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@ESG Snapshot

Key Themes

- As ESG continues to integrate with more general corporate governance concerns, shareholder resolutions and court cases continue to move the debate forwards
- More high-profile businesses are choosing to commit to significant ESG-related goals
- Though investor, regulator and public pressure grows to tackle climate change, it is proving difficult for governments to agree to ramp up emissions reductions actions, increase climate finance and agree market mechanisms to help address climate change.
- There is increasing scrutiny (both by regulators and investors) of "greenwashing", the process of conveying a false impression or providing misleading information about how a company's products and actions are more environmentally sound.

Climate

Heathrow third runway ruled illegal over climate change

The Guardian reports that plans for a third runway at Heathrow airport have been ruled illegal by the court of appeal because ministers did not adequately take into account the government's commitments to tackle the climate crisis. The ruling is a major blow to the project at a time when public concern about the climate emergency is rising fast and the government has set a target in law of net zero emissions by 2050. *The Guardian*, 27 February 2020. [Click here for full speech]

European Central Bank (ECB) says financial institutions must understand the risks on their balance sheets

At a speech given the COP 26 Private Finance Agenda, European Central Bank Christine Lagarde delivered a speech on climate change and the financial sector. In her speech, Ms Lagarde noted that the main climate change-related risks for the financial sector consist of three categories, namely risks caused by disregard, delay and deficiency. With regards to the risks of delaying the response to climate change, Ms Lagarde commented that it is vital for financial institutions to understand the risks on their balance sheets. She also noted that increased disclosure by companies on their climate exposure is essential to improve the ability of market participants and financial institutions to conduct appropriate risk assessments. February 27, 2020. Click here for full speech

BP sets net zero carbon target for 2050

The Guardian reports on BP's new chief executive setting an ambitious target to shrink the oil firm's carbon footprint to net zero by 2050, mainly by cutting more greenhouse gas emissions every year than produced by the whole of the UK. He said BP would aim to become a net zero company by 2050 or sooner by tackling "all the carbon we get out of the ground as well as all the greenhouse gases we emit from our operations". BP is following the lead of other large oil firms by setting a target to reduce its contribution to the climate crisis, which will require the company to remove more than 400m tonnes of carbon emissions a year from its oil and gas business. BP will "invest more in low-carbon businesses – and less in oil and gas – over time", but will not set out the detail of how BP plans to meet the goals until an investor meeting in September. *The Guardian*, February 12, 2020. Click here for full article

JPMorgan Warns of Climate as a Threat to 'Human Life as We Know It'

In a report from Bloomberg, JPMorgan economist say that the most extreme risks of climate change can't be ruled out, including the collapse of human civilization. The solution, they say, is that the response to climate change should be motivated not only by central estimates of outcomes but also by the likelihood of extreme events, and that they cannot rule out catastrophic outcomes where human life as we know it is threatened. The analysts, who warned last year of 'Black Swan' tipping points that could push the planet and the economy into uncharted territory, also said that the longer that climate change action is delayed, the more costly it'll be to address later. *Bloomberg Green*, February 21, 2020. Click here for full article

More than a fifth of FTSE 350 companies faced significant shareholder dissent in the 2019 AGM season

According to governance support provider *Minerva Analytics*, shareholders proposed a number of major climate-related resolutions. Nortably, 98% of BP shareholders voted in favour of a resolution tabled by Climate Action 100+ which will require the company to set out a business strategy consistent with the goals of the Paris Agreement. Meanwhile, shareholders at mining company BHP pushed forward a resolution which would require the company to suspend its membership of trade associations not lobbying in line with the Paris Agreement. *Minerva Analytics*, January 31, 2020. Click here for full article

Cities Step Up Emissions Cuts As Climate Change Starts To Bite

Forbes reports that the non-profit Carbon Disclosure Project (CDP) Worldwide, cities are increasingly at the forefront of the battle against climate change – not only will the issue affect them disproportionately but they can have an outsize impact in tackling it as well. CDP reports that the number of cities that have introduced challenging emissions reduction targets has more than doubled from a year ago. When the CDP cities disclosure program was launched in 2011, just 43 cities responded. In 2019, more than 850 cities disclosed their emissions and climate actions, highlighting how climate action has risen up the agenda for cities around the world. The global non-profit, which drives companies, cities and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests, says that 105 cities, from Boston to Buenos Aires and Los Angeles to Leicester in the UK, are "leaders on climate action and transparency." *Forbes*, February 21, 2020. Click here for full article

Bezos pledges $10 Billion toward solving climate change

Forbes reports that Amazon CEO Jeff Bezos, who is the richest person in the world, announced in an Instagram post that he was donating $10 billion to combat climate change in a new initiative called the Bezos Earth Fund. Bezos said he will begin issuing grants this summer, and that the new global initiative will make charitable donations funding "scientists, activists, NGOs—any effort that offers a real possibility to help preserve and protect the natural world." *Forbes*, February 17, 2020. Click here for full article

Outcome of UN climate talks in Madrid

Simon Evans and Josh Gabbatiss of the *New Carbon Brief* report from December's UN climate talks in Madrid (known as "COP25"). *New Carbon Brief*, 15 December 2019. Click here for full article

US officials are increasingly warning that climate change could damage the economy

Markets Insider reports that US Federal Reserve officials are signaling fresh concerns about the dangers that extreme weather poses to the economy and to the financial system and signs the US central bank is ramping up its focus on climate change. Scientists from 13 federal agencies estimated last year that climate change would shrink gross domestic product by a tenth by 2100 if steps weren't taken to reduce the carbon emissions that warm the planet." *Markets Insider*, 6 January 2020. Click here for full article

Rule change would exclude climate change from US infrastructure planning decisions

New York Times reporter Lisa Friedman reports that US federal agencies would no longer have to take climate change into account when they assess the environmental impacts of highways, pipelines and other major infrastructure projects, according to a Trump administration plan that would weaken the nation's environmental law. The proposed changes to National Environmental Policy Act could sharply reduce obstacles to the Keystone XL oil pipeline and other fossil fuel projects that have been stymied when courts ruled that the administration did not properly consider climate change when analyzing the environmental effects of the projects. *New York Times*, 3 January 2020. Click here for full article

UBS says Europe could lead the way in $10 trillion fossil fuel capex ban

Bloomberg reports that a study by UBS Group AG claim that a $10 trillion ban on fossil fuel capital spending could hold the key to net-zero emissions by 2050. "Europe will likely be the starting point for such a move, according to the UBS report, since European countries are at the forefront in the fight against climate change." *Bloomberg*, 14 January 2020. Click here for full article

Sustainable Finance

FCA says momentum is accelerating behind climate change and sustainable finance policy in the UK

The Financial Conduct Authority (FCA) published its 'Sector Views 2020' which sets out its annual analysis of the way the financial environment is evolving and the impact of such changes on consumers and market effectiveness. In this year's 'Sector Views', the FCA notes that momentum is accelerating behind climate change and sustainable finance policy in the UK and the EU. It also notes that attention is increasingly turning towards ESG and stewardship within the asset management sector. *Financial Conduct Authority*, 18 February 2020. Click here for full article

European Securities and Markets Authority (ESMA) sets out its strategy on sustainable finance

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has published its Strategy on Sustainable Finance. The strategy sets out how ESMA will place sustainability at the core of its activities by embedding ESG factors in its work. The key priorities for ESMA highlighted in the strategy include completing the regulatory framework on transparency obligations via the Disclosure Regulation. ESMA will work with others to produce joint technical standards; reporting on trends, risks and vulnerabilities (TRV) of sustainable finance by including a dedicated chapter in its TRV Report, including indicators related to green bonds, ESG investing, and emission allowance trading. *ESMA*, 6 February 2020. Click here for full article

Generali develops framework for Green insurance-linked securities (ILS)

According to insurance industry news outlet *Artemis*, Generali, one of the largest global insurance and asset management companies, has recognised the potential for insurance and reinsurance linked investments to have green or ESG credentials and has developed a framework for green ILS. Generali said that this is aligned with its own sustainability and capital management strategies, with the initiative to develop a framework for

Green ILS closely related to one it has already worked on for Green bond investing. With environmental, social and governance (ESG) factors seen as increasingly important by institutional investors, the ILS asset class and the provision of insurance or reinsurance capacity to support catastrophe and disaster risk transfer have heightened the focus on the ILS market of late. *Artemis*, February 24, 2020. Click here for full article

Carbon emissions: Big steps to smaller footprints in real estate

According to *IPE Real Assets*, a number of real estate fund managers are increasing efforts to reduce carbon emissions in their portfolios. According to real assets sustainability benchmark provider GRESB, 130 of the 486 private funds or portfolios that reported said they achieved their 2018 targets. GRESB assesses whether managers set targets for their portfolios, the type of targets they set and whether they met their targets. It says that for the 2020 Assessment, it is taking the additional step to show real estate carbon transition pathways at portfolio and asset level needed to remain within 1.5 and 2.0 degrees [Celsius] of warming. *IPE Real Assets*, January / February 2020. Click here for full article

EU seals deal on "taxonomy" of environmentally sustainable activities

News source Euractiv reports that lawmakers in the European Parliament have approved a compromise on the EU's proposed sustainable finance rulebook, ending a bitter fight with EU member states on whether to recognise nuclear power as "green". The compromise reached in a bitter fight with EU member states on whether to recognise nuclear power as "green" and the role of gas as a "transition" source of energy. Britain, France, and Eastern EU countries – the Czech Republic, Hungary, Poland, Slovakia, Romania, Bulgaria and Slovenia – rejected an earlier deal, fearing it would exclude investments in nuclear or gas projects from being labelled as green in the transition to net-zero emissions. *Euractiv*, 17 January 2020. Click here for full article

Private equity giants vow to show their ESG credentials in 2020

UK-based *BusinessFast* reports that private equity fund managers will be engaging in efforts to convince investors that their ESG credentials are more than just branding. KKR and TPG, two of the biggest private equity firms, with about $330bn in total assets between them, have agreed to report by April on the positive ESG impacts of their investments, as well as their potentially negative effects. *BusinessFast*, 3 January 2020. Click here for full article

'Transition' bonds bridge gap between green and brown

BusinessFast reports that Marfrig, the world's second-largest producer of beef, raised $500m with a "green-tinged" bond in August 2019. The debt was a "transition" bond that would encourage the company to clean up its act by channeling proceeds towards cattle farmers who had not encroached on the rainforest. According to the article, "The deal could be a sign of things to come. So far, only a handful of such bonds have been sold around the world but analysts expect more to come as companies capitalise on demand from investors who want to be seen to be doing good." *BusinessFast*, 4 January 2020. Click here for full article

Korea exchange to recommend ESG disclosures

According to the Korean news outlet *Pulse*, The Korea Exchange plans to revise its disclosure rules to encourage listed entities to disclose ESG matters. This follows the appointment of a dedicated ESG team that is mandated to review the ESG practices of listed entities with a view to providing investors with more information on sustainability for their investment decision making. The proposed changes will take place from February 17, 2020. *Pulse*, 23 January 2020. Click here for full article

Malaysia sustainable and responsible investment roadmap

In a report from The Edge Malaysia, in November 2019, the Securities Commission Malaysia released the Sustainable and Responsible Investment (SRI) Roadmap for the Malaysian capital markets, aimed at creating an SRI ecosystem and charting the role of the capital markets in driving sustainable development. The Roadmap contains 20 recommendations to accelerate its growth domestically and regionally. The Securities Commission also unveiled revised SRI Sukuk Framework and guidance as the inaugural initiative under the SRI Roadmap. The revised framework has expanded the list of eligible SRI projects, enhanced disclosure and reporting requirements, and clarified the role of an external reviewer. *The Edge Markets*, 14 January 2020. Click here for full article

European Banking Authority (EBA) urges swift moves on green finance

Lucia Osborne-Crawley of *Law360* reports that the European Banking Authority (EBA) has urged financial services companies to act quickly to incorporate environmental principles into their investment strategies, as the sector grows increasingly concerned about the economic risks associated with climate change". The EBA sets down uniform methods for measuring the sustainability of assets and investments. It will develop a dedicated stress test for risks associated with a changing climate. It will also develop a regulatory framework to guide banks on how to assess how exposed they are to environmental risk. *Law360*, 6 December 2019. [Click here for full article]

Global

Hong Kong requires firms applying for listing to report on impact COVID-19

According to Reuters, Hong Kong's Stock Exchange (HKEX) has reportedly asked companies looking to IPO on the exchange to disclose the impact of COVID-19 pandemic on their businesses and detail plans to mitigate the effects. This foreshadows the proposed ESG disclosure requirements which are expected to become effective on July 1, 2020. These include mandatory disclosures on the Board of Directors oversight of ESG issues, its ESG management approach and strategy (including the process used to evaluate, prioritise and manage material ESG issues and the business risks), together with an explanation on how the board reviews progress against its ESG-related goals and targets and how they relate to its business. *Reuters*, March 4, 2020. [Click here for full article]

HKEX new ESG disclosure rules

According to the *International Financial Law Review* (IFLR), Hong Kong SAR's stock exchange is changing its rules on ESG reporting to improve corporate governance. IFLR's latest primer looks at how, following similar rule changes in the US and EU, Hong Kong SAR is changing its listing rules to increase transparency and the accountability of listed companies. Under HKES's new mandatory disclosure requirements, which will be effective July 1 2020, companies will need to provide: a board statement setting out its consideration of ESG matters, disclosure of significant climate-related issues which have impacted and may impact the issuer, disclosure obligation to company or explain key ESG performance indicators, and published ESG reports within five months of the financial year-end. *IFLR*, February 7. 2020. [Click here for full article]

China's mandatory ESG disclosure regulations boost green bonds

As reported in the *Asset*, China has grown into a leader of the global green movement, standing just after the US as the second largest issuer of green bonds worldwide. In 2018, the country's internationally aligned green bond issuance reached USD 31.2 billion and in September 2019, JP Morgan announced the inclusion of China into its emerging market Government Bond Index suite. The rapid development of the green finance market in China in part is a result of the mandatory ESG disclosure requirements listed entities and public bond issuers introduced by the China Securities Regulatory Commission (CSRC) in 2017 and are expected to be fully in place this year, however the CSRC has yet to provide further details on this. *The Asset, ESG Forum*, February 13, 2020. [Click here for full article]

ESG investment on top spot for investment growth in Singapore

According to the *Investment Management Association of Singapore's* (IMAS),2020 Investment Managers' Outlook Survey, the adoption of ESG investments is seen as the biggest future driver for investment growth over the next three years. In evaluating opportunities for investment growth, ESG (68%) took the lead, rising in importance compared to IMAS 2019's results. Respondents also ranked ESG or impact-focused strategies (57%) as the top strategy that will grow in popularity in 2020. *IMAS Press Release*, 7 January 2020. Click here for full article

Global green bonds report shows strong growth in Asia Pacific

The Asset reports on Refinitiv's Global Green Bonds: full year 2019 review. Highlights include total proceeds raised from green bonds issued globally in 2019 reached US$173.4 billion, a 31.0% increase from a year ago, as the number of issues grew 31.5% and accounted for 2.2% of the global bonds proceeds, according to a report, Asia Pacific led the way, including China which took the lead raising US$22.9 billion in proceeds, followed closely by Japan which raised US$6.7 billion in 2019. South Korea saw a 243.6% jump in proceeds from last year to US$5.1 billion in 2019, driven by LG Chem's US$1.6 billion issuance, and Southeast Asia green bonds totalled US$6 billion in 2019. *The Asset ESG Forum*, 17 January 2020. Click here for full article

Market Information

JPMorgan to Halt Lending to Some Coal Plants and Arctic Drillers

Bloomberg reports that JPMorgan Chase & Co. has tightened its policy on fossil-fuel financing, as the banking industry responds to growing pressure from activists. The bank will no longer advise or lend to companies that get the majority of their revenue from the extraction of coal, and it will exit existing credit exposure to those companies by 2024. It also vowed to stop financing coal-fired power plants unless they're using carbon capture and sequestration technology, and said it won't provide project financing for new oil and gas developments in the Arctic. The bank says the tweaks are part of a plan to support "market demand for and transition to cleaner sources of energy." *Bloomberg Green*, February 24, 2020. Click here for full article

Influential shareholder adds to pressure on Barclays over fossil fuel loans

The Guardian reports that Europe's largest asset manager is backing a shareholder vote urging Barclays to stop offering loans to fossil fuel companies. Amundi, an influential investor with more than €1.65tn (£1.4tn) in assets under management, is the latest shareholder to throw its weight behind a resolution calling on Barclays to phase out services to energy companies that fail to align with Paris climate goals. It comes amid rising concerns over Barclays' role as Europe's largest financier of fossil fuel companies. The resolution, spearheaded by campaign group ShareAction, was filed in January by a group of 11 pension and investment funds managing more than £130bn worth of assets. The Church of England has also thrown its weight behind the climate resolution, which is the first to be lodged against a UK bank. *The Guardian*, February 12, 2020. Click here for full article

DBS Bank provides green facilities for renewable energy providers

According to *finews.asia*, Singapore's DBS has converted its €500 million ($542.45 million) bank guarantee issuance facility with Siemens Gamesa to a green facility. Under the facility, Siemens Gamesa will be able to issue Green Guarantees to support its supply of equipment and services for wind energy projects internationally and assure higher standards of sustainable sourcing and deployment. According to the bank, in the past two years, it has provided over S$3 billion in financing and advisory services to the renewable energy sector across nine markets in Asia Pacific. Last year, the bank closed about S$5 billion in sustainable finance transactions, comprising green loans, sustainability performance-linked loans and renewable energy financing. *finews.asia*, February 25, 2020. Click here for full article

Goldman Sachs says it will support 'green' initiatives more forcefully

Reuters reports that Goldman Sachs intends to put money and advice toward projects that fight climate change or help financially disadvantaged people, targeting a of $750 billion investment. The figure is a mix of loans, underwriting, advisory services and investments related to projects Goldman expects to be involved with by 2030. It reflects the total size of loans, deals and other arrangements Goldman expects to perform as a bank or intermediary with companies and projects focused on renewable energy, sustainable transportation, affordable education and several other areas." *Reuters*, 16 December 2019. Click here for full article

Hedge funds short companies they say 'greenwash'

Reuters reports that while tens of trillions of global investment dollars are pouring into companies touting robust ESG credentials, short-sellers see an opportunities from companies they believe are unduly inflated by ESG promises or which they say ignore risks that threaten to undermine the company's prospects. Some short-sellers argue share prices can be bolstered by corporate misrepresentation about sustainability, or so-called "greenwashing". *Reuters*, 15 December 2019. Click here for full article

BlackRock puts climate at centre of $7 trillion strategy

Bloomberg reports that BlackRock CEO Larry Fink struck an urgent note in his annual letter to America's corporate executives: Climate change will upend global finance sooner than they might think. This was his strongest warning yet to business leaders on the climate crisis, and said his firm will take steps to address the issue across the thousands of companies in which it invests. *Bloomberg*, 14 January 2020. Click here for full article

Human Rights

Commission supports mandatory human rights and environmental due diligence

A new study commissioned by the European Commission focuses on due diligence requirements to identify, prevent, mitigate and account for abuses of human rights, including the rights of the child and fundamental freedoms, serious bodily injury or health risks, environmental damage, including with respect to climate. The survey also noted that the introduction of mandatory due diligence requirements would likely have the most positive human rights and environmental impacts from a number of regulatory intervention options considered at the EU level, with positive impacts dependent on proper monitoring and enforcement. The fact that there are currently pending proposals or campaigns for mandatory human rights and environmental due diligence laws in 13 European countries (including 11 EU Member States) highlights that the direction of travel is very much towards mandatory human rights due diligence, rather than away from it. This will likely impact how financial institutions approach due diligence of its own client's supply chains in future. *European Commission*, January 2020. Click here for full report

Momentum builds for corporate human rights duties

Juliane Kippenberg and Komala Ramachandra of *Human Rights Watch* report that millions of adults and children around the world suffer abuses as workers obtaining raw materials, toiling on farms, and making products for the global market. As a result, many nations are considering laws that would change the way that companies deal with human rights in their global operations, going beyond transparency and reporting to requirements to identify human rights risks in corporate supply chains and to take steps to prevent them. *Human Rights Watch*, January 2020. [Click here for full article](#)

Tech companies named in a lawsuit related to forced child labour in Congo

Court documents filed against defendants—including Apple, Alphabet, Microsoft and Tesla—allege that "*young children […] are not merely being forced to work full-time, extremely dangerous mining jobs at the expense of their educations and futures; they are being regularly maimed and killed by tunnel collapses and other known hazards common to cobalt mining in the DRC*." This is a landmark claim as, until now, no tech company has faced a lawsuit of this kind, even though cobalt extraction has been linked to human rights abuses for several years. 15 December 2019. [Click here for full lawsuit](#)

Complaint filed for investing in a Norwegian wind project opposed by indigenous people

Swiss news outlet *Swissinfo.ch* reports that the Society for Threatened Peoples (STP) filed a complaint with the Organisation for Economic Co-operation and Development (OECD) against the BKW energy company. STP claims that the loss of these lands to the wind power project would force the last of the reindeer herders to give up their livelihood and culture. 16 January 2020, SWI. [Click here for full article](#)

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