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## **Sustainable Fitch: Social and Political Issues Increasingly Shape Financial Market Shifts**

Fitch Ratings-Hong Kong-15 August 2022: Social, economic and political factors are increasingly driving developments in the sustainable finance market, says Sustainable Fitch in a new report. The expansion of sustainability-focused regulation has also continued, despite rising political resistance in key markets.

Regulatory and policy actions under the Biden Administration in the U.S. to address environmental, social and governance issues, such as the U.S. Securities and Exchange Commission's proposed climate disclosure rule and the U.S. National Action Plan on Business Conduct, have begun to generate scepticism from other stakeholders and in localities where the fossil-fuel sector is still a large employer and economic contributor. However, financial incentives for green technology and clean energy have attracted interest from many of the same regions, indicating that efforts to ease the carbon transition may alleviate political concerns.

Sustainable Fitch's analysis of climate-related credit risk indicates that key sectors, including agriculture, mining and metals, and real estate and property, are likely to face significant demand and regulatory changes by 2050 as a result of the global 'net-zero' carbon emissions transition. Sectors that are less vulnerable to climate transition risks, such as telecommunications and technology, are likely to face greater social risks, such as data privacy and customer welfare.

The Asia-Pacific region saw greater sustainable finance regulatory and policy activity in 2Q22, including the Australian Labor Party's victory in the May federal election. The Party has more ambitious climate policy and carbon emission reduction targets. The government of Singapore also released its green bond framework in May and announced plans to issue its first sovereign green bond by August. Meanwhile, the EU-China Common Ground Taxonomy was updated in June 2022 to identify where countries aligned on green activities to boost the document's usability by market participants.

More details are in the full report "ESG Credit Quarterly: 2Q22" at [www.fitchratings.com](http://www.fitchratings.com).

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