

Monthly ESG Newsletter

July 2022

**ARWIN &
PARTNERS**

Sustainability matters!

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ESMA - publishes technical standards to postpone the application of the CSDR

- On June 2, ESMA published a Final Report on amending the regulatory technical standards on settlement discipline to postpone the application of the CSDR mandatory buy-in regime for three years
- The proposed amendment is based on the expected changes to the CSDR buy-in regime presented in the Commission's legislative proposal for the CSDR Review. The CSDR settlement discipline regime has started applying on 1st February 2022. ESMA's statement will remain in place until the buy-in regime is formally suspended
- This draft RTS is sent to the EU Commission for endorsement in the form of a Commission Delegated Regulation. Following the endorsement by the EU Commission, the Commission Delegated Regulation will then be subject to the non-objection of the European Parliament and of the Council

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Clarifications on the ESAs' draft RTS under SFDR

- On June 2, European Supervisory Authorities (EBA, EIOPA and ESMA) stated a clarification on RTS issued under Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR")
- The clarifications concern the draft RTS (included in a final report) with regard to the content, methodologies and presentation of SFDR Articles' disclosures
- With this statement the ESAs provide clarification on key areas of the final reports, including principal adverse impact (PAI) disclosures, financial product disclosure and "do not significantly harm" (DNSH) disclosures

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Council and European Parliament - agree to improve gender balance on company boards

- On June 7, The Council and European Parliament reached a provisional political deal on a new EU law promoting a more balanced gender representation on the boards of listed companies
- The Council and European Parliament therefore agreed that listed companies should aim to have at least 40% of their non-executive director positions held by members of the under-represented sex by 2026
- In the case of member states that do not reach the targets, listed companies will have to give explanation providing data

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Eurosif - response to the European Commission on the functioning of the ESG Ratings market in the EU

- On June 9, Eurosif sent its response to the European Commission, responding to the public consultation on the functioning of the ESG ratings market in the EU and on the consideration of ESG Factors in credit ratings
- Eurosif welcomes the opportunity to comment on the appropriate regulatory regime for ESG ratings providers and data services
- The market for ESG ratings is growing rapidly to meet more sophisticated demand from asset managers and asset owners as sustainability matters are becoming ever more relevant to their investment strategies

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EFRAG - consults on draft sustainability reporting standards under CSRD

- On June 16, the European Commission asked the European Financial Reporting Advisory Group (EFRAG) to develop draft sustainability reporting standards that will be used in the forthcoming Corporate Sustainability Reporting Directive (CSRD)
- The CSRD will replace the Non-Financial Reporting Directive (NFRD) and expand the scope of organisations that are required to make sustainability disclosures
- Organisations will be required to use the mandatory European sustainability reporting standards (ESRS) being developed by EFRAG

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New social and environmental reporting rules for large companies

- On June 21, Members of the European Parliament and EU governments struck an agreement on reporting rules for companies
 - The CSRD will apply to: All companies listed on regulated markets; All large companies with over 250 employees and EUR50m turnover; Listed SMEs, considering their specific characteristics: Non-European companies generating a net turnover of EUR150m in the EU and which have at least one subsidiary or branch in the EU
- **The application of the regulation will take place in three stages:**
 - **01/01/24** for companies already subject to the non-financial reporting directive;
 - **01/01/25** for companies that are not presently subject to the nonfinancial reporting directive;
 - **01/01/26** for listed SMEs, small and non-complex credit institutions and captive insurance undertakings

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ESMA – ESG Rating and data provides in the EU

- On June 24, European Commission is actively engaging on this topic through the publication of its own consultation on the functioning of the market for ESG ratings in the European Union
- This consultation demonstrates the European Commission's commitment to taking a leading role on this important topic and will help maintain the momentum of recent actions under the Strategy for Financing a Transition to a Sustainable Economy
- Finally, as part of this call for evidence we required input on the relevance of these products to EU financial markets and investors, as well as the potential risks that they may pose.

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2022 Sustainable Development Report

- The Sustainable Development Report (SDR), includes the SDG Index and the Dashboards tracks progress on the Sustainable Development Goals (SDGs)
- The report shows that multiple and simultaneous international crises have halted progress on the universal goals adopted by all UN member countries during the 2015 summit
- Since 2015, the SDR provides the most up-to-date data to track and rank the performance of all UN member states on the SDGs. The report was written by a group of independent experts at the Sustainable Development Solutions Network (SDSN), led by its President, Prof. Jeffrey Sachs

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Emerging Market Green Bonds Report 2021

- The market for green bonds issued in emerging markets and developing economies rebounded strongly in 2021 pushed by demand from both domestic and international investors
- The volume of issuance more than doubled to a record US\$95 billion from US\$41 billion in 2020 and in all 35 emerging markets and developing economies (EMDEs) issued green bonds in 2021
- A final section looks at the "greening" of debt restructuring, which allows countries whose debt is unsustainable to direct capital toward green and sustainable investment

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The Evolution of Sustainability Disclosure

- In the United States, the SEC's March 2022 proposal called "Enhancement and Standardization of Climate-Related Disclosures for Investors", focuses on the protection of investors in publicly traded companies in the U.S. It applies to all SEC registrants including foreign private issuers
- In Europe, the European Financial Advisory Group (EFRAG) released guidance in April 2022 on a range of sustainability-related disclosure requirements, including the European Sustainability Reporting Standards (ESRS). ESRS will help inform the EU's Corporate Sustainability Reporting Directive (CSRD)
- The urgency of the climate crisis and lack of common reporting requirements has led to a proliferation of standards for more climate-related financial information from companies

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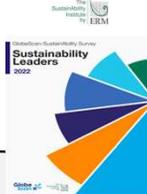


Diversity, Equity & Inclusion for Institutional Investors

- The Due Diligence Questionnaire (DDQ) is designed to help institutional investors understand how investment managers and investment consultants approach diversity, equity and inclusion (DEI) within their own organisations, through their investment activities or the manager research process
- The DDQ is divided into four sections, with questions relating to:
 - all organisations
 - organisations investing in private markets
 - organisations investing in public markets
 - investment consultants
- Approaches to DEI are continually evolving and highly required from institutional investors hence the questionnaire reflects new standards and reporting requirements

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June 2022 – New documentation on ESG issues | 2

 <h3>How CSO can drive the banking sector's sustainability efforts</h3> <ul style="list-style-type: none">• This joint report of the European Banking Federation (EBF) and Deloitte explores the emerging role of Chief Sustainability Officer (CSO) in banks• The report defines the key role of the banking sector in the EU's sustainability journey where banks hold a unique position through their advisory and financial role in supporting companies with solid transition plans• Furthermore, the sustainability agenda provides banks with new business opportunities by connecting financial and societal objectives in order to be competitive in the market <p>Focus slide 13</p>	 <h3>MiFID II: Understanding your client's sustainability preferences</h3> <ul style="list-style-type: none">• Investment firms must consider sustainability risks in all decision-making procedures and when providing financial advice, must obtain sustainability preferences from their clients as part of the suitability process• Adviser regulatory requirements under MiFID and the far-reaching implications of the EU Action Plan helped to create a guidance for sustainable investing and its various approaches• Morningstar has developed a guide that aims to help advisers meet their regulatory requirements and frame conversations about sustainable investing with their clients, while providing a general guide to finding appropriate investments	 <h3>Sustainability Leaders 2022</h3> <ul style="list-style-type: none">• Just as the pandemic began to feel more under control, a new disruption hit the world in 2022. The war in Ukraine was another reminder of the unstable and uncertain world we live in. While showing the world's ability to come together and support each other in times of need, it also reinforced the importance of resilient supply chains, as well as raising questions about energy transition, food security, and the effects of changing political orders• This survey was completed between March 14 and May 1 by more than 700 sustainability experts from over 70 countries. The survey allows us to assess which organizations sustainability experts perceive as the top ones• Respondents' perceptions of the performance of different sectors in the transition to a sustainable future were also reviewed, comparing their responses with the perspectives gathered when last asked in 2016
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ESG NEWS

EU Taxonomy, MEPs against gas and nuclear inclusion

Members of European Parliament (MEPs) from the Committee on Economic and Monetary Affairs and the Committee on the Environment, Public Health and Food Safety opposed the inclusion of nuclear and gas in the EU Environmental Taxonomy. Parliament and Council have until July 11, 2022 to decide whether to veto the Commission's proposal

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WSJ

SEC investigating Goldman Sachs for ESG claims

The US Securities and Exchange Commission is investigating Goldman Sachs's asset management division over certain environmental, social and governance claims made by its ESG funds. The investigation marks the latest development in the SEC's hunt for potential greenwashing

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THE IRRE

Pension funds increasingly focused on ESG criteria

For negotiated pension funds, compliance with Esg (Environmental, Social and Governance) criteria is an increasingly established practice, with continued growth in processes and attention to sustainability, although there is still much to be done looking at the engagement factor

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Bloomberg

ESG Investment cools as the sectors grows

Since the start of 2019, ESG investment have reached \$300 billion into environmental, social and governance (ESG)-themed exchange traded funds. The annual trend has been on a consistent upward trajectory: \$30 billion in 2019, \$94 billion in 2020, and \$159 billion in 2021

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ESG Today

Brookfield Raises \$15 Billion - Net Zero Transition Fund

Global alternative asset investor Brookfield Asset Management announced today that it has raised \$15 billion at the final close of its inaugural net zero-focused impact fund, the Brookfield Global Transition Fund. Driven by strong demand, the fund significantly exceeded its \$12.5 billion making it the largest private equity fund

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S&P Global Market Intelligence

Path to net-zero European utilities post Ukraine war

Russia's invasion of Ukraine and Europe's reliability imports from Russian energy have set the scene for an expedited transition to net-zero emissions of greenhouse gases for the continent's major power and gas utilities

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McWINSOR

BlackRock helps to drive global energy transition

Investment giant BlackRock announced strategic plans to launch a new "perpetual infrastructure strategy," aimed at pursuing long-term investment opportunities in the megatrend themes of energy transition and energy security

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Linklaters

Basel Committee issues principles of climate-related financial risks for banks worldwide

The Basel Committee has issued its final principles for the effective management and supervision of climate-related financial risks which aim "to promote a principles-based approach to improving both banks' risk management and supervisors' practices"

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ESG News Highlights: June 2022 | 2

Green funds have a Paris alignment problem

From a universe of nearly 12,000 equity mutual funds and exchange-traded funds representing more than \$20 trillion in market value, S&P Global Sustainable1 found that about 11% are currently aligned with the Paris Agreement goal of limiting global warming to “well below” 2°C

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MSCI - Introducing the Carbon Market Age

Carbon markets have grown to a market value of USD 270 billion, placing it on \is now an important driver of global economic decarbonization by pricing carbon and incentivizing polluters to reduce their emissions

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Crédit Agricole to cut financing of oil and gas emissions

Crédit Agricole will cut its financing of emissions produced by the oil and gas sector and some other highly polluting industries and is expanding its advisory services around new forms of energy, even as the Ukraine war triggers back to fossil fuels

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The war in Ukraine stokes global food inflation

Russia's invasion of Ukraine has heightened the uncertainty over food supply, a global market that was already feeling the effects of COVID-19 and the ongoing impact of climate change. Goldman Sachs Research took a closer look at the regions most affected by surging food prices and the increasing cost of agricultural commodities and products

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Neuberger Berman focused on the UN SDGs

Neuberger Berman announced, it has partnered with to reframe its global high yield fund as the Neuberger Berman Global High Yield SDG Engagement Fund. The fund will seek to generate competitive yield and total returns, with the primary aim of engaging with to support the achievement of the UN Sustainable Development Goals (SDGs)

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ESG data through Nasdaq sustainable bond network

The Nasdaq Sustainable Bond Network is a global platform that connects issuers of sustainable bonds with investors looking to source detailed information for due diligence, selection, reporting and monitoring. Nasdaq's core mission to provide fair, transparent and efficient markets

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John Kerry – clean energy is the largest market the world has ever seen

The Special Presidential Envoy for Climate, John Kerry during the 5th CEO Summit of the Americas talked about the importance of the energy transition market and the actions to take in order to rebuild the economy

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Vanguard judges climate change as a non- priority

Vanguard has reportedly announced that it refuses to stop financing in fossil fuel-related projects and to end its support for coal, oil and gas production. The decision would be part of the company's desire not to discontinue its new commitments to fossil fuel industries

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ESG Events Highlights



ESG Global – 5/6 July

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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Virtual



ESG Club Conference 2022 – 6 July

Portfolio Institutional's ESG Conference returns as an in-person event on 6th July with a series of panel discussions designed to remove the complexity around how institutional investors can truly implement ESG into their portfolios

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London, UK



ESG Focus: Sustainable Investment Strategy Summit – 7 July

The ESG Focus – Sustainable Investment Strategy Summit will have a fresh new look and focus to engage and resonate with our audience in 2022 and the years to come

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London, UK



ESG in Banking: toward a new balance – 13/14 July

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Milan, IT



Sustainability Summit 2022 – 14/15 July

The 2022 Sustainability Summit will address how sustainability leaders, corporate boards, CEOs and other C-suite executives can take advantage of this historic opportunity to integrate sustainability deeper into the company to drive both business success and societal impact

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NYC, USA

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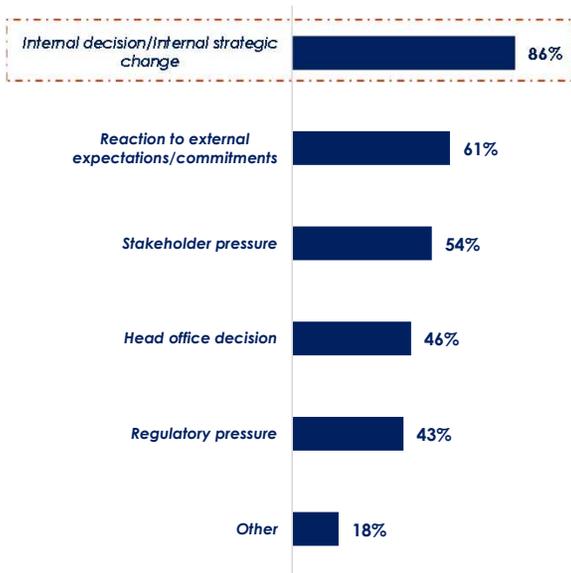
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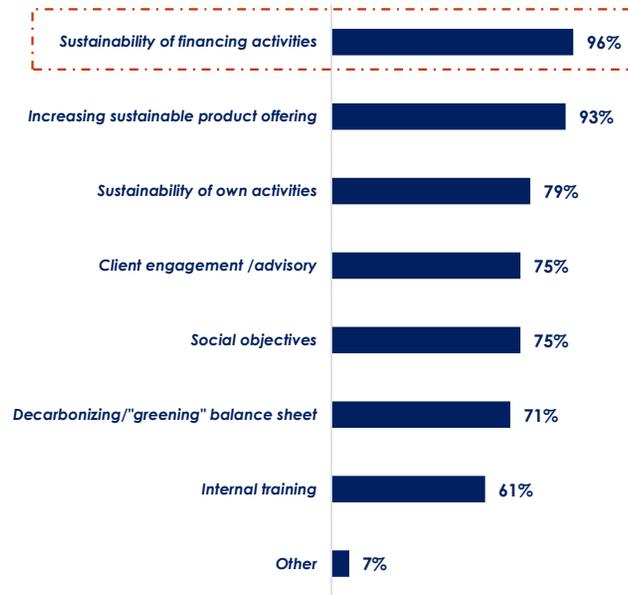
Deloitte and European Banking Federation Survey

Deloitte and the European Banking Federation surveyed 28 Chief Sustainability Officers (and equivalent positions) from various European Banks.

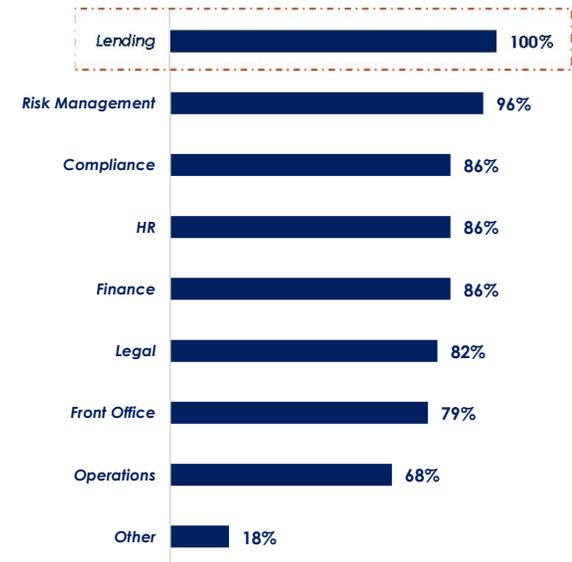
Why does your bank have a sustainability strategy?



What is your strategy focusing on?



If you do interact with other departments, which ones are they?



Source: Deloitte

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ESG Conferences organised by Investment Banks and Brokers

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
 CREDIT SUISSE	2nd Credit Suisse ESG Forum Switzerland	In attendance/Virtual	Zurich	7 July 2022	Credit Suisse
RAYMOND JAMES	Sustainability Symposium	Virtual	-	15 August 2022	Raymond James
COWEN	The 15th Annual Global Transportation & Sustainable Conference	In attendance	Boston	7-8-9 September 2022	Cowen Group
 BNP PARIBAS	ESG Conference	In attendance	Paris	27-29 September 2022	
 OPPENHEIMER	Navigating the ESG & Climate Transition	Virtual	-	28-29 September 2022	Oppenheimer
 CREDIT SUISSE	2022 Credit Suisse Sustainability Week	tbd	tbd	October 2022	Credit Suisse
 SOCIETE GENERALE	ESG/SRI Conference	In attendance	Paris	5-6-7 October 2022	Société Générale SA
 INTESA SANPAOLO	Italian excellences 2022	In attendance	Paris	11-12 October 2022	Intesa Sanpaolo
 CREDIT SUISSE	ESG Land based for a sustainable world	In attendance/Virtual	London	12-13 October 2022	Credit Suisse
 Santander	Santander ESG banking Conference	tbd	tbd	3 November 2022	Banco Santander
 Deutsche Bank	dbAccess Global ESG Conference	Virtual	-	9 March 2023	Deutsche Bank
 BARCLAYS	ESG Finance Conference	Virtual	-	5 April 2023	Barclays