



Monthly ESG Newsletter

March 2022

**ARWIN &
PARTNERS**

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February 2022 – ESG Regulatory updates



ESMA Sustainable Finance Roadmap 2022-2024

- The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has today published its Sustainable Finance Roadmap 2022-2024.
- ESMA identifies three priorities for its sustainable finance work:
 - Tackling greenwashing and promoting transparency;
 - Building National Competent Authorities' (NCAs) and ESMA's capacities in the sustainable finance field; and
 - Monitoring, assessing and analyzing ESG markets and risks.
- ESMA is actively contributing to the development of the sustainable finance rulebook and to its consistent application and supervision by taking the necessary measures to promote investor protection across the EU. ESMA also engages in risk assessment and market monitoring activities focusing on potential financial stability risks stemming from ESG factors.

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ESMA investigates ESG Rating Sector

- The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, today publishes a Call for Evidence on Environmental, Social and Governance (ESG) ratings. The aim is to gather information on the market structure for ESG rating providers in the European Union (EU).
- The Call for Evidence's purpose is to develop a picture of the size, structure, resourcing, revenues and product offerings of the different ESG rating providers operating in the EU. The call is mainly addressed to three target groups:
 - ESG rating providers;
 - users of ESG ratings; and
 - entities subject to rating assessment of ESG rating providers..
- Call for Evidence is intended to complement a separate consultation to be launched by the European Commission (EC), that will seek stakeholder views on the use of ESG ratings by market participants and the functioning and dynamics of the market.

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EU Taxonomy: Complementary Climate Delegated Act

- The Commission approved the Complementary Climate Delegated Act including specific nuclear and gas energy activities in the list of economic activities covered by the Eu Taxonomy.
- The gas and nuclear activities selected are in line with the EU's climate and environmental objectives and will allow us to accelerate the shift from more polluting activities, such as coal generation, towards a climate-neutral future, mostly based on renewable energy sources.
- Today's Complementary Climate Delegated Act adopted these objectives:
 - Introduces additional economic activities from the energy sector into the EU Taxonomy and;
 - Introduces specific disclosure requirements for businesses related to their activities in the gas and nuclear energy sectors.

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Proposal for a Directive of the European Parliament on Corporate Sustainability Due Diligence

- After several postponements, the European Commission published, on 23 February 2022, its much-awaited proposal for a Directive on Corporate Sustainability Due Diligence,
- The proposal aimed at imposing on companies of a certain size operating in the EU far-reaching due diligence obligations covering the adverse human rights and environmental impacts of their own operations, and those of their subsidiaries and their upstream and downstream value chain.
- Through this proposal, the European Commission seeks to advance respect for human rights and the green transition, create a level playing field for companies within the EU and avoid fragmentation resulting from voluntary standards and/or EU Member States acting on their own.

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February 2022 – New documentation on ESG issues

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|   |   |   |   |   |   |
| <p>“Global Sustainable Fund Flows: Q4 2021 in Review”</p> <ul style="list-style-type: none"> Sustainable fund inflows grew, driven by continued investor interest in environmental, social, and governance issues and by regulation. Global sustainable fund assets expanded by 9% in the fourth quarter to USD 2.74 trillion at the end of December 2021. In Europe, the sustainable fund universe is going through a significant transition following the introduction of the EU Sustainable Finance Disclosure Regulation in March. Europe remains the most developed market with 79% of sustainable funds considered on a global scale (10% USA, 11% Rest of the World). | <p>Engaging the chain: driving speed and scale”</p> <ul style="list-style-type: none"> This report explores the environmental impact caused by supply chains and the actions companies are taking to reduce them. This year, over 11,000 companies submitted environmental data to CDP. The results show moderate action on measuring and tackling environmental impacts resulting from direct operations. Environmental issues are interconnected; companies cannot meet their climate net-zero targets whilst generating mass deforestation in their supply chain. | <p>“Corporate Climate Responsibility Monitor 2022”</p> <ul style="list-style-type: none"> Most large companies now have public climate strategies and targets, many of which include pledges that, on the face of it, appear to significantly reduce, or even eliminate, their contributions to global warming. The rapid acceleration of corporate climate pledges, combined with the fragmentation of approaches means that it is more difficult than ever to distinguish between real climate leadership and unsubstantiated greenwashing. Identifying and promoting real climate leadership, has the potential to unlock greater global climate change mitigation ambition. | <p>“Sustainability in Focus”</p> <ul style="list-style-type: none"> The report starts by looking at the overoverarching concepts, such as warehouse property and energy that powers them, but then delves deeper into specific initiatives and technologies that will help operations on ‘the road to net zero’. The report is divided into three major sections: <ul style="list-style-type: none"> - Sustainable Property - Sustainability in Practice - Sustainable Solutions Finally, the report will look ahead further into 2022, and at the International Materials Handling Exhibition (IMHX) which is this year introducing an aptly timed “Sustainability Zone”. | <p>“EY Global Integrity Report 2022 “</p> <ul style="list-style-type: none"> More companies than ever value corporate integrity, but many professionals say the pandemic has made it difficult to carry out business with integrity. The EY Global Integrity Report 2022 reveals a growing gap between what senior leaders assert is important and what they are prepared to do for individual gain. Businesses are adopting new reporting methods that improve rigor and transparency and bring opportunities to leverage advanced analytics for risk mitigation. | <p>BVI survey on the integration of sustainability risks in risk management”</p> <ul style="list-style-type: none"> Most large companies now have public climate strategies and targets, many of which include pledges that, on the face of it, appear to reduce their contributions to global warming. The rapid acceleration of corporate climate pledges, combined with the fragmentation of approaches means that it is more difficult to distinguish between real climate leadership and unsubstantiated greenwashing. Identifying real climate leadership, has the potential to unlock greater global climate change |
| <p>Click here to download the report</p> | <p>Click here to download the report</p> | <p>Click here to download the report</p> | <p>Click here to download the report</p> | <p>Click here to download the report</p> | <p>Click here to download the report</p> |

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The ESG Imperative in M&A to assess target companies for hidden risks

BAIN & COMPANY

ESG is rapidly becoming front of mind for regulators, investors, customers, and employees. Only 11% of M&A executives assess ESG in the deal-making process. Companies find assets that will advance existing ESG to create economic value

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Investor-backed Initiative TPI Launches Sector-Specific Framework to Assess Companies' Climate Goals & Progress

ESG Today

The Transition Pathway Initiative (TPI) announced today the publication of the TPI Sectoral Decarbonisation Pathways, its detailed framework for guiding investors in order to assess corporate climate targets across high-emitting sectors.

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JP Morgan AM adds ESG filter to three corporate bond ETFs

ETF STREAM

The ETFs will exclude issuers involved in the manufacturing of controversial weapons, thermal coal and tobacco while issuers will be assessed against principles in the UN Global Compact. It added they will apply "maximum percentage thresholds" for industries that make a certain amount of turnover from production or distribution of certain sectors.

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Does Your Company Need a Chief ESG Officer?

Harvard Business Review

There's a new title in the C-suite: chief ESG officer. While top executives with "ESG" in their title are new and not yet widespread, this role is an opportunity that companies may consider as they face increasing pressure to address environmental, social, and governance (ESG) issues.

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UK: FCA's ESG Sourcebook and the mandatory TCFD disclosure rules for asset managers and asset owners

Linklaters

The UK's ambition to make TCFD reporting mandatory for corporates and the financial sector by 2025 is underway addressing the obligations of AM to annually report on TCFD compliance.

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Salesforce Ties Executive Pay to ESG Performance

ESG Today

CRM solutions provider Salesforce announced today that it will begin including ESG goals in its executive compensation programs. Beginning this year, Salesforce will tie a portion of executive variable pay for Executive Vice President and above to four ESG measures.

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US companies add environmental and social targets to executive bonuses

FT FINANCIAL TIMES

Starbucks joined Apple and Disney in adding new environmental and workplace targets to 2021 pay, according to an analysis by Sentio, a data provider. Shareholders will get to vote on these provisions in March when the companies hold annual meetings.

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World's biggest firms failing over-net zero claims, research suggests

The Guardian

Some of the world's biggest businesses are failing their net-zero emission target. They will cut their carbon emission by only 40% rather than the 100% cuts claimed. Amazon, Ikea, Nestlé and others will fall short of promise to cut greenhouse emission.

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CDP: 12 Italian leader companies insert in the Supplier Engagement Rating

There are 12 Italian companies included in the Supplier Engagement Rating Leader board of CDP (Carbon Disclosure Project), the list of the 500 global companies that boast the best performance in the management of their supply chain on the sustainability front.

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Amundi gives fund an ESG restyling

Amundi US has rebranded its \$299m Pioneer Global Equity Fund with a sustainability tilt. The Pioneer Global Sustainable Equity Fund is the third in the firm's sustainable range, alongside Pioneer's Global Sustainable Growth and Global Sustainable Value funds. The three funds are managed by Amundi_US's global equity team.

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Big demand for sustainability advisory, says TCS

India's largest software services provider by revenue, Tata Consultancy Services (TCS), is seeing increased demand for technology-based solutions in the area of ESG. The TCS goal will be to help organizations into energy usage and reduce waste to accelerate their net-zero goals.

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Europe's ESG drive may push 'vice' firms to raise money in US

The European Union's sustainable investing rules are stricter compared to US regulation. However, asset managers are considering to look across the Atlantic for funding. Defence and tobacco are sectors that are facing exclusions in Eu and are finding easier to raise capital in US

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Who regulates the ESG rating industry?

Investors and financial advisers, look to the ratings and indexes to develop investment strategies or create ESG-focused mutual funds, index funds and ETFs. Securities and Exchange Commission regulate the raters. However, ESG ratings lack clarity and rely on inconsistent criteria.

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ESG, Intesa Sanpaolo presents laboratory for companies

Improve the sustainability profile of companies by initiating the transition towards social inclusion objectives and investments in sustainable, digital and circular economy projects. With this objective in mind, Intesa Sanpaolo presents the "ESG Laboratory - Environmental Social Governance".

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Schroders Unveils New Sustainable Equity, Bond & Digital Infrastructure Funds

Schroders announced today the launch of several new sustainable investment funds. The new offerings include a digital infrastructure fund, a sustainable bond fund, and a UK Unit Trust for its European Sustainable Equity fund.

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Mastercard Launches ESG-Focused Consulting Service

Global payment technology company Mastercard announced the launch of a new ESG consulting practice. The new practice of the company's payments-focused consulting service, alongside new practices dedicated to Open Banking, Open Data, and Crypto & Digital Currencies.

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ESG Events Highlights: March 2022



Responsible Business – March 3th, 2022

Join senior business leaders, policymakers and investors to assess the mainstreaming of environmental, social and governance (ESG) matters into impactful decision-making and advancing the sustainability agenda.

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Chatham House & Online



ESG Global – March 8-9th, 2022

ESG is taking on an even greater significance in light of recent events: companies have the responsibility and resources to accomplish positive climate action, building a more sustainable, resilient future

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Online



PwC ESG Spring Week – March 8-11th, 2022

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Online



ESG & Sustainability Forum – March 21th, 2022

The 4th annual ESG & Sustainability Forum will bring together more than 200 delegates from across the globe to discuss this ever-important topic. Join the forum as experts discuss what the future looks like for this sub-asset class in the route to net-zero post COP26.

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Hilton, Berlin



Wall Street Green Summit – March 28-31th, 2022

Launched in 2002 by Peter Fusaro, this virtual conference on Zoom covers cutting edge content and industry developments, and features the leading practitioners in sustainability. More importantly, it is aimed at building a sustainable finance system for responsible investing and the changing role of business.

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Online

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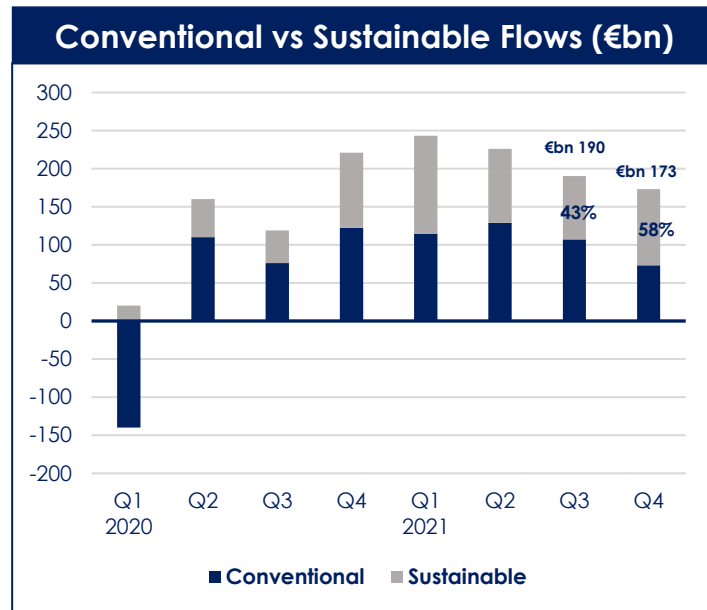
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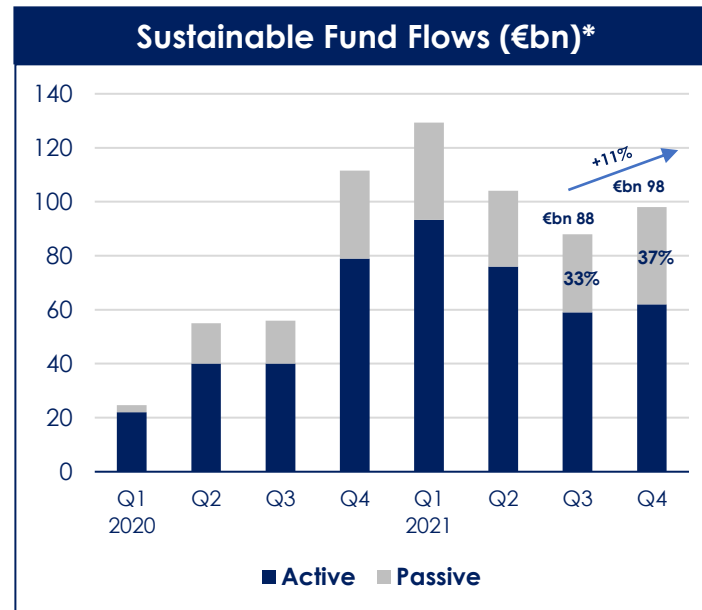
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Inflows into European ESG and Sustainable funds increased two-fold in the last year

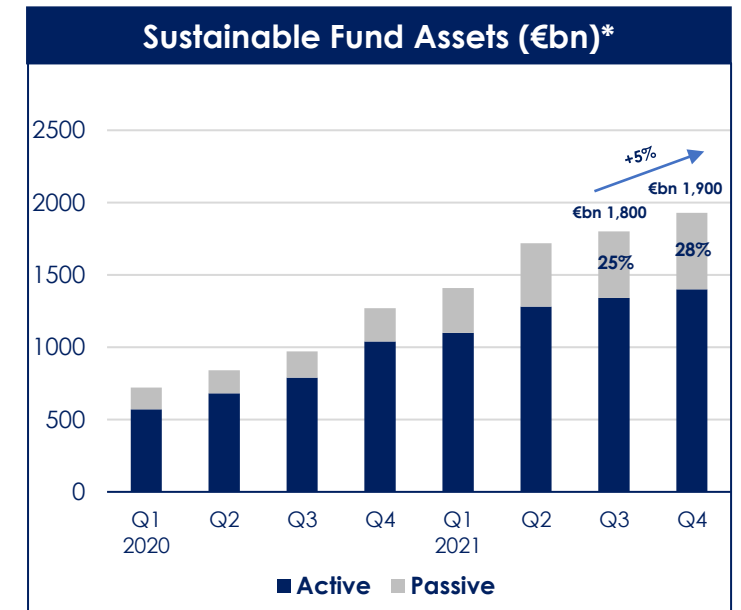
Inflows in Sustainable funds were higher than in Conventional funds in Q4 2022



Source: Morningstar



Source: Morningstar



Source: Morningstar

- In the fourth quarter, the total European investment funds recorded €173 bn of net inflows compared to €190 bn in Q3. However, the contribution of the sustainable flows **increased from 43% to 58% showing a total inflows growth from €88 bn to €98 bn (+11%)**
- **Inflows into passive ESG funds** remained strong in the fourth quarter at nearly €45 bn showing an increase **from 33% to 37% of total sustainable funds**
- At the end of Q4, the total AUM of the European sustainable funds reached €1,900 bn **incremented by 5% from Q3. Furthermore, the AUM passive fund increased from 25% to 28% in Q4**
- **Europe remains the most developed market** with 79% of sustainable funds considered on a global scale (10% USA, 11% Rest of the World)

Note: According to Morningstar research, the "sustainable" funds universe encompasses open-end funds and exchange-traded funds that, by prospectus, fact sheet, or other available resources, claim to have a sustainability objective and/or use binding environmental, social, and governance criteria for their investment selection. The sustainable funds group does not contain funds that employ only limited exclusionary screens such as controversial weapons, tobacco, and thermal coal, nor does it contain the growing number of funds that now formally integrate ESG considerations in a nondeterminative way for their investment selection. Money market funds, feeder funds, and funds of funds are excluded

* According to Morningstar, European sustainable fund universe shrank by 27%, as many funds placing themselves into Article 8, for example, are not funds they would independently classify as sustainable funds

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ESMA Sustainable Finance Roadmap 2022-2024

Eight main points to advance the EU's sustainable finance market

| N° | Actions/Deliverables | Timeline | Priority |
|----|---|----------|---|
| 1 | Assess/contribute to consistency of Sustainable Finance legislation across sectors (CSRD, Benchmarks Regulation, SFDR, Taxonomy regulation (TR), etc.) and convergence in their application/supervision | 2022-23 | Greenwashing/Monitoring ESG markets |
| 2 | Assess greenwashing practices observed, including key features of this phenomenon | 2022-23 | Greenwashing |
| 3 | Map and develop a common understanding of NCAs' supervisory role across sectors, notably on greenwashing, and identify legal impediments, if any | 2022-23 | Greenwashing |
| 4 | Establish the CNS - CWG | 2022 | Building capabilities/Monitoring ESG markets |
| 5 | Undertake horizontal mapping of ESG data needs/usages for supervisory purposes | 2023 | Greenwashing/Building capabilities |
| 6 | Implement the Sustainable Finance Training Plan | 2022-24 | Building capabilities |
| 7 | Contribute, as needed, to EC's efforts to develop EU-wide labels, including the EU Green Bond Standard, and in the future ESG labels for instruments (e.g. sustainability-linked bonds) and investment products | 2022-24 | Greenwashing |
| 8 | Monitor the progress on the fulfilment of the ESMA priorities for sustainable finance as identified in the Sustainable Roadmap | 2022-24 | Greenwashing/Building capabilities/Monitoring ESG markets |

Source: ESMA and Jeffries

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ESG Conferences organised by Investment Banks and Brokers in 2022

| Organizer | Event Name | Mode | Location | Date | Hyperlink (if any) |
|------------------------------|---|--------------------------|----------|------------------------|----------------------------------|
| Bank of America | ESG Conference | n.c | n.c | Q2* | |
| Impact Investing World Forum | Impact Investing – World Forum 2022 | In attendance and Online | London | 28-29 April 2022 | Impact Investing |
| Société Générale | ESG/SRI Conference | In attendance | Paris | 11-12 May | |
| Kepler Chevreux | ESG Conference | Online | - | 1 June 2022* | |
| Euronext | Euronext ESG Summit 2022 – Financing the blue and green economy | Online | Lisbon | 8-9 June 2022 | Euronext |
| Euronext - Borsa Italiana | Digital Italian Sustainability Week | Online | - | 28 June - 2 July 2022 | Borsa Italiana |
| BNP Paribas - Exane | ESG Conference | In attendance | Paris | 27-29 September 2022 | |
| Société Générale | ESG/SRI Conference | In attendance | Paris | 15-16-17 November 2022 | |
| Mediobanca | ESG Conference | n.c. | n.c. | November 2022* | |
| Morgan Stanley | ESG Insights European event | n.c. | n.c | 1 December 2022 | |