



Monthly ESG Newsletter

February 2023

**ARWIN &
PARTNERS**

Sustainability matters!

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January 2023 – ESG Regulatory updates



Eurosif – responded to the ESAs’ greenwashing call for evidence

- On 16th January, Eurosif is highly supportive of the ESAs efforts to clearly define the concept of greenwashing and identify its instances. Greenwashing has emerged as a major preoccupation among both financial supervisors and industry practitioners
- Some practical considerations to improve ESAs’s proposals:
 - Eurosif would advise the use of a different term to refer to unintentionally misleading and erroneous sustainability-related claims;
 - Eurosif agreed that financial institutions will often be the “spreader” of greenwashing unintentionally involved in a large share of greenwashing cases;
 - FMPs (financial market participants) could act as triggers of greenwashing by making misleading claims with respect to their firm-wide policies and practices

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IAASB – proposed its strategy and work plan 2024-2027

- On 17th January, the IAASB (International Auditing & Assurance Standards Board) laid out its 2024-2027 strategy plan focusing on standard setting that supports the performance of high-quality and assurance engagements
- The strategic objectives highlighted are:
 - Support the consistent performance of quality audit engagements by enhancing auditing standards in areas where there is the greatest public interest need;
 - Establish globally accepted standard(s) for assurance on sustainability reporting;
 - Strengthen coordination with the International Ethics Standards Board for Accountants and other leading standard setters and regulators to leverage better collective actions in the public interest; and
 - Create more agile, innovative ways of working in line with the monitoring group’s reform vision

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ECB – published new sustainable finance indicators to track climate risk

- On 24th January, the European Central Bank (ECB) announced the publication of a series of new statistical indicators aimed at helping to analyse climate-related risks in the financial sector and track the progress of the sustainable finance market
- The launch of the new statistical indicators forms part of the ECB’s climate action plan, launched by the central bank in July 2022, which included initiatives to further incorporate climate change considerations into its monetary policy framework, as well as to enhance its risk assessment tools and capabilities to better include climate-related risks
- The new data sets cover three areas, including sustainable finance, financed emissions, and the impact of physical climate risks on loan and security portfolios



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ESMA – greenwashing and Art.8-9

- On 25th January, the ESMA (European Securities and Markets Authority) and the SMSG (Securities Market and Stakeholder Group) highlighted the importance to clarify related concepts and closely related terminology, such as “green”, “ESG” and “sustainable”, “impact investing” and “sustainable investment”. Also the scope of Article 8 and Article 9 products should be further clarified in order to avoid greenwashing
- According to the Securities Market and Stakeholder Group, investors would benefit if funds classified as Article 9 under the Sustainable Finance Disclosure Regulation (SFDR) “were the sole carriers of a green classification” due to the current lack of minimal ESG requirements for Article 8 funds
- According to the ESMA Advisory Group, Article 9 funds should focus on thematic funds, green bond funds, engagement funds and impact investing

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ESMA – draft opinion on European Sustainability Reporting Standards

- On 26th January, the European Securities and Markets Authority, the EU’s financial markets regulator and supervisor, has issued an opinion on the first set of draft European Sustainability Reporting Standards (ESRS Set 1) developed by the European Financial Reporting Advisory Group (EFRAG)
- ESMA finds that ESRS Set 1 broadly meets the objective of being conducive to investor protection and of not undermining financial stability. o bring Set 1 from broadly capable to fully capable of meeting that objective, ESMA advises the European Commission to address selected technical issues set out in the opinion
- The Commission will now consider ESMA’s opinion alongside opinions submitted by the EBA, EIOPA and other public bodies and adopt ESRS Set 1 into delegated acts by 30 June 2023

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January 2023 – New documentation on ESG issues | 1



Female FTSE Board Report 2022

- The Female FTSE Board Report 2022 is an annual publication looking at trends in female representation on FTSE 100 and FTSE 250 boards
- There has been a continued increase in the number of women on corporate boards. The percentage of women on FTSE 100 boards is 40% and the parallel percentage for FTSE 250 boards is 39% meaning that FTSE 100 boards have already met the target set by the Women Leaders Review for 2025 and FTSE 250 are on the cusp of meeting it
- It is important to remember that social targets matters when dealing with diversity, equity and inclusion within an organization. This report examines the power and influence necessary to achieve true gender parity aiming at building a sustainable pipeline of female talent to help change the overview on gender diversity

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World Social Report 2023

- Population ageing is a defining global trend of our time. People are living longer, and more are older than ever before. Spectacular improvements in health and survival and reductions in fertility have driven this momentous shift, which has begun or is expected to begin soon in all countries and areas
- The World Social Report 2023 explores the economic and social implications of the ageing of the human population. It builds on the Plan of Action's framework for national policies to create equitable, inclusive societies for people of all ages, providing recommendations to put the rights and well-being of older persons at the centre, across the life course
- Population ageing is an inevitable result of the demographic transition towards longer lives and smaller families. While the shift towards older populations is largely irreversible, collective actions and policy decisions shape its path and consequences

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The Chairperson's Guide to Valuing Nature

- Nature is the foundation of human existence. Although businesses depend on nature for all activities, they undervalue and neglect it as an asset, leading to poor business decisions with respect to the natural world
- Businesses face severe risks from nature loss, including lost biodiversity, climate risk and social inequality (as disparities across gender, race/ethnicity and other important social markets). A lack of action could result in soaring commodity prices, job losses, political instability and failure to achieve net-zero targets. By recognizing the need to value and protect nature as core to business purpose, board members can help create greater value for all stakeholders, while reinforcing their organization's physical and commercial resilience
- This guide outlines the key steps to help chairpersons to incorporate nature as core pillar into daily business strategy operations

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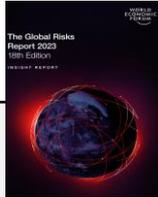
The Impact of Climate Risks on Social Inequality

- Reducing social inequality and protecting the environment are two distinct objectives that can both complement and contradict each other. This study examines the impact of climate risks on social inequality and demonstrate a potential trade-off between environmental and social improvements
- The report examines the macroeconomic model of Francis Dennig (Yale-NUS College professor) with an Integrated Assessment Model (IAM) to theoretically determine the interactions between physical risks, transition risks and social inequality at the regional level
- The model illustrates the critical need to consider inequality in calculating the social cost of carbon, both within and between countries. While developed countries will benefit from a low carbon tax, emerging countries, such as China and African will highly bear the impact of climate change

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January 2023 – New documentation on ESG issues | 2

WORLD ECONOMIC FORUM



Global Risks Report 2023

- The Global Risks Report 2023 explores some of the most severe risks we may face over the next decade. As we stand on the edge of a low-growth and low-cooperation era, tougher trade-offs risk eroding climate action, human development and future resilience
- The report also draws on the Executive Opinion Survey (EOS) to identify risks that pose the most severe threat to each country over the next two years, as identified by over 12,000 business leaders in 121 economies
- Finally, the report integrates the views of leading experts to generate foresight and to support analysis of the survey data



Focus slides 13

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WORLD ECONOMIC FORUM European Green Deal



Innovating for the European Green Deal

- Globally, if the world is to achieve its climate commitments, significant investment will be needed in new technologies that can help speed the renewable energy process and move towards clean economies
- Looking at the European Union, the current geopolitical context has put the bloc's green transition on an accelerated timeline
- In the short term, Europe has been successfully finding alternative ways to secure the energy it requires while in the long-term the need to move from hydrocarbons to a clean economy will call for significant investments and close collaboration between the private and public sectors

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BI Bloomberg Intelligence



Global ESG Outlook 2023

- This analysis is carried out by the Bloomberg Intelligence ESG Team outlining the upcoming ESG risks and opportunities
- Looking at the climate change, fossil fuels are hard to quit but the global market sentiment is shifting to green and clean energy transition, climate commitments and carbon pricing
- Greenwashing, energy security and geopolitical concerns raised questions about ESG's efficacy, leading to a two-year decline in net inflows. However, ESG comes into a recovery to assess long-term risks and changing industry landscapes as markets recognize a key framework in those three letters

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McKinsey Sustainability



Toward a more orderly US energy transition

- A combination of federal legislation, state targets, corporate commitments, investor pressure, and advances in clean technologies are giving new momentum to public- and private-sector efforts in the United States to moderate the effects of climate change
- The war in Ukraine has devastated lives and livelihoods, disrupted energy security and affordability, and deepened geopolitical tensions
- Global economic instability has also damaged the supply chain issues and inflationary trends that arose with the pandemic and increased the threat of a global recession

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ESG News Highlights: January 2023

ESG today

Moody's: ESG issues to increase credit risk in 2023

Corporate and sovereign credit quality is likely to be impacted by high ESG risks in 2023, with contributing factors including greater scrutiny of climate-related plans and growing regulatory and political pressures exacerbated by the macroeconomic and geopolitical issues from the Russia-Ukraine conflict and ongoing pandemic fallout

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U.S. DEPARTMENT OF ENERGY

USA strategy to decarbonize transportation

The Biden administration released the U.S. national blueprint for transportation decarbonization by 2050. The plan identifies the deployment of zero emission vehicles and fuels as the most meaningful drivers to decarbonize the sector, including all modes of transporting people and goods by land, air and sea

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Goldman Sachs

GS raises \$1.6 billion for its climate fund

Goldman Sachs (GS) announced that it has raised more than \$1.6 billion at the final close of its inaugural direct private markets' strategy dedicated to invest in climate and environmental solutions "the Horizon Environment & Climate Solutions I". GS stated that the fund will be the first in a series of "Horizon Funds," targeting investments in key sustainability trends

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Linklaters

COP15 & Biodiversity

The COP15 UN Biodiversity Conference concluded on 19 December, with 188 governments setting a series of targets to achieve by 2030. The Global Biodiversity Framework was passed at the summit, which included the "30x30 pledge", that is an agreement to safeguard 30% of land and water by 2030 to halt and prevent biodiversity loss

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WORLD ECONOMIC FORUM

WEF: humanity risks losing climate challenge

Humanity risks losing the fight against climate change and missing the opportunity to really invest in mitigation and adaptation policies and actions due to the current global economic crisis and the intensification of geopolitical tensions. The global economy is facing all of this, indeed failure on the front of mitigation and adaptation to climate change are the key challenging factors

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ESG NEWS

USA: Fed launches climate risk analysis for banks

The Federal Reserve Board (Fed) released details and instructions for the climate scenario analysis exercise for the largest US banks to assess their climate-related risk management practices. The banks participating in the climate scenario exercise are Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley and Wells Fargo

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EURONEXT

Euronext launches an Index in line with climate targets

Euronext announced the launch of the CAC SBT 1.5°, an index investing solely in companies within the SBF 120 Index that have emissions reduction targets approved to be in line with the 1.5°C goal of the Paris Agreement. The Index is designed to facilitate the adoption of ESG investments by institutional and private investors while providing a strong focus on climate change

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Deloitte.

Climate change impacts company's strategy

According to Deloitte Survey, nearly all high-level executives at large companies around the world expect climate change to impact their organizations' strategy and operations over the next three years. The survey indicated that climate change has emerged as a top priority for senior executives, even as their companies face major geopolitical and economic disruption

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ESG Events Highlights: February 2023



Sustainable Business Leaders – 14/16 February

Join the dynamic GreenBiz 23 community to harness the knowledge of experts, peers and new voices to help you achieve net zero, advance the circular economy, elevate social justice, safeguard biodiversity, build resilient supply chains and more

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Scottsdale, USA



IFRS Sustainability Symposium – 16/17 February

The inaugural IFRS Sustainability Symposium convenes global businesses, investors and policymakers to discuss progress towards a global baseline of sustainability disclosures to inform investment decisions

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Montréal, CAN



World Sustainable Development Summit 2023 – 22/24 February

The 22nd edition of the annual flagship event of The Energy and Resources Institute (TERI). The Summit deliberations will focus on the umbrella theme: Mainstreaming Sustainable Development and Climate Resilience for Collective Action

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New Delhi, IN



Responsible Business 2023 – 23 February

How can governments, business and civil society collaborate to drive positive change? Connect with sustainability leaders from the public and private sector to advance the ESG agenda

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Virtual /
London, UK



The 10th Annual World Ocean Summit – 27 February

The World Ocean Summit is an annual global event bringing together the widest cross-section of the ocean community from business and finance to governments, national and international policy-makers, civil society and academia

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Lisbon, PT



Carbon Tracking & Reporting – 27/1 February/March

Miscalculating carbon emissions can result in financial risks, reputational damage and severely reduced operational efficiency

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Houston, USA

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Issuances of sustainable debt securities	<ul style="list-style-type: none"> Indicators on issuances of sustainable debt securities are released by issuer area at face, nominal and market value The breakdown by sustainability classification (green, social, sustainability, and sustainability-linked) is only available for the euro area and the EU as a whole
Holdings of sustainable debt securities	<ul style="list-style-type: none"> Indicators on holdings of sustainable debt securities include a breakdown by sustainability classification for the euro area aggregate (at face and market value), including a breakdown by issuing counterparty area (euro area, EU, rest of the world) Breakdowns by holding sector and individual euro area country are only available for green bonds; the same applies for financial transactions, which are available for the euro area only
Indicators on financing carbon-intensive activities	<ul style="list-style-type: none"> The first two indicators on carbon emissions financed by financial institutions aim to provide information on how the financial sector contributes to the financing of high emitting economic activities The following indicators on financing carbon-intensive activities can be used to assess how the debtors/issuers' emissions evolve over time ahead of (and in preparation for) the transition to a net-zero economy: <ul style="list-style-type: none"> Financed emissions (FE): Total greenhouse gas (GHG) emissions of a debtor/issuer weighted by the investment as a share of the company's total value Carbon intensity (CI): FE divided by the production value of the company weighted by the investment in the company's activities as a share of the company's total value
Indicators on exposures to transition risks	<ul style="list-style-type: none"> The third and fourth indicators consider the transition risks for the financial sector deriving from the exposure of loans and securities portfolios to economic activities with elevated risks (emissions). They are defined as follows: <ul style="list-style-type: none"> Weighted average carbon intensity (WACI): Total GHG emissions of a debtor/issuer standardised by a measure of company production value, weighted by the investment in these activities as a share of the total investment portfolio value Carbon footprint (CFP): FE standardised by the total investment portfolio value
Indicators on physical risks	<ul style="list-style-type: none"> Indicators used to quantify physical risks should cover as many acute natural hazards as possible selected on the basis of (i) the historical relevance of the hazards or future predictions and (ii) the underlying quality of the data on those hazards Physical risk is a result of an interaction of three elements: physical hazards, exposures of assets and assets' vulnerability to those hazards

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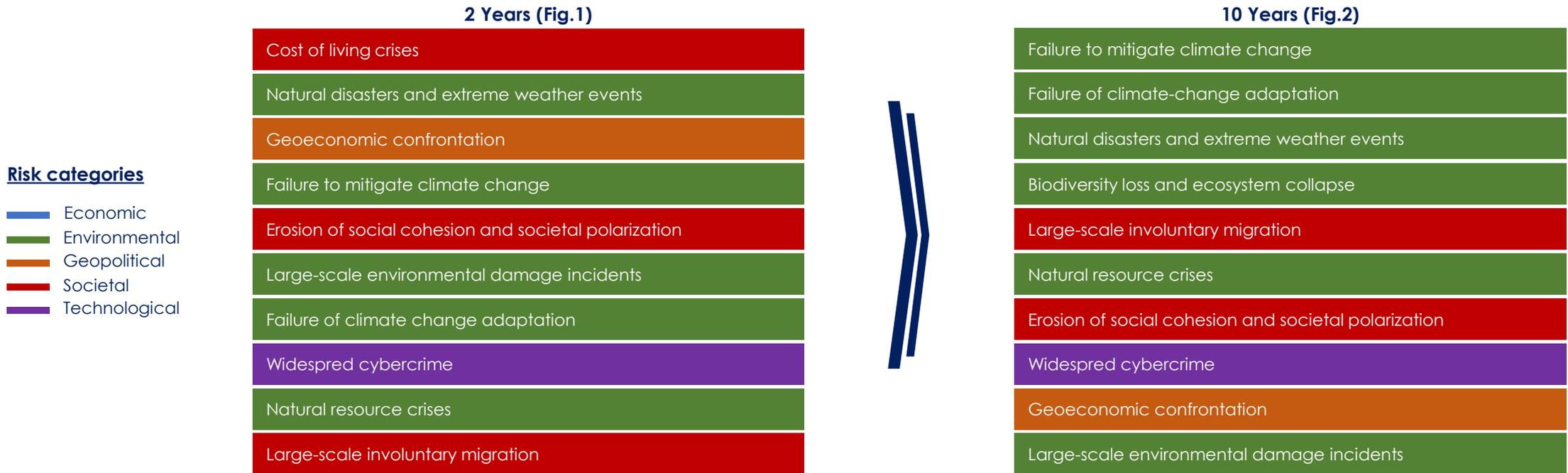
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Global risks ranked by severity over the short and long term

- **The Global Risks Report 2023** presents the results of the latest Global Risks Perception Survey (GRPS). The graphs below show the following risks over 2 years and 10 years period



Comments:

- Figure 1 considers the mounting impact of current crises (i.e. global risks which are already unfolding) on the most severe global risks that many expect to play out over the **short term (two years)**
- Figure 2 considers a selection of risks that are likely to be most severe in the **long term (10 years)**, exploring newly emerging or rapidly accelerating economic, environmental, societal, geopolitical and technological risks that could become tomorrow's crises
- **Considering both 2 years and 10 years period, ESG risk** will be highly impacted by **Environmental risks**, respectively 5 out of 10 and 6 out of 10
- Looking at 2 years and 10 years period, **no Economic risk** has been considered relevant from the Global Risks Perception Survey

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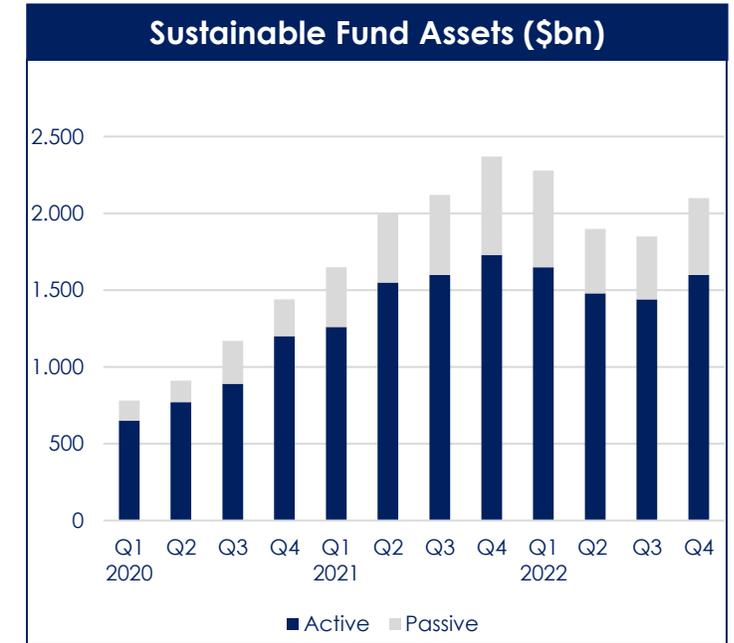
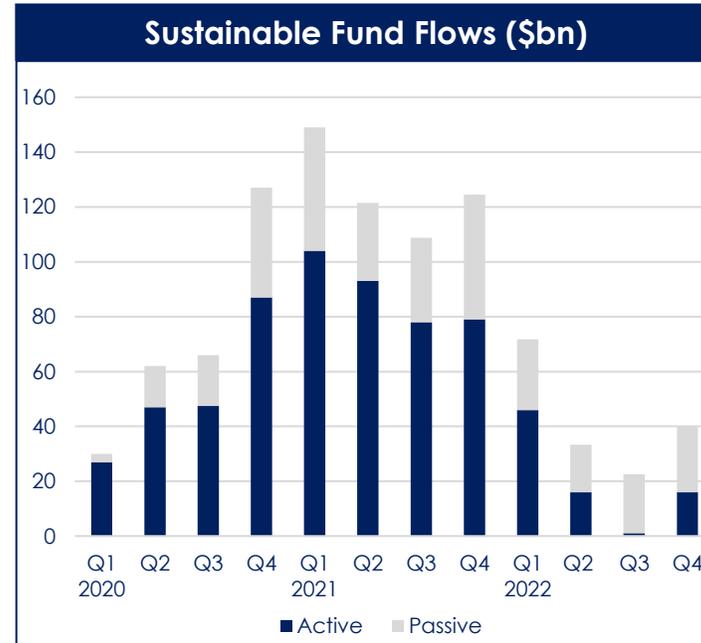
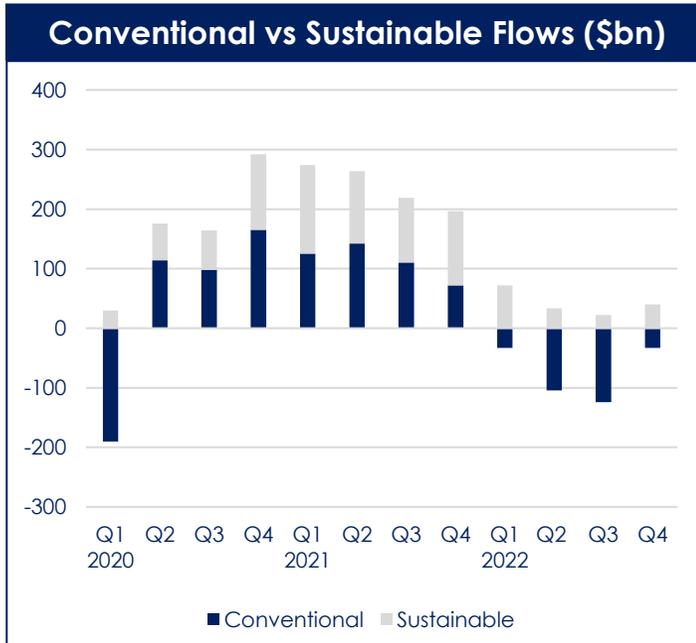
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Inflows into European Sustainable funds remain positive in Q4 2022, despite continued outflows in conventional funds



- In the fourth quarter of 2022, total European investment funds recorded approximately \$7 bn of inflows compared to \$101.7 bn outflows in Q3 2022
- The **European sustainable** fund universe attracted **\$40 bn in net inflows**. **Passive strategies** represent over **60%** of the inflows
- At the end of Q4 2022, total AUM of European sustainable funds stood around \$2,100 bn, up 12.7% in the last quarter. Overall, **sustainable funds** accounted for **20% of European fund assets**, at the end of December 2022

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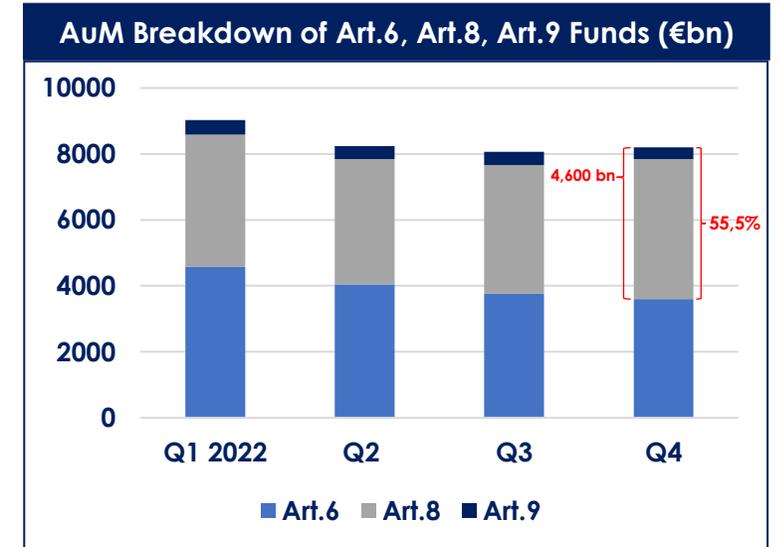
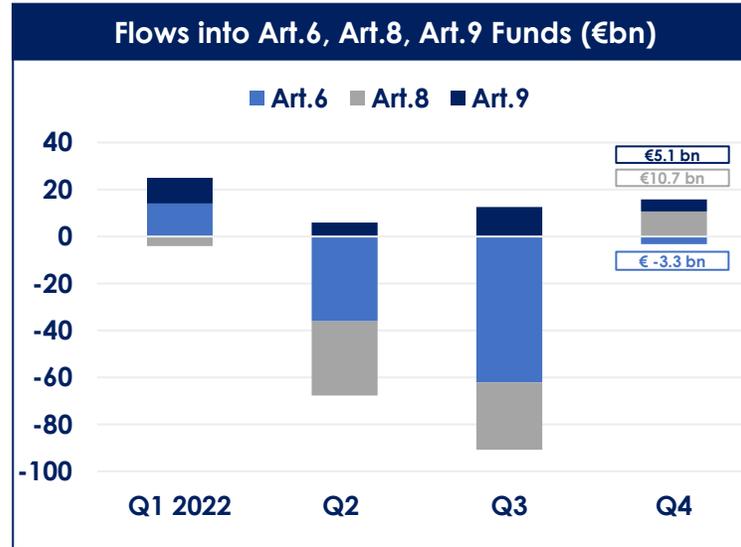
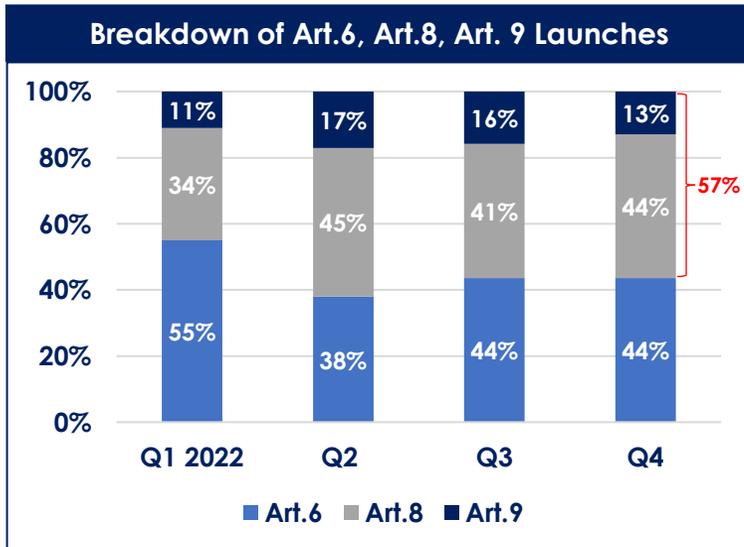
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Article 8 and Article 9 Fund account for 55,5% share of total AuM



- Compared with Q3 2022, newly launched **Art. 8 and Art. 9** funds in **Q4 2022** accounted for 57% of the total number of funds launched in the EU
- Art. 8** funds recorded **€10.7 bn of inflows in Q4 2022** compared to the outflows recorded in Q3 2022 while Art. 9 funds attracted €5.1 bn in Q4 2022
- Art. 8 funds and Art. 9 held up better than **Art. 6**, which recorded **outflows for €3.3 billion in Q4 2022**
- Art. 8 and Art. 9** AuM funds stood at **€4,600 bn** at the end of December, up from €4,300 billion at the end of September. As a result, the two groups of sustainable funds accounted for an increased share of the EU universe of **55.5%**, compared to 53.5% three months earlier

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ESG Conferences organized by Investment Banks and Brokers

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
 BANCA IMI	Capital Markets & ESG Finance Saudi Arabia	In attendance	Riyadh	8 February 2023	Banca IMI
 Deutsche Bank	Sustainability Deep Dive	Virtual		2 March 2023	Deutsche Bank
 Deutsche Bank	dbAccess Global ESG Conference	Virtual		8 March 2023	Deutsche Bank
 UBS	European Energy Conference	In attendance	Paris	14-15 March 2023	UBS
 BARCLAYS	ESG Finance Conference	Virtual		5 April 2023	Barclays
BANK OF AMERICA 	BofA ESG European Conference	Virtual		19 April 2023	
 SVERIGES RIKSBANK	Climate Change & Financial System Conference	tbd	tbd	2-3 May 2023	Sveriges Riksbank
 THOMSON REUTERS	Balancing Profitability & Sustainability	In attendance	London	6-7 June 2023	Reuters
 UBS	Sustainable Finance Conference	tbd	London	June 2023	
 Raiffeisen Bank International Member of RBI Group	Sustainable Finance Conference 2022	tbd	tbd	2023	UBS
 BORSA ITALIANA	7 th Edition – Sustainability Week	Virtual/In attendance		5-8 September 2023	Borsa Italiana
 UBS	Global Energy Transition Conference	tbd	London	12-13 September 2023	UBS
 SOCIETE GENERALE	2023 Société Générale European ESG-SRI Conference	tbd	Paris	7 November 2023	Société Générale