

SECTORAL

UPDATES

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ESG Concerns: Pressure on European Investment Bank Over Weapons Funding

The print, 26th March 2024

Morningstar Sustainalytics, a leading ESG rating firm, warns that the European Investment Bank's (EIB) exceptional ESG score could be at risk if it succumbs to pressure to explicitly fund weapons and ammunition. The EIB is facing calls to relax its weapons funding restrictions to bolster Europe's defence industry. While EIB President Nadia Calvino explores a "dual-use" policy, concerns arise about tarnishing ESG ratings and impacting borrowing costs. Sustainalytics highlights reputational risks associated with weapons investment, suggesting a potential re-evaluation of the EIB's rating. Despite exemptions for egregious weapons, other ammunition forms may be considered. The EIB's balance sheet and significant debt issuance magnify these concerns.

<https://theprint.in/world/eibs-esg-score-to-be-re-evaluated-if-new-weapons-policy-agreed-morningstar-sustainalytics-says/2015103/>

England Texas Education Board Ends BlackRock Contract Over ESG Conflict

Fox Business, 20th March 2024

The Texas State Board of Education terminated BlackRock's contract, complying with a 2021 state law aiming to distance from financial institutions boycotting the oil and gas sector. Chair Aaron Kinsey cited fiduciary duty to protect the \$1 billion in annual oil and gas royalties managed by the Texas Permanent School Fund (PSF). This divestment, a significant portion of the \$53 billion PSF, marks the largest move since states began severing ties over environmental, social, and governance (ESG) standards. Texas' Senate Bill 13 reflects resistance to ESG trends, prompting the action against BlackRock despite its substantial Texas investments.

<https://www.foxbusiness.com/politics/texas-pulls-8-5-billion-blackrock-stunning-blow-esg-movement>

EU Deutsche Bank Ties Management Board Compensation to Decarbonization Goals

ESG Today, 19th March 2024

Deutsche Bank updates its executive incentive plan to include decarbonization targets for its loan portfolio. A third of executives' long-term compensation is now tied to ESG goals. The bank aims to achieve €500 billion in sustainable financing and investment volumes by 2025, with €279 billion already reached by 2023. CEO Christian Sewing reaffirms commitment despite market uncertainties.

<https://www.esgtoday.com/deutsche-bank-ties-senior-exec-compensation-to-loan-book-decarbonization-goals>

Biden administration announces \$6 Billion Investment in Industrial Decarbonization

ESG Today, 27th March 2024

The U.S. Department of Energy announces funding of up to \$6 billion for 33 projects aimed at reducing emissions in hard-to-decarbonize industries like chemicals, steel, and cement. This investment, the largest ever in U.S. industrial decarbonization, targets a reduction of over 14 million metric tons of CO₂ annually. Allocations from the Inflation Reduction Act and Bipartisan Infrastructure Law support the Biden administration's climate agenda. The Industrial Demonstrations Program aims to scale up decarbonization projects, with federal funding matched by projects to leverage over \$20 billion. Secretary Jennifer Granholm emphasizes the importance of advancing decarbonization technologies for American competitiveness.

<https://www.esgtoday.com/biden-administration-invests-6-billion-in-industrial-decarbonization-projects/>



SUSTAINABLE FINANCE

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World's Embracing Sustainability: The Evolution of ESG Reporting in Financial Services

IBS intelligence, 22nd March 2024

Financial services prioritize sustainability amidst a surge in ESG disclosures. While sustainable finance products like SLLs and green bonds grow, challenges such as greenwashing and data inconsistency hinder progress. Regulations like the EU's CSRD and Basel Committee's proposals enforce ESG reporting and climate risk management. Generative AI offers promise in automating ESG reporting processes, addressing data challenges. Partnering with FinTech enables banks to access innovative solutions and adapt to regulatory changes. Most financial institutions recognize the importance of supporting ESG initiatives and view green lending as a growth opportunity. Now is the time to develop robust ESG strategies and embrace technological advancements for a competitive advantage.

<https://ibsintelligence.com/blogs/full-speed-ahead-for-sustainable-finance-the-year-of-regulation-and-gen-ai/>

Saudi Arabia's Green Financing Framework: A Step Towards Sustainable Leadership

Economy middle east, 29th March 2024

Saudi Arabia's Ministry of Finance unveils a green financing framework, advancing its sustainability goals and commitment to achieving net-zero emissions. Aligned with Saudi Vision 2030, the framework promotes sustainable policies and investment strategies, signaling the Kingdom's leadership in sustainable finance. By adhering to international standards and principles, including the Paris Agreement's targets and the Green Bonds Principles, Saudi Arabia aims to reduce greenhouse gas emissions and catalyse public and private financing for environmental initiatives. This framework underscores the Kingdom's dedication to sustainability and contributes to global climate change mitigation efforts.

<https://economymiddleeast.com/news/saudi-arabia-introduces-green-financing-framework-to-drive-sustainability/>



Gaia: Revolutionizing Climate Disclosure Analysis with AI

BIS, 15th March 2024

Project Gaia utilizes AI, notably large language models, to automate the extraction and analysis of corporate climate-related disclosures. Overcoming technical challenges such as response times and randomness, Gaia offers transparent and comparable climate-related information. Its flexible design enables easy expansion of analyzed institutions and key performance indicators, showcasing its broader relevance in the financial sector. Gaia represents a pioneering application of generative AI, demonstrating its transformative potential in streamlining workflows and providing valuable insights for future innovations in data analysis and decision support systems.

<https://www.bis.org/publ/othp84.htm>

Reserve Bank of New Zealand Guides Financial Sector in Climate Risk Management

Fintech Global, 28th March 2024

The Reserve Bank of New Zealand – Te Pūtea Matua unveils new Guidance to assist regulated entities in managing climate risks, acknowledging the growing threat of climate change to the nation's financial stability. The Guidance offers a flexible framework for banks, insurers, and others to tailor their risk management approach, incorporating sector feedback and aligning with Aotearoa New Zealand Climate Standards. Not prescriptive, it emphasizes entities' autonomy in application, reflecting a proactive stance towards evolving risk management practices. Director Kate Le Quesne underscores the importance of climate risk management for New Zealand's long-term prosperity.

<https://fintech.global/2024/03/28/new-zealands-central-bank-unveils-climate-risk-management-blueprint-for-finance/>

Reserve Bank of India Proposes Climate Risk Disclosure Framework

Business Law journal, 27th March 2024

The Reserve Bank of India (RBI) aims and acknowledges climate-related financial risks and proposes a comprehensive framework, including green deposits, disclosure guidelines, and stress testing guidance. Scheduled commercial banks, top-layer and upper-layer non-banking financial companies (NBFCs), and certain other financial institutions would be subject to mandatory disclosure, while others may opt in voluntarily. The framework aims to enhance transparency and early assessment of climate risks, covering governance, strategy, risk management, and performance metrics. This proactive regulatory approach aligns with global best practices, emphasizing disclosure over hard targets, and is poised to drive market development towards climate discipline

<https://law.asia/rbi-financial-climate-risk-framework/>



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