



## Monthly ESG Newsletter

October 2022

**ARWIN &  
PARTNERS**

*Sustainability matters!*

# Contents

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## **Section 1: Regulatory Updates**

Section 2: ESG reports

Section 3: ESG news and upcoming events

Appendix I: ESMA timeline Regulation

Appendix II: ESG Conferences organised by Investment Banks and Brokers

# September 2022 – ESG Regulatory updates



## Environmental implementation: Commission urges better application of EU environmental rules to protect human health and the environment

- On September 8<sup>th</sup>, the Commission published the third Environmental Implementation Review (EIR), a key reporting tool that supports environmental enforcement and raises awareness about the importance of implementing environmental rules
- Bridging the gap between what is decided at Union level and what is implemented on the ground is essential to ensure good environmental outcomes for citizens, and to maintain a level playing field for businesses while creating opportunities for economic development
- This Environmental Implementation Review (EIR) draws conclusions and defines common trends at EU level, based on 27 individual country reports showing the state of play in the implementation of EU environmental law

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## List of additional SFDR queries requiring the interpretation of Union law

- On September 9<sup>th</sup>, the Joint Committee of the 3 European Supervisory Authorities (EIOPA - ESMA - EBA) recently sent the European Commission a list of 8 SFDR queries seeking clarifications on how to interpret core SFDR provisions
- Questions seeking to better determine what qualifies as a "sustainable investment" in accordance with Article 2(17) feature prominently. There are also questions relating to financial products that have Carbon Emissions Reduction as their objective, on Principal Adverse Impacts (PAI), and periodic disclosure frequency for portfolio management services
- Eurosif considers the ESAs questions to be highly pertinent as financial market participants struggle to apply aspects of the SFDR, particularly with respect to the qualifying assets as "sustainable investments". The process of adapting to the new requirements will take time and the market will evolve in coming years as the Sustainable Finance framework applies more fully. Both industry and regulators will have to be adaptable during this period

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## Commission moves to ban products made with forced labour on the EU market

- On September 14<sup>th</sup>, the Commission has proposed to prohibit products made with forced labour on the EU market. The proposal covers all products, namely those made in the EU for domestic consumption and exports, and imported goods, without targeting specific companies or industries
- This comprehensive approach is important because an estimated 27.6 million people are in forced labour, in many industries and in every continent. Most of the forced labour takes place in the private economy, while some is imposed by States
- The proposal builds on internationally agreed definitions and standards and underlines the importance of close cooperation with global partners. National authorities will be empowered to withdraw from the EU market products made with forced labour, following an investigation. EU customs authorities will identify and stop products made with forced labour at EU borders

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## ECB provides details on how it aims to decarbonise its corporate bond holdings

- On September 19<sup>th</sup>, the European Central Bank (ECB) published further details on how it aims to gradually decarbonize the corporate bond holdings in its monetary policy portfolios, on a path aligned with the goals of the Paris Agreement
- One goal is to reduce the Eurosystem's exposure to climate-related financial risk, following the Governing Council's July 2022 decision to tilt the Eurosystem's corporate bond purchases towards issuers with a better climate performance. Furthermore, these measures support the green transition of the economy in line with the EU's climate neutrality objectives
- The overall climate score that will be used to tilt bond holdings combines the following three sub-scores:
  - The backward-looking emissions sub-score
  - The forward-looking target sub-score
  - The forward-looking target sub-score

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## ESMA publishes final guidelines on MiFID II suitability requirements

- On September 23<sup>rd</sup>, The European Securities and Markets Authority (ESMA), the EU's Securities Markets Regulator, has published its Final Report on Guidelines on certain aspects of the MiFID II suitability requirements
- The assessment of suitability is one of the most important requirements for investor protection in the MiFID framework. It applies to the provision of any type of investment advice, whether independent or not, and to portfolio management.
- As final step, the Guidelines will be translated into the official languages of the EU and published on ESMA's website. The publication of the translations will trigger a two-month period during which national competent authorities must notify ESMA whether they comply or intend to comply with the Guidelines

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# Contents

---

Section 1: Regulatory Updates

**Section 2: ESG reports**

Section 3: ESG news and upcoming events

Appendix I: ESMA timeline Regulation

Appendix II: ESG Conferences organised by Investment Banks and Brokers

# September 2022 – New documentation on ESG issues



## The emerging sustainability information ecosystem

- According to the new report prepared by EY and Oxford Analytica the current system on information on the factors of organizations' ESG activities are facing new challenges related to the lack of standardization and regulation
- According to the report, the ESG segment is the fastest growing in the asset management industry with assets in ESG funds growing 53 percent year-on-year to \$2.7 trillion in 2021. Despite that, it is impacted negatively by greenwashing, along with other factors, that are impacting the credibility of ESG
- Areas that need to be addressed to overcome current challenges related to ESG criteria are transparency on ESG rating indicators; increasing understanding of different uses of sustainability information; certifying data independently and decreasing barriers from emerging economies

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## Data Privacy, Cybersecurity and ESG

- Data privacy and cybersecurity are gaining recognition as environmental, social and governance (ESG) issues, as the public costs of poor corporate cybersecurity management are increasingly viewed as market failures
- Cyber risk is, "the most immediate and financially material sustainability risk that organizations face today," according to the World Economic Forum. It's also the top ESG concern for institutional investors and ranked as the top threat to growth by global CEOs
- Cyberattacks and privacy breaches can damage a company's reputation, reduce its value and threaten its viability. These impacts could lead to social and economic costs for its associated supply chains, employees, consumers, and communities

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## Altruism or Self-Interest? ESG and Participation in Employee Share Plans

- The research asks how the ESG performance of firms affects the asset allocation of a large sample of French employees between their employer's stock and alternative investments in firm sponsored savings plans
- After ESG incidents, employees are less likely to invest, and they invest smaller amounts in their company's stock. Incidents in the "Social" category, especially those related to working conditions and local incidents, are the ones that affect these investment decisions the most
- Pecuniary motives are unlikely to explain this finding. Overall, the results of this research suggest that ESG policies directly impacting the well-being of employees affect employee satisfaction and loyalty the most

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## Missing the Mark: 2022 analysis of global CDP temperature ratings

- This report uses CDP's latest temperature ratings to assess whether current corporate emissions reduction targets are ambitious enough to meet the Paris Agreement's 1.5°Celsius goal
- CDP temperature ratings compare our comprehensive dataset of publicly disclosed corporate emissions target disclosures, covering more than 4,000 companies globally, with science based global warming trajectories. The report was prepared in partnership with Oliver Wyman
- The G7's private sector has an important role to play in that effort. Strong momentum in 2021, particularly in the runup to last year's COP26, saw the number of corporates committing and setting climate targets increase rapidly

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# Contents

---

Section 1: Regulatory Updates

Section 2: ESG reports

**Section 3: ESG news and upcoming events**

Appendix I: ESMA timeline Regulation

Appendix II: ESG Conferences organised by Investment Banks and Brokers

# ESG News Highlights: September 2022

## Norway oil fund warns of 'danger' that environment falls down agenda



The head of the world's largest sovereign wealth fund has urged investors to stay focused on environmental, social and governance issues, warning of a "real danger" that economic turmoil and a political backlash in the US drive them down the agenda

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## JPMorgan Builds Out Suite of Sustainable Thematic Active ETFs



J.P. Morgan Asset Management announced the launch of a series of new ETFs, building out its range of active sustainable thematic exchange traded funds. The funds include the JPMorgan Sustainable Consumption ETF, JPMorgan Social Advancement ETF, and JPMorgan Sustainable Infrastructure ETF

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## Euronext, MIB ESG quarterly review, no change



No change in the composition of Euronext's MIB ESG index. Indeed, the leading pan-European financial market and stock exchange in the Eurozone has announced the results of its usual quarterly review of the MIB ESG index, which was implemented on September 16, 2022, and is effective as of September 19, 2022

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## Terna confirmed in STOXX Global ESG Leaders index



Terna, the company that operates about 75 thousand kilometers of high and extra-high voltage lines across the country, led by Stefano Donnarumma, has been confirmed for the 12th year in the "Stoxx Global ESG Leaders" index, which selects the best companies globally for best practices in the ESG field

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## Investors stick to ESG commitments for a greener future



Terna, the company that operates about 75 thousand kilometers of high and extra-high voltage lines across the country, led by Stefano Donnarumma, has been confirmed for the 12th year in the "Stoxx Global ESG Leaders" index, which selects the best companies globally for best practices in the ESG field

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## Walmart allocates over \$1 Bn to Renewable Energy, Sustainable Buildings, Circular Economy



Walmart announced the release of its first Green Bond Impact Report, indicating that the company has allocated \$1.1 billion in green bond proceeds, with top investment areas including renewable energy, sustainable buildings, and waste reduction and circular economy

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## SFDR: from ESAs request for new clarification from EU Commission



The request for clarification from the European Supervisory Authorities (ESAs) - Esma, Eiopa and Ema - who submitted additional questions to the European Commission regarding the interpretation of Union law with reference to the SFDR continues

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## Patagonia's billionaire owner gives away company to fight climate crisis



Setting a new example in environmental corporate leadership, the billionaire owner of Patagonia is giving the entire company away to fight the Earth's climate devastation, he announced on Wednesday

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# ESG Events Highlights: October 2022

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**ECONOMIST  
IMPACT**

## **Sustainability Week: Countdown to COP27 – 2/6 October**

*After the COP26 conference on combating climate change, we now have eight short years to meet some of the most ambitious collaborative goals in history, with many countries and organisations aiming to halve their greenhouse-gas emissions by 2030*

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London, UK  
Abu Dhabi, UAE



## **Sustainability Week – 4/5 October**

*After a frantic year of digital series, the formerly known Sustainability Leaders now rebrands itself to ESG Congress: to truly gain insightful ESG intelligence & ESG benchmarking, reduce corporate carbon footprint and emissions*

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Berlin, DE



## **The European SDG Summit – 10/12 October**

*Ahead of the 27th United Nations Climate Change Conference (COP27) in Egypt, CSR Europe is convening sustainability leaders worldwide at the European SDG Summit 2022: Together for an Inclusive Green Deal*

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Virtual



## **The rise of ESG: Developing, implementing and analysing your ESG strategy – 13 October**

*The conference will be focused on how to identify, measure, report on and manage ESG and climate-related risks*

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Dublin, IE



## **ESG & Climate Risk Summit USA 2022 – 20 October**

*The ESG & Climate Risk Summit USA is taking place in New York this October, gathering senior ESG risk management and investment decision makers from asset managers, hedge funds, life insurance firms, pension funds and investment banks in the USA*

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

New York, US

# Contents

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Section 1: Regulatory Updates

Section 2: ESG reports

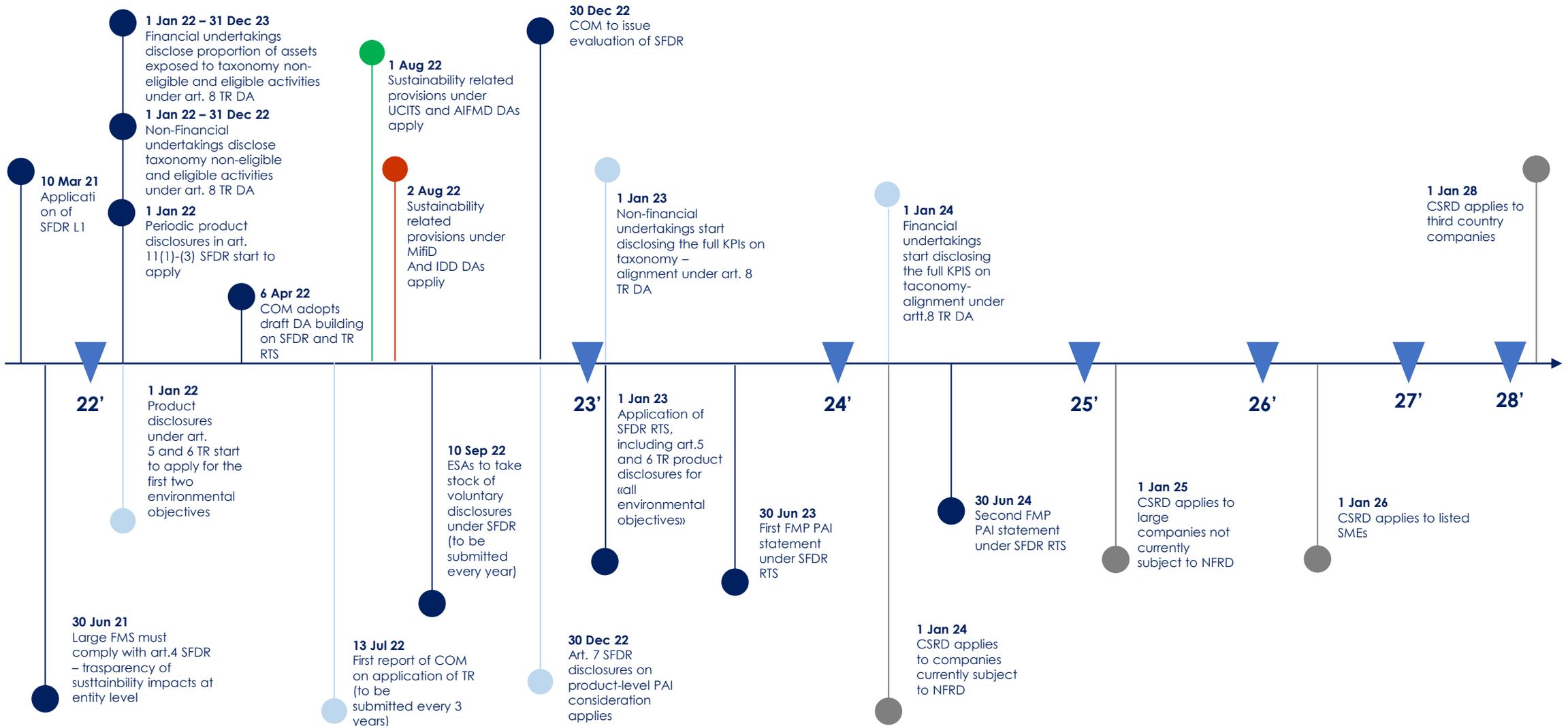
Section 3: ESG news and upcoming events

**Appendix I: ESMA timeline Regulation**

Appendix II: ESG Conferences organised by Investment Banks and Brokers

# ESMA – Implementation Timeline

## Already implemented and upcoming regulation



# Contents

---

Section 1: Regulatory Updates

Section 2: ESG reports

Section 3: ESG news and upcoming events

Appendix I: ESMA timeline on Regulation

**Appendix II: ESG Conferences organised by Investment Banks and Brokers**

# ESG Conferences organised by Investment Banks and Brokers

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
 CREDIT SUISSE	2022 Credit Suisse Sustainability Week	tbd	tbd	3-7 October 2022	<a href="#">Credit Suisse</a>
 INTESA SANPAOLO	Italian excellences 2022	In attendance	Paris	11,12 October 2022	<a href="#">Intesa Sanpaolo</a>
 CREDIT SUISSE	ESG Land based for a sustainable world	In attendance/Virtual	London	12,13 October 2022	<a href="#">Credit Suisse</a>
 SOCIETE GENERALE	ESG/SRI Conference	In attendance	Paris	15,16,17 November 2022	<a href="#">Société Générale SA</a>
 Santander	Santander ESG banking Conference	tbd	tbd	3 November 2022	<a href="#">Banco Santander</a>
J.P.Morgan	Global Energy Conference	In attendance	London	7,8 November 2022	<a href="#">J.P.Morgan</a>
 UBS	Impact Investing Forum 2022	In attendance	London	7,8 December 2022	<a href="#">UBS</a>
 Deutsche Bank	dbAccess Global ESG Conference	Virtual	-	9 March 2023	<a href="#">Deutsche Bank</a>
 BARCLAYS	ESG Finance Conference	Virtual	-	5 April 2023	<a href="#">Barclays</a>