a2405233)



FCA to consult on regulating ESG ratings at the start of 2023

CityWire, 12th December 2022

The new Green Finance Strategy to be published in the UK in early 2023 includes ESG rating providers under governmental purview. To take matters forward, the UK authorities are to hold a consultation in Q1 2023.

The UK government also plans to repeal the Taxonomy Regulation along with other retained EU rules. One effect of this would be the removal of the legislative duty to develop technical screening criteria rules by 1 January 2023. A UK Green Taxonomy is also in development, with an initial emphasis on environmentally beneficial activities. A Green Technical Advisory Group has been formed to offer recommendations towards this Taxonomy. In essence, a series of action plans to consolidate regulations and strategies is coming about, which would allow for more clarity and standardisation of green financing across the country.

<https://citywire.com/new-model-adviser/news/fca-to-consult-on-regulating-esg-ratings-at-start-of-2023/a2404700>

International Agreement Reached at COP15 to Halt Biodiversity Loss, Protect Ecosystems

ESG Today, 19th December 2022

The new framework includes 23 global targets for 2030 and four long-term goals for 2050. The goals include halting the extinction of species; spreading the benefits of genetic resource usage fairly; and protecting, enhancing and re-establishing the resilience, connection, and integrity of all ecosystems. One of the main goals for 2030 is to restore 30% of degraded ecosystems, reduce the loss of areas with high biodiversity importance to almost zero, eliminate subsidies that harm biodiversity by at least \$500 billion annually, cut global food waste in half, and reduce the introduction of invasive alien species by 50%.

According to the agreement, industrialised nations must give developing nations financial resources for biodiversity by 2025-30, including official development aid of at least \$20 billion annually. Additionally, it demands the mobilisation of at least \$200 billion in new funding for biodiversity by 2030.

The landmark biodiversity fund is an integral step to potentially halt the extinction of species. Towards this, financial assistance from developed countries is critical.

<https://www.esgtoday.com/international-agreement-reached-at-cop15-to-halt-biodiversity-loss-protect-ecosystems/>



SUSTAINABLE FINANCE

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Tata Powers plans to power business operation by raising Rs 2,000 crore via bonds

Business Standard, 25th December 2022

Tata Power Firm (TPCL), a private power production company, intends to raise 20 billion INR (~ US \$245 million) through bonds to finance its commercial operations. It has secured 4.5 billion INR (US \$50 million) in sustainable trade financing for renewable energy projects from the Japanese financier, Mitsubishi UFJ Financial Group.

CRISIL Ratings has assigned 'AA/ stable' ratings to the proposed bonds. The ratings take into account TPCL's steady cash flow from regulated industries, its diverse business risk profile, and its substantial financial flexibility as a Tata Group company.

TPCL's efforts to raise green funding would not only expand its portfolio of sustainable energy sources but also have larger implications of helping India reach its net zero goal.

https://www.business-standard.com/article/companies/tata-power-plans-to-raise-up-to-rs-2-000-cr-via-bonds-to-finance-biz-ops-122122500679_1.html

Emirati Majid Al Futtaim raises sustainability-linked loan worth \$1.25 billion

Reuters, 5th December, 2022

The retail giant of the UAE, Majid Al Futtaim (MAF), has obtained a US \$1.25 billion revolving credit facility linked to its ESG goals. MAF, which administers malls around the Middle East, has set sustainability performance objectives which will be monitored on an annual basis during the tenor of the facility. Abu Dhabi Bank coordinated and handled the fundraising for the second loan with a sustainability component for the conglomerate.

With the help of the funds raised, MAF aims to lower its Scope 1 and 2 emissions and adopt LEED certification for its malls. In June 2022, the conglomerate had refinanced the company's existing hybrid notes by issuing US \$500 million in perpetual green bonds.

MAF's loan indicates the rising momentum towards a more sustainable economy on the back of green financing. It also lays the path for other retail conglomerates to follow and contribute to lesser emissions, more sustainable certifications and credibility.

<https://www.reuters.com/world/middle-east/uaes-majid-al-futtaim-raises-125-bln-sustainability-linked-loan-2022-12-05/>



Airtel Africa-IFC sign \$194mn loan facility

ET Telecom, 6th December 2022

A new US \$194 million facility has been agreed upon between Airtel Africa and the International Finance Corporation (IFC). According to the telecom on Tuesday, the new finance facility is consistent with Airtel Africa's plan to raise debt inside its operational companies. Airtel Africa has agreed to abide by the relevant standards of the IFC Performance Standards on Social and Environmental Sustainability as part of the loan facility and has put in place a specific Environmental and Social Action plan.

The partnership between Airtel and IFC is an important way to diversify climate capital while also creating local receptiveness to international sustainable investments.

<https://telecom.economictimes.indiatimes.com/news/airtel-africa-ifc-sign-194mn-loan-facility/96029841>



Inclusion of capital rules in climate risks to be included as per World Bank

Reuters, 8th December 2022

The Basel Committee of regulators set out their first guidance to show banks how to apply existing capital rules to cover climate change risks. This is a major step to account for the potential reduction in asset value and increased uncertainties associated with the transition to a low-carbon economy.

“Where appropriate, the responses explicitly acknowledge data limitations and recognise that practices will evolve iteratively over time, and therefore allow for flexibility while promoting a globally consistent implementation of the Basel Framework”, the committee said in a statement. The guidance piles pressure on banks to become more granular in their approach to climate change while Basel considers whether bespoke capital rules are needed. Central banks in the West, like the European Central Bank, Bank of England and Bank of France have already begun climate-related stress-testing of lenders, although the outcome of these exercises has had no direct impact on capital requirements for now.

The guidance makes way for market standardisation and harmonisation, paving the way for effectively integrating climate risks into the financial system.

<https://www.reuters.com/article/basel-banks-climate-idINL8N32X2DK>



Switzerland to Address Greenwashing with Sustainable Investment Label Rules

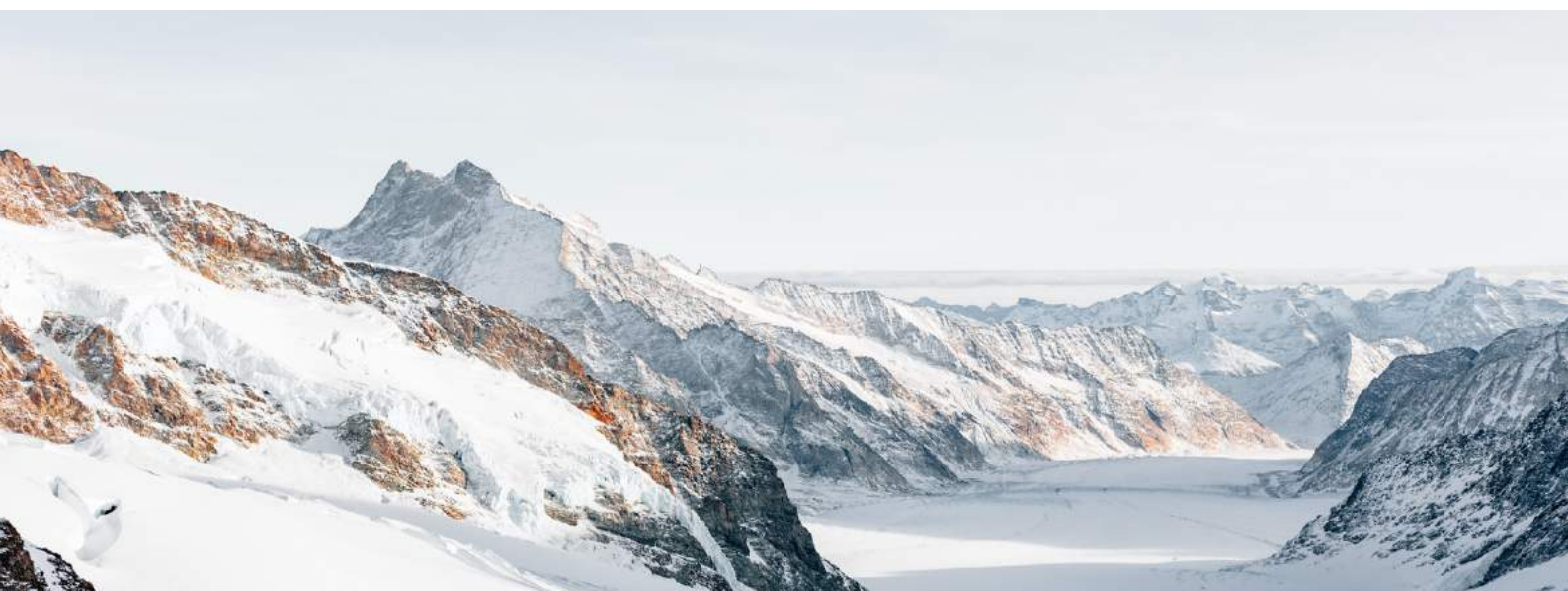
ESG Today, 21st December 2022

According to the new proposed regulations unveiled by the Swiss Federal Council, financial products and funds marketed as "sustainable," "green," or "ESG" on Swiss financial markets will be required to align with specific sustainability goals. The products and funds are also required to disclose how they intend to achieve the goals. According to the Council, the measures are a part of Swiss initiatives to stop 'greenwashing'.

In accordance with a position paper published by the Federal Council, financial products with a sustainability label will need to pursue at least one investment goal. This needs to be in addition to their financial objectives. Further, products that lower ESG risk without pursuing a defined sustainability objective will not be eligible for the sustainable label, according to this criteria. There are also suggestions for frequent reporting on sustainability objectives; disclosures on the goods' sustainability strategy; independent third-party verification of the sustainability goals to assure their validity; and recourse to legal action in the event of non-compliance.

In light of market concerns around greenwashing, the proposed regulations are a step in the right direction to achieve better integration of sustainability and ESG in financial markets.

<https://www.esgtoday.com/switzerland-to-address-greenwashing-with-sustainable-investment-label-rules/>



High Air Pollution Level is Creating Physical and Mental Health Hazards in Bangladesh: World Bank

World Bank, 4th December 2022

According to World Bank's report, *Breathing Heavy: New Evidence on Air Pollution and Health in Bangladesh*, air pollution is gravely impacting the physical and mental health in Sylhet and Dhaka. To address this, the World Bank recommends improving public health services and response mechanisms, improving air pollution data monitoring systems, investing in early warning systems, and engaging in further research.

The report finds that the sites with major construction and persistent traffic in Dhaka have the highest level of air pollution. As a precautionary measure, community-level screening for persistent coughs and breathing difficulties for people living in air pollution hotspots will help the government address emerging health issues.

The situation in Bangladesh is another example of how climate risks strain health and well-being in emerging economies and need to be addressed on a war-footing.

<https://www.worldbank.org/en/news/press-release/2022/12/03/high-air-pollution-level-is-creating-physical-and-mental-health-hazards-in-bangladesh-world-bank>

Bank of Philippines advocates sustainable central banking strategies

Business Mirror, 27th December 2022

In an effort to address ESG issues, the central bank of the Philippines, Bangko Sentral ng Pilipinas (BSP), has recommended central sustainable banking strategies. The BSP said it will follow a three-phase, 11-point strategy on increasing awareness within the organization on sustainability concepts and apply these to its policy mandate.

The BSP also aims to provide a conducive policy and regulatory environment that enables its supervised entities to take a balanced and proportionate approach to embrace sustainability principles and promote sustainable finance. Given the institutional standing of the Bank, the inclusion of sustainability concepts is an important milestone that has the potential to create awareness and similar developments across the financial sector in Asia.

<https://businessmirror.com.ph/2022/12/27/local-banks-must-help-mitigate-climate-risks/>

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