



Monthly ESG Newsletter

June 2022

**ARWIN &
PARTNERS**

Sustainability matters!

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May 2022 – ESG Regulatory updates



EBA launches discussion on the role of environmental risks in the prudential framework

- On May 2, the European Banking Authority published a Discussion Paper on the role of environmental risks for institutions and investment firms
- Environmental risks are changing the risk picture for the financial sector and will become even more prominent going forward. This affects all traditional risk categories, such as credit, market and operational risks
- The consultation runs until 2nd August 2022

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ESAs consult on sustainability disclosures for Simple, Transparent and Standardised Securitisations

- On May 2, European Supervisory Authorities (EBA, EIOPA and ESMA) published a Consultation Paper seeking input on draft Regulatory Technical Standards (RTS) on the content and methodologies of information in respect of the sustainability indicators for Simple, Transparent and Standardised (STS) securitisations
- The proposed draft RTS aim to:
 - facilitate disclosure of companies' assets financed by STS securitisations on environmental, social and governance-related factors and;
 - work in respect to ESA's sustainability-related disclosures
- The consultation closing date will be the 2nd July 2022

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European Parliament - European Green Bond Standard: new measures to reduce green washing

- On May 16, Members of the European Parliament (MEPs) seek to better regulate the green bond market, improving its supervision, reduce greenwashing, and add clarity when investments are allocated into gas or nuclear
- The amended proposal aims to better regulate the entire green bond market, rather than only establishing the European Green Bond Label (EuGB) and reduce the so-called "green-washing"
- For all bonds that are marketed as "green", transparency requirements are introduced, including being aligned with the taxonomy legislation

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EIOPA - European Insurers' exposure to physical climate change

- On May 20, the European Insurance and Occupational Pensions Authority (EIOPA) provides an initial assessment to climate-related hazards and inform future work in this relatively new field
- The results indicate that European firms and groups included in the sample have been historically well placed to handle claims from three major European natural catastrophes analyzed in the report
- However, it is important to note that the insurance sector's ability to continue to offer financial protection against the consequences of such events relies on their ability to measure the likely impact of climate change and adapt their business strategies

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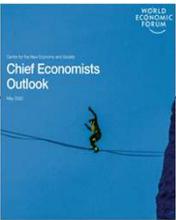
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May 2022 – New documentation on ESG issues | 1

 <p>“Sustainability: Recent ESG Developments”</p> <ul style="list-style-type: none"> Environmental, Social and Governance (“ESG”) factors have fast risen to the top of the board agenda across all sectors, with increasing awareness that a failure to address these matters can be detrimental both financially and reputationally Investor pressure, internal governance and the proliferation of regulatory requirements and voluntary standards across the globe makes this a complex area to manage This report will intend to assist banks, financial investors and corporations in keeping up to date with ESG challenges and developments <p>Click here to download the report</p>	 <p>“Report on investment sustainability and climate risks”</p> <ul style="list-style-type: none"> Risks arising from climate change, biodiversity loss, the degradation of social conditions and the quality of business management affect the actual and potential growth of the economy Globally, investors' attention to ESG factors has increased: based on the World Economic Forum's 2022 survey, environmental and sustainability are among the most relevant risk categories The main role in addressing climate change and ESG risks lies with governments. However, these risks are also important for central banks and supervisors, as they can affect their ability to achieve institutional objectives related to price stability, the financial system, and individual intermediaries <p>Click here to download the report</p>	 <p>“2022 climate-related shareholder proposals”</p> <ul style="list-style-type: none"> BlackRock Investment Stewardship (BIS) takes a case-by-case approach to shareholder proposals and, without exception, takes voting decisions on proposals as a fiduciary acting in clients' long-term economic interests Having supported 47% of environmental and social shareholder proposals in 2021, BIS notes that many of the climate-related shareholder proposals coming to a vote in 2022 are more prescriptive or constraining on companies and may not promote long-term shareholder value BIS continues to see voting on shareholder proposals playing an important role in stewardship <p>Click here to download the report</p>	 <p>“Global Sustainable Fund Flows: Q1 2022 in Review”</p> <ul style="list-style-type: none"> The global sustainable fund universe encompasses open-end and exchange-traded funds that, by prospectus or other regulatory filings, claim to focus on sustainability; impact; or environmental, social, and governance factors Despite investor concerns over inflationary pressures and the war in Ukraine, sustainable funds still held up better than the broader market, which saw inflows slump by 73% over the period This report examines recent activity in the global sustainable fund universe and details regional flows, assets, and launches for the first quarter of 2022 <p>[Summary on slide 13]</p> <p>Click here to download the report</p>
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May 2022 – New documentation on ESG issues | 2

			
<p>“Chief Economists Outlook”</p> <ul style="list-style-type: none"> • The May 2022 Chief Economists Outlook comes out with extremely high uncertainty about geopolitical developments, the trajectory of the global economy and the next steps for economic policy • Furthermore, global economies are experiencing additional shocks such as the war in Ukraine with long-term geopolitical repercussions and new outbreaks of COVID 19 in major industrial centres • Geopolitical uncertainty and polarization may also contribute to driving the global economy deeper into fragmentation, with negative consequences for trade, prices and living standards 	<p>“ESG Reporting Guide – target 1.5°C”</p> <ul style="list-style-type: none"> • There is increasing awareness that material ESG factors affect a company's long-term value. The largest global investors are allocating capital to companies that are well equipped to benefit from the transition to a green and sustainable economy • This trend is growing as an increasing number of companies and institutions commit to take action to limit global warming to 1.5°C and achieving the goal of net zero by 2050 set by the 2015 Paris Agreement • The transition to a more sustainable economy can be approached as a way of accessing new value-creating business opportunities <p>[Summary on slide 17, 18]</p>	<p>“ESG Global Study 2022”</p> <ul style="list-style-type: none"> • ESG adoption is on the rise, fueled by client demand and a desire to make an impact. As ESG momentum continues to gain steam, investors are refining and evolving their strategies • This can be seen in the implementation arena, where investors are moving away from basic screening methods towards more targeted and sophisticated strategies, including thematic and impact investing • Meanwhile, ESG integration remains the top implementation strategy — showing how investors are taking a holistic approach as they look to comprehensively embed ESG into the investment process <p>[Summary on slide 15]</p>	<p>“Monitoring report on progress towards the SDGs in an EU context ”</p> <ul style="list-style-type: none"> • Monitoring is an essential component in realizing the 2030 Agenda's vision, by assessing and visualizing the progress made so far towards the 17 SDGs • Reflecting the timespan of the 2030 Agenda, this report aims to present an objective assessment of whether the EU, according to the selected indicators, has progressed towards the SDGs over the past 15-year period • Additionally, short term trends over the most recent five-year period of available data are presented to provide an indication of whether a trend has been persistent or has shown a turnaround at a certain point in time
<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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ESG News Highlights: May 2022 | 1

THE COMMERCIAL OBSERVER

Real Estate starts to use Blockchain for ESG goals

The Real Estate industry has found a particular use for blockchain in its environmental, social and governance (ESG) efforts to track and provide proof to investors, tenants and government entities of its carbon reduction progress

[Click here to go to the article](#)

Nasdaq

The Rise of ESG 3.0 - How the future of ESG can deliver better results

ESG 2.0 came with a growing awareness of the material financial implications of poor social, governance or environmental performance. However, ESG 3.0 is when finance finally steps up and accelerates investments towards climate change solutions

[Click here to go to the article](#)

THE FORGE

ESG - the war slows down "green" investments

A mix of toxic factors in the first quarter of 2022 had a noticeable impact on sustainable debt issuance. Moreover, the war in Ukraine, high inflation in the energy and commodities sectors and the strengthening of expectations of rising interest rates had negative effects on ESG investments

[Click here to go to the article](#)

MORNINGSTAR

Biodiversity loss and climate change call for a nature-positive economy

The decline of biodiversity is accelerating at an alarming rate for the global economy, which is highly dependent on biodiversity and natural capital. More than half of the world's GDP, equal to \$44 trillion USD, is moderately or highly dependent on nature

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ESG TODAY

Deutsche Bank introduces mandatory ESG ratings for suppliers

Deutsche Bank stated that it is partnering with business sustainability ratings provider on the new initiative, ensuring suppliers of products and services to meet high ESG requirements

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Forbes

Defining the next generation of ESG Investing

Today, after decades of protests, political progress, and legislation, ESG investing is mainstream. Over 33% of all assets under professional management in the US are now put into socially responsible investments, recording \$120 billion invested in ESG-ETFs in 2021

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BNN Bloomberg

Wall Street skews on fossil-fuel financing votes

Sierra Club that is the biggest and influential environmental organization in the United States has been pressing Wells Fargo, Goldman Sachs and Morgan Stanley to stop funding new fossil-fuel projects, including coal plants

[Click here to go to the article](#)

REUTERS

More CEOs consider sustainability to be a top challenge

A growing number of CEOs consider sustainability one of the biggest challenges to act upon over the next years. As the world rebounds from the disruption caused by coronavirus, firms are facing increasing pressure from stakeholders to prioritise how they will adapt as the world transitions to a low-carbon economy

[Click here to go to the article](#)

ESG News Highlights: May 2022 | 2

Linklaters

South Africa launches green taxonomy

The National Treasury (NT) launched South Africa's first Green Finance Taxonomy (GFT). This is an official classification that defines a minimum set of assets, projects, and sectors as eligible to be defined as "green" or environmentally friendly. The taxonomy also lists the standards that define economic activities as "green"

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ESG NEWS

Bankitalia, strengthens ESG investments reducing CO₂ in equity portfolio by 60%

Bankitalia reinforces its commitment toward managing its portfolio of about €210 billion in accordance with ESG (Environmental, Social and Governance) criteria and presents the results of the journey over the past three years

[Click here to go to the article](#)

FT FINANCIAL TIMES

BlackRock warns it will vote against more climate resolutions this year

BlackRock has warned that it will not support most shareholder resolutions on climate change this year because they have become too extreme or too prescriptive. The group said it was particularly wary of proposals to stop financing fossil fuel companies

[Click here to go to the article](#)

IFRS®

Integrated Reporting - articulating a future path

As we are progressing with the Value Reporting Foundation (VRF) consolidation process, and after the IFRS Foundation clarified its plans for the SASB Standards, the IASB chair and ISSB chair have communicated plans for the future role, governance and development of the VRF's Integrated Reporting Framework and Integrated Thinking Principles

[Click here to go to the article](#)

ESG today

EU plans scale-up in hydrogen capacity by 2025

The European Commission and a group of leading industrial companies announced a green energy plan to rapidly scale hydrogen production capabilities in Europe, including a commitment to grow electrolyser manufacturing capabilities by 2025

[Click here to go to the article](#)

WORLD METEOROLOGICAL ORGANIZATION

50:50 chance of global temperature reaching 1.5°C in five years

The Paris Agreement sets long-term goals to guide all nations to substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 °C while pursuing efforts to limit the increase even further to 1.5 °C

[Click here to go to the article](#)

CNBC

Tesla removed from S&P 500 ESG Index on lack of low carbon strategy

High-profile electric vehicle Tesla was removed from the S&P 500 ESG Index in the benchmark's annual rebalancing, as the company's ESG score was held back by its lack of a low-carbon strategy. The S&P 500 ESG Index uses environmental, social and governance data to recommend companies to investor

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ESG NEWS

Taxonomy, UK wants to include natural gas among green projects

The United Kingdom has announced plans to label some natural gas projects as sustainable under its Green Investment Regulation, which will be published later this year

[Click here to go to the article](#)

ESG Events Highlights | 1



UN Global Compact Leaders Summit 2022 – 1/2 June

United Nations Global Compact Leaders Summit brings together thousands of forward-thinking business leaders, SDG stakeholders, activists, policy makers and emerging leaders from across the globe who are taking action on the SDGs and shaping the future.

[Click here to go to the page](#)

Virtual



Annual ESG Conference 2022 – 3 June

Reforming the European Semester for a resilient, sustainable and inclusive Europe - Tackling present and future challenges

[Click here to go to the page](#)

Virtual /
Brussels, BE



Responsible Business Europe 2022 – 8/9 June

At this year's Responsible Business Europe 2022 we will help you deliver a roadmap for net zero and achieve decarbonisation, provide comparable, quality data fit for the investment community

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London, UK



SPS ESG & Impact Investment for Pension Funds – 9 June

[Click here to go to the page](#)

London, UK



ESG Fintech Summit 2022 – 14 June

The Summit is an essential event for senior financial services professionals who are driving their organisations to reach industry best practice in sustainability

[Click here to go to the page](#)

London, UK

ESG Events Highlights | 2



RI Europe 2022 – 14/15 June

Responsible Investor's 15th annual RI Europe conference - How regulators and markets are responding to the evolving EU sustainable finance drive

[Click here to go to the page](#)

London, UK



Financial Review ESG Summit 2022 – 15 June

Driving sustainable growth – Summit will bring Australia's leading companies together with those who finance and invest in them to navigate these complexities driving the country's economic transition

[Click here to go to the page](#)

Virtual /
Sydney, AU



Annual ESG Conference 2022 – 17 June

[Click here to go to the page](#)

Virtual /
Brussels, BE



ESG Day – 17 June

The ESG Day will host the contributions of numerous experts in the ESG sector, including institutional investors, ESG funds, analysts and rating agencies

[Click here to go to the page](#)

Virtual /
Milan, IT



GreenFin 2022 – 28/29 June

GreenFin 22 will convene audience of sustainability, finance and investment leaders to share insights, address the key challenges and showcase leading sustainable financial products and services.

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New York, US

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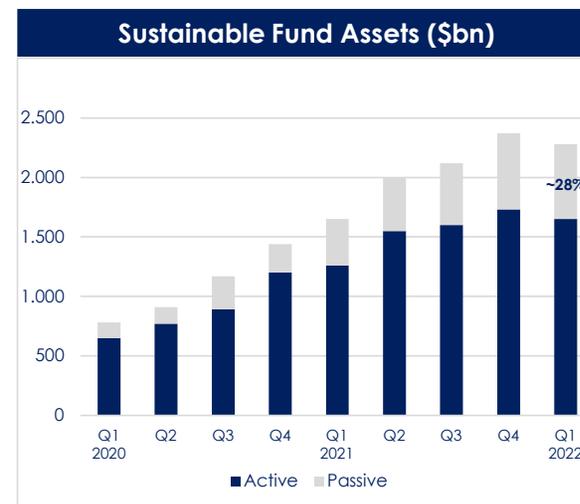
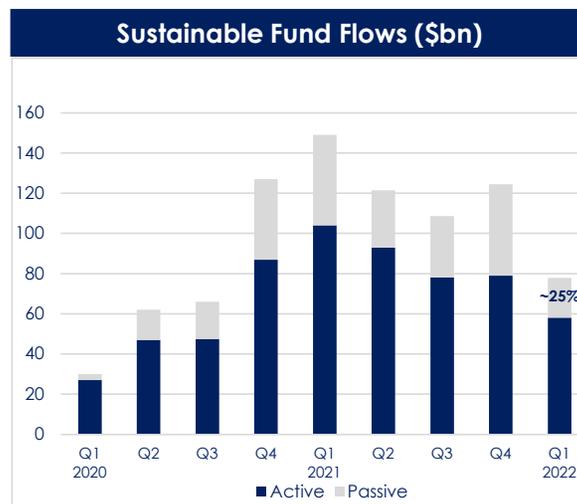
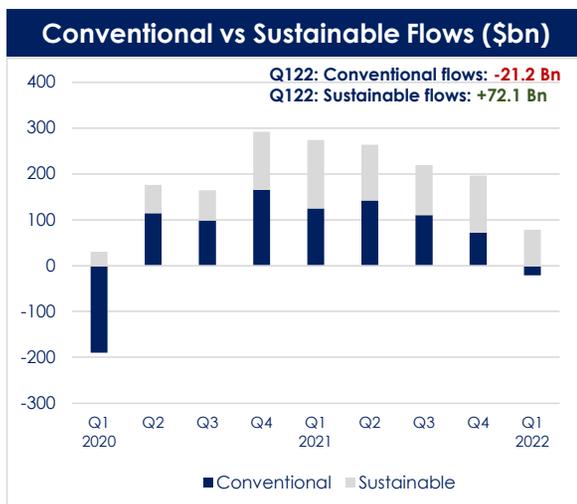
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Inflows into European ESG and Sustainable funds remain positive in Q1 2022, despite a reduction in conventional inflows



- In the first quarter of 2022, total European investment funds recorded approx. \$57 bn of net inflows compared to \$196 bn in Q4 2021. Conventional funds recorded negative inflows, while **sustainable flows remained positive at \$80 bn**, down 37% compared to Q4 2021
- **Inflows into passive sustainable funds** represent around 25% of total sustainable funds flows compared to 37% in Q4 2021
- At the end of Q1 2022, total AUM of European sustainable funds stood at \$2,280 bn, 28% of which are passive. Overall, **sustainable funds accounted for more than 17% of European fund assets**, at the end of March 2022

Note: According to Morningstar research, the global "sustainable" fund universe encompasses open-end funds and ETFs that, by prospectus or other regulatory filings, claim to focus on sustainability; impact; or environmental, social, and governance factors. Universe of sustainable funds is based on intentionality rather than holdings. The global sustainable fund universe does not contain: i) "ESG integrated funds" (which formally consider ESG criteria in the investment process and engage with portfolio holdings but do not make ESG considerations the focus of the investment process); ii) funds that employ limited exclusionary screens (such as controversial weapons, tobacco, and thermal coal) and iii) money market funds, feeder funds, and funds of fund

Source: Morningstar

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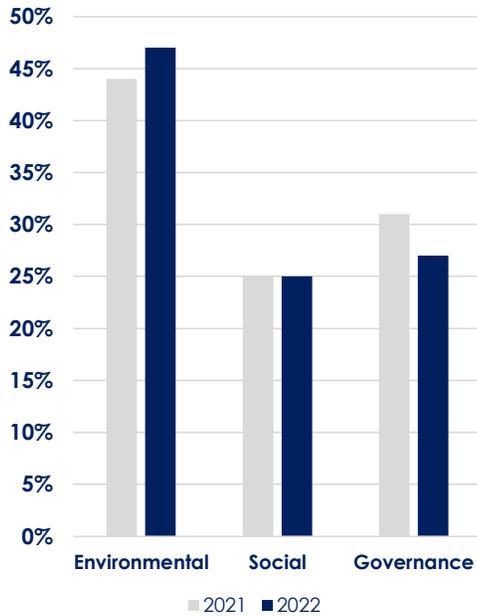
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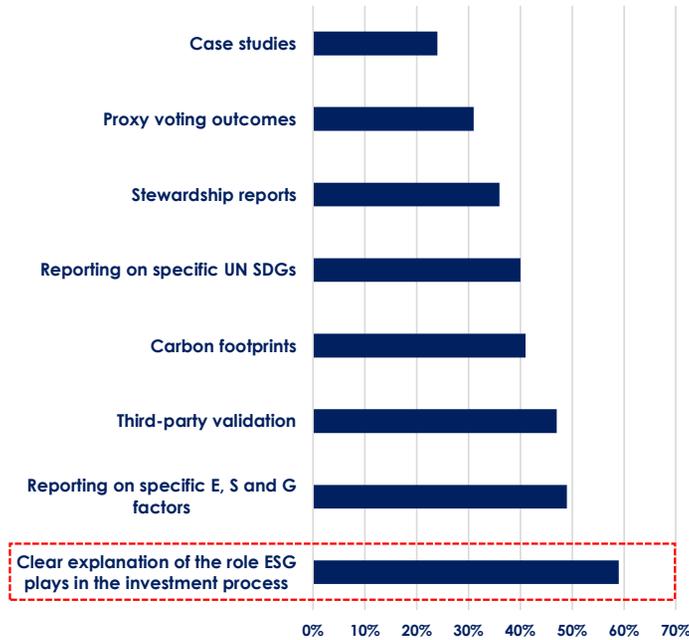


Capital Group ESG Global Study was commissioned to gather the views of **1,130 global investors (50% Europe, 18% North America, 32% Asia-Pacific)** through an **online survey**

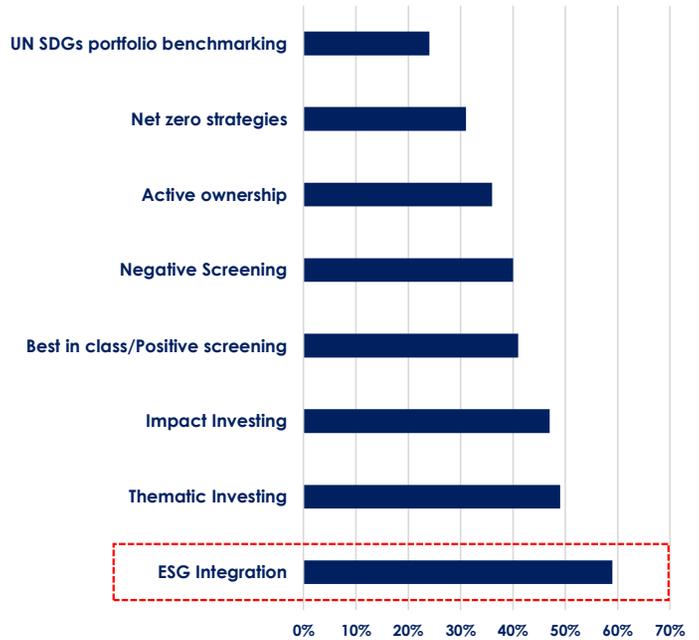
What percentage of your ESG focus is, or would be, allocated to these three segments?



What do you think are the most important element of ESG/sustainability reporting in 2022?



What ESG implementation strategies do you use in 2022?



Source: Capital Group

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ESG Reporting Guide – Overview of the most used forward-looking disclosure



- Euronext has released a guide intended to **help Euronext issuers and private companies to:** identify and priorities ESG opportunities and risks, report efficiently, navigate and stay ahead of regulations, differentiate in their ESG approach
- The table below provides a high-level overview of the **most widely used forward-looking disclosure** types

Disclosures Category	Description	Reference
Strategy	Whether business or ESG-specific, the disclosure of a strategy will provide readers with insights into a company's rationale in taking certain steps and measuring certain variables	<i>GRI standard TCFD</i>
Objectives and commitments	Objectives and commitments translate a company's business or ESG strategy into priorities for action and investments. While they are measurable, they are not necessarily quantitative in nature: for example, committing to assess a company's exposure to fossil fuels and explore alternatives over a certain period of time	<i>GRI standard</i>
Targets	Targets are time-bound, measurable and quantitative. For example, a company sets a target to reduce its absolute Scope 1 and 2 GHG emissions by 5% over the following year	<i>SBTi, CDP</i>
Action plans and policies	By describing concrete actions that will be implemented to achieve a strategy or the rules that have been introduced to drive a company's decisions and behaviours, companies provide their stakeholders with a tool for measuring progress	<i>GRI standard</i>
Capex	Investments which will generate revenues or change (for example in energy consumption) in the future give stakeholders an important insight into the planned transformation of the company. For example, a company investing now in the retrofitting of its facilities will set itself on a better energy efficiency trajectory over the next few years, even though its current energy efficiency profile may not be optimal	<i>EU Taxonomy</i>
Scenario analysis	Scenarios are narratives about future states of the world in a distant future against which companies can test the viability of their strategic plans and business models. They can be developed by the company or provided by third parties. Typically, for climate-related considerations, companies can use those developed by the IPCC or the International Energy Agency	<i>SBTi, IEA</i>
Risk analysis	Depending on the timeframe specified in a company Enterprise Risk Management (ERM) process, the risk analysis performed by a company can provide more or less insightful information about future risks. In particular, long-term emerging risks are valuable indicators of a company's preparedness to address future threats	<i>COSO</i>

Source: ESG Guide 2022

ESG Reporting Guide – Overview of impact reporting disclosure concept



- The table below provides some of the concepts that build on the notion of **outcome and impact reporting**

Disclosures Category	Description	Reference
Double materiality	In the EU, for every disclosure topic, companies should assess the material impact of the issue on the company and the impact that a company's business model has on the issue. The latter can be called societal and environmental materiality	<i>Guidelines on Non-Financial Reporting (2019/C209/01)</i>
Due diligence	To assess the adverse impact of a company on society and the environment, companies are increasingly expected to perform due diligence on their operations and their supply chain	<i>UN Guiding Principles on Business and Human Rights OECD Guidelines</i>
Adverse impact	SFDR requires investors to measure and mitigate the adverse impacts of their investment via a series of indicators	<i>SFDR</i>
Benchmarking	To understand a company's progress, rather than reporting on best efforts, it is useful to compare results with absolute reference points or benchmarks. These can be science based, as in the case of the EU Taxonomy, or based on industry best practices	<i>EU Taxonomy</i>
Temperature trajectories	Climate scenarios are associated with specific temperature increases in the context of the Paris Agreement. As a result of its climate strategy and GHG emissions reduction targets, a company could for example claim to be on a 1.5°C trajectory. The temperature alignment is a short way for stakeholders to gauge the real impact of a company's climate strategy	<i>Paris Agreement SBTi</i>

Source: ESG Guide 2022

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ESG Conferences organised by Investment Banks and Brokers in 2022

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
 Kepler Cheuvreux	ESG Conference	Virtual	-	4 Jun	Kepler
 EURONEXT	Euronext ESG Summit 2022 – Financing the blue and green economy	Virtual	Lisbon	8-9 June	Euronext
Jefferies	A&D ESG Summit	Virtual	-	14 June	Jefferies
 UBS	Sustainable Finance Conference	tbd	London	28-30 June	UBS
 EURONEXT	Digital Italian Sustainability Week	Virtual	-	28 June - 2 July	Borsa Italiana
 CREDIT SUISSE	2nd Credit Suisse ESG Forum Switzerland	In Attendance/Virtual	Zurich	July	Credit Suisse
 BNP PARIBAS	ESG Conference	In attendance	Paris	27-29 September	
 SOCIETE GENERALE	ESG/SRI Conference	In attendance	Paris	15-16-17 November	
 BARCLAYS	Green Frontiers*	tbd	tbd	November	
 MEDIOBANCA	ESG Conference*	tbd	tbd	November	
Morgan Stanley	ESG Insights European	tbd	tbd	1 December	

Note*: To be confirmed