

SECTORAL

UPDATES

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APR 2023





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Netherlands remains the most sustainable stock market while Hong Kong overtakes France

KnowESG, 18th April 2023

Morningstar's latest global scores outlook for stock exchanges reveals that the Netherlands continues to hold the top position as the world's most sustainable stock market, with Hong Kong overtaking France for the third position. The USA and UK are ranked 16th and 20th, respectively.

Morningstar's Portfolio Sustainability Score evaluates the overall scores of country-specific indexes based on the companies that comprise them. The rankings of stock markets are based on whether more than 67% of their market capitalization is represented by companies with environmental, social, and governance (ESG) Risk Scores.

This report is crucial for investors seeking information on the best ESG-related stocks to conduct due diligence. The energy sector poses inherent risks for investors due to high carbon risk and fossil fuel exposure. Other economic sectors like utilities, industrials, and basic materials also carry significant risks.

The uptick of sustainable stock market in Hong Kong signals the proliferation and growing acceptance of sustainable investments globally.

<https://www.knowesg.com/investors/green-stock-market-hong-kong-3rd-us-16th-uk-20th-18042023>

ESG Investments Accelerate in India Amid Funding Slowdown: IVCA Report

Outlook Planet Desk, 20th April 2023

A report by the Indian Venture and Alternate Capital Association (IVCA) shows that ESG-focused investment route emerged as a breakout theme in 2022, with investments in clean energy and electric vehicle companies accelerating to reach US \$7.9 billion, more than double from 2021 and 13% of the yearly netting. ESG has gone beyond being a mere talking point to becoming a key driver of deal-making, with the share of ESG-aligned investments reaching almost 13% of the total PE-VC investments in 2022 at US \$7.9 billion from around 5% in the previous few years. ESG investment is largely concentrated in clean energy (solar and wind power) and electric mobility. India's share of private equity and venture capital investments in Asia-Pacific grew from 15% in 2021 to 20% in 2022, as China plus one tailwind and India's macro robustness made it a bright spot for investing amid decelerating capital flow into the region.

Going forward, it is clear that the ESG agenda is shifting from mind-share to wallet-share, especially in key sectors of clean energy and mobility. With ESG becoming a mainstay, investors are likely to prioritize companies with sustainable practices, thereby incentivising businesses to adopt ESG practices. Moreover, as India's share of private equity and venture capital investments in the Asia-Pacific region grows, it could attract more investors to the country, leading to further economic growth and development.

<https://planet.outlookindia.com/news/amid-global-challenges-indian-pe-vc-investments-top-60-bn-for-the-third-year-in-a-row-in-2022-news-415090>



Asian Fund Managers Trail European Counterparts in ESG Efforts, Says WWF Singapore Report

Financial Times, 19th April 2023

According to a report by the World Wide Fund for Nature Singapore, Asian fund managers are lagging behind their European counterparts in addressing ESG risks. The study reveals the lack of attention to nature-based risks, disclosure of responsible investing actions and governance among Asian asset managers. Chinese asset managers scored particularly poorly, with their average assessment score declining from last year. The report urges improvements in ESG integration for creating sustainable and resilient portfolios that can better protect nature and drive decarbonisation.

The study surveyed 40 asset managers, 22 in Europe and 18 in Asia, of which six were from China, five each from Japan and Singapore, and two from India. It shows that only a third of Asian asset managers acknowledged nature-related risks, compared to 73% of European managers. None of the Asian asset managers have voting policies and expectations on investee companies on urgent issues, such as managing water risks, protecting oceans, and ending deforestation.

The report highlights the lack of governance oversight and performance incentives for portfolio managers, directors, and board members in Asian firms. Only one out of 18 Asian asset managers has a direct link between the remuneration of senior management and/or portfolio managers and ESG performance. Moreover, training for portfolio managers and management is another key shortcoming among regional fund firms, with only 23% of senior management and 20% of board members of all asset managers assessed having received ESG training.

However, some Asian countries fared better than others, such as Japan, which realized a 34% YoY average improvement in metrics and targets compared to Europe's 9% over the same span. The report forecasts that the region will grow its ESG AUM from US \$1tn in 2021 to US \$3.3tn over the next four years, representing the largest percentage growth in ESG-related AUM of any region globally. This growth underscores the increasing awareness of ESG risks among Asian asset managers.

<https://www.ft.com/content/cf7411e8-3e5c-468e-9b49-847f60933d3a>

Greater Bay Area's Green Finance Pilot Projects to Foster Regional Ecosystem and Support China's Carbon Neutrality Goal

South China Morning Post, 27th April 2023

Regulators in the Greater Bay Area (GBA) are piloting decarbonisation projects that comply with international standards to foster a regional green finance ecosystem. This ecosystem is critical for achieving China's carbon neutrality goal by 2060, which requires US \$2 trillion of fundraising.

Renewable energy projects accounted for 60% of the use of proceeds of all green bonds issued in China in 2021, according to the Climate Bonds Initiative. The pilot projects will be located on the mainland and focus on the real estate, transport, and manufacturing sectors.

Developers will be encouraged to adopt international transition finance frameworks and standards so they can tap global markets via investment banks in Hong Kong and Macau. The study also recommended establishing a cross-regional policy coordination mechanism and promoting regional interoperability on green finance regulations to accelerate climate-transition initiatives.

Given its financial strength and its economy's lower carbon intensity, it is "entirely possible" for the Bay Area to achieve carbon neutrality by 2050, a decade ahead of China's goal. This initiative is important as it can demonstrate how decarbonisation progress can be achieved and lead the way on further achievements in the future.

<https://www.scmp.com/business/article/3218463/green-finance-greater-bay-area-pilot-climate-mitigation-projects-meet-international-standards-draw>



SUSTAINABLE FINANCE

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ADB Launches US \$15 Billion Climate-Focused Financing Program for Asia and the Pacific

ESGToday, 3rd May 2023

The Asian Development Bank (ADB) has launched the Innovative Finance Facility for Climate in Asia and the Pacific (IF-CAP) program to mobilize up to US \$15 billion in financing for climate-focused projects in the region. The program aims to leverage financing by providing grants for project preparation and guarantees for parts of ADB's loan portfolios, effectively taking sovereign loans off ADB's books and freeing up capital for investment in climate projects.

The program's initial partners include Denmark, Japan, the Republic of Korea, Sweden, the US, and the UK. This initiative is important as it provides a new way to mobilize financing for investment in climate action in developing countries and leverage the ADB's ability to support climate projects through reduced risk exposure.

IF-CAP's partners (Denmark, Japan, the Republic of Korea, Sweden, the United Kingdom, and the United States) are in talks with ADB to provide grants and guarantees for project preparation and parts of ADB's sovereign loan portfolios. The aim is to reduce ADB's risk exposure, allowing it to increase lending for climate projects. The initiative's US \$3 billion in guarantees could generate up to US \$15 billion in new loans, utilizing a 'US \$1 in, US \$5 out' model. This is a significant move, as it is the first time a multilateral development bank is adopting a leveraged guarantee mechanism for climate finance. Ultimately, this initiative could contribute to reducing greenhouse gas emissions and building climate resilience in the Asia-Pacific region.

<https://www.esgtoday.com/adb-launches-program-to-mobilize-up-to-15-billion-in-climate-finance-in-developing-countries/>

Reserve Bank of India introduces framework for 'green deposits' to foster green finance ecosystem

Business Standard, 11th April 2023

The Reserve Bank of India (RBI) has released a framework for banks and non-banking finance companies (NBFCs) that accept deposits to accept "green deposits" with a focus on developing a green finance ecosystem in the country. The framework stipulates that green deposits must be denominated in Indian Rupees and used in sectors falling under the category of official Indian green taxonomy such as renewable energy and green transportation.

RBI-regulated entities must have a board-approved policy on green deposits, make the policy available on their website, and subject the funds raised through green deposits to an independent third-party verification/assurance.

The allocation of proceeds raised from green deposits will be based on the official Indian green taxonomy, which identifies nine sectors where the funds can be deployed. Excluded sectors include nuclear power generation, weapons, tobacco, and hydropower plants larger than 25 MW.

RBI's move is significant as it encourages banks and NBFCs to finance eco-friendly projects, increasing the domestic capital pool towards green projects.

https://www.business-standard.com/economy/news/rbi-announces-a-framework-for-accepting-green-bonds-deposits-123041100872_1.html



Green Bond Issuance Rebounds Strongly in Q1 2023, Led by Europe, Moody's Reports

ESGToday, 27th April 2023

According to Moody's Investors Service, issuance volumes of green, social, sustainability and sustainability-linked (GSSS) bonds rebounded strongly in Q1 2023, with a sharp growth in green bonds. Moody's maintained its forecast for the GSSS bond market to grow 10% in 2023 to issuance of US US \$950 billion. Factors such as an increase in corporate issuers looking to finance their net-zero ambitions, a more supportive policy environment, and an expansion in public sector issuances, particularly in emerging markets, are expected to be key drivers of the 2023 growth. Moody's also highlighted some of the key developments expected to support the maturation of the GSSS bond market, including updates of green, social, and sustainability-linked loan principles by various associations, as well as a recent agreement by European lawmakers on the creation of standards for proposed European Green Bonds (EuGB).

The increase in green bond volumes is important and may lead to significant changes in the future. As more corporate issuers look to finance their net-zero ambitions and governments implement policies to address climate change, the demand for green financing is expected to increase. This could lead to an expansion in the green bond market and more investment opportunities for sustainable investors. The growth of the GSSS bond market could result in greater transparency and standardization, reducing the risk of greenwashing and boosting investor confidence in sustainable investments.

<https://www.esgtoday.com/sustainable-bond-market-rebounds-resuming-double-digit-growth-moodys/>

Extreme Weather Events in Asia Signal Challenges for Investors and Companies Amid Climate Change

Bloomberg, 26th April 2023

Asia's stock pickers are facing significant challenges due to extreme weather events, such as heatwaves and flooding. El Nino-related risks are increasing, and climate change is exacerbating these events. Companies in resource-rich Australia, India, and Thailand have already been impacted by frequent weather events, with mining and dairy production being particularly affected. Researchers predict that the impact on stock markets will be outsized, and traders should prepare for stock swings. An El Nino weather pattern could form, causing hotter and drier conditions for Asia and Australia, leading to a monsoon rainfall deficit, impeding crop production, and stalling the rural recovery. Unpredictable weather and geopolitical issues will lead to abrupt changes in supply and demand patterns. Insurance firms may be the few longer-term winners in an era where climate continues to spark negative supply shocks, with the rising risk for such events resulting in higher premiums. Extreme weather events will continue to have ripple effects on financial markets in predictable and unpredictable ways. It is virtually certain that there will be more frequent hot extremes and fewer cold extremes at the global scale and over most land areas in a future warmer climate.

This article highlights the potential impacts of extreme weather events on stock markets and specific sectors in Asia. As the frequency of such events increases due to climate change, traders and investors will need to consider how these events may impact their investments. Companies in industries that rely on natural resources and agriculture will be particularly affected. This article emphasizes the need for investors and traders to be prepared for the impacts of climate change on financial markets and the wider economy.

<https://www.bloomberg.com/news/articles/2023-04-25/heat-waves-cyclones-are-impacting-stock-markets-across-asia#xj4y7vzkg>

Scientists Race Against Time to Save Ancient Arctic Ice and Preserve Climate History

The Hindu, 22nd April 2023

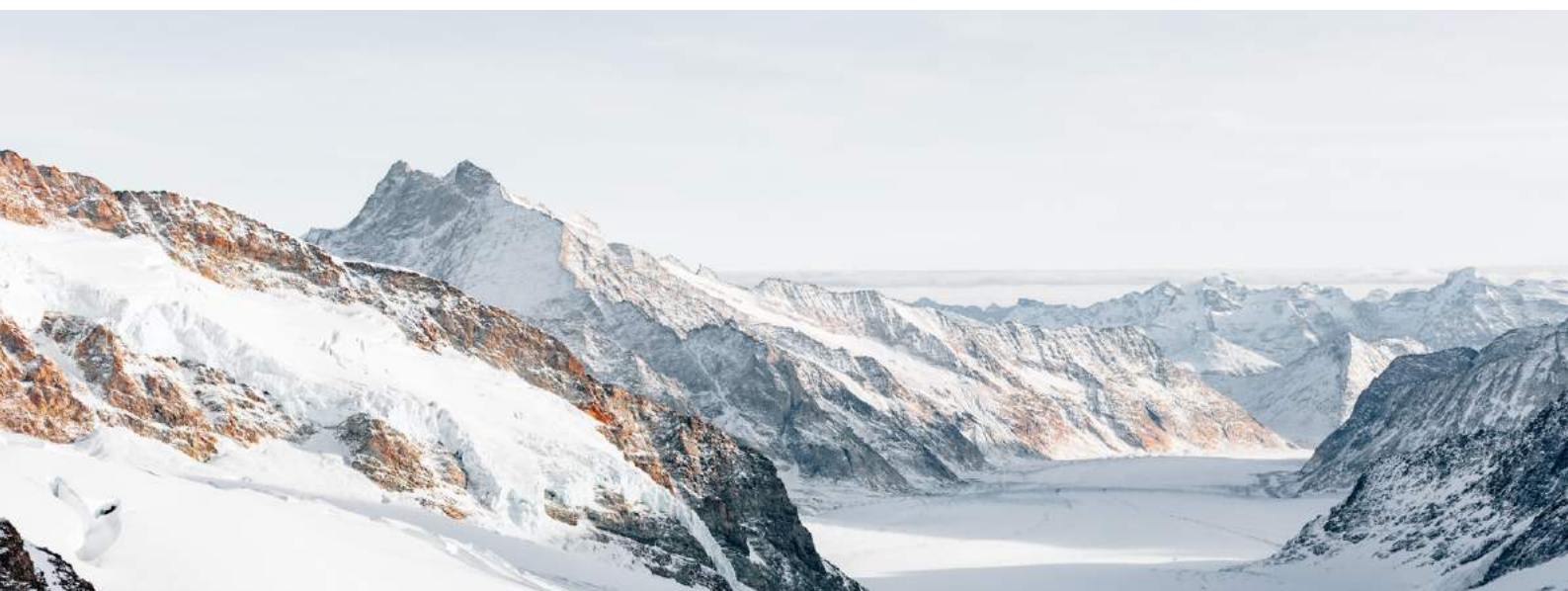
Scientists have successfully extracted ice cores from the Holtedahlfonna glacier in Norway's Svalbard archipelago, to preserve crucial ice records that can be used to analyze the Earth's past climate and track human activity's devastating impact on it.

The Ice Memory Foundation team extracted three huge tubes of glacier ice, and these, like others collected by the 20-year project launched in 2015, will be preserved for future scientific analysis at a research station in Antarctica. It is a race to preserve this "ice memory," as experts warn that global temperatures rising risks destroying the geochemical records that the ancient ice contains before scientists can collect the data.

Aquifers are underground reservoirs of freshwater or saltwater that permeate the ice crystals in glaciers and weaken them, and the presence of meltwater in glaciers is the clearest evidence yet of the effects of dramatic climate change in the Arctic. It is essential to preserve this memory for future policymakers and scientists to make decisions for the well-being of society.

The Arctic is warming between two and four times faster than the global average, and if we lose archives like this, we will lose the memory of human alteration of the climate.

<https://www.thehindu.com/sci-tech/energy-and-environment/scientists-save-ancient-arctic-ice-in-race-to-preserve-climate-history/article66766323.ece>



Climate change could increase spread of diseases in India, warn experts

The Hindu, 28th April 2023

Scientists in India are warning that changing climatic conditions, including temperature and moisture variations, could lead to an increase in the spread of infectious diseases across the country, including dengue, chikungunya and malaria. Public health expert Poornima Prabhakaran notes that steadily rising temperatures affect the pattern of transmission of disease agents like viruses through changes in incubation periods, transmission potential and the duration of transmission, all of which can impact disease trends. Ecologist Abi T Vanak suggests that climate changes will also result in the shift of habitats for species, which will introduce new vectors to some areas or make some species more susceptible to new viruses that have the potential to transmit to humans. Meanwhile, a study published last year in the journal *Nature* predicted that climate change will vastly increase the risk of new viruses infecting humans. At least 10,000 viruses are currently “circulating silently” among wild mammals, and climate change may trigger them to cross over into humans. To counteract this, researchers suggest that modelling future scenarios using state-of-the-art techniques that allow predictive future disease patterns or hotspots can be a useful tool to aid decision-makers in planning suitable and timely interventions.

Climate change is likely to result in outbreaks of water-borne diseases, such as cholera and dysentery, as well as vector-borne diseases, including malaria, dengue and chikungunya, across India, warn experts. The findings of the study could help decision-makers in planning suitable and timely interventions, including building a dashboard of climate-health information services. Climate change is linked to the risk of new emerging viruses and could trigger the spreading of emerging viruses by causing increased movement of environmental refugees.

<https://www.thehindu.com/sci-tech/science/climate-change-increasing-risk-of-new-emerging-viruses-infectious-diseases-in-india/article66789126.ece>

Nine Indian states among top 50 at risk of damage to built environment due to climate change hazards

Mint, 20th April 2023

A recent report by the Cross Dependency Initiative (XDI) reveals that nine Indian states, including Uttar Pradesh, Bihar, Maharashtra, and Punjab, are among the top 50 regions at risk of damage to the built environment due to climate change hazards. XDI calculated the physical climate risk to the built environment in over 2,600 states and provinces worldwide in 2050. The data compared these territories according to modeled projections of damage to buildings and properties from extreme weather and climate change such as flooding, forest fires, heatwave, and sea level rise. As per analysis, 80% of the top 50 most at-risk states and provinces in 2050 are in China, the US, and India. The report suggests that this is the first physical climate risk analysis focused exclusively on the built environment, comparing every state, province, and territory in the world.

This report is crucial in highlighting the urgent need for policymakers to take action to mitigate the risks of climate change on the built environment. The built environment is a significant contributor to greenhouse gas emissions, and the impact of climate change on it could have severe economic, social, and environmental consequences. Therefore, the report's findings provide a compelling reason for governments, businesses, and financial institutions to prioritize investment in climate-resilient infrastructure and adopt measures to reduce carbon emissions. The report's insights can inform decision-making by investors, insurers, and lenders in assessing the physical risks of climate change to assets, industries, and economies, thereby driving significant changes in policy, investment, and business practices in the future.

<https://www.livemint.com/news/india/bihar-up-among-9-indian-states-on-list-of-world-s-top-50-facing-climate-risk-11676875815289.html>

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