Monthly ESG Newsletter

April 2023

ARWIN &
PARTNERS

Sustainabilty matters!

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March 2023

European Commission – welcomes political agreement on European Green Bond Standard

- *On 1st March, the Commission welcomes the political agreement between the European Parliament and the Council on the Commission's proposal for a European Green Bond Regulation. The European Green Bond Standard (EUGBS) is part of the European Green Deal and will establish an EU voluntary high-quality standard for green bonds. EUGBS will be available for companies and public entities that wish to raise funds on capital markets to finance their green investments*
- *A standardized template will be available to issuers to report information on the Taxonomy-alignment of green bonds, thereby reducing administrative burdens and uncertainty both for green bond issuers and for their investors*
- *The Regulation also creates a regime for the registration and supervision of external reviewers. External reviewers play an important role in the market by assessing green bonds in detail and providing confirmation to investors about their environmental credentials*

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ESMA – ESAs and ECB ask for enhanced climate related disclosure for structured finance products

- *On 13th March, the European Supervisory Authorities (ESAs) together with the European Central Bank (ECB), published a joint-statement on climate-related disclosure for structured finance products*
- *The join-statement encourages the development of disclosure standards to facilitate access to climate-related data with a view to improving sustainability-related transparency in securitizations and to promote consistent and harmonized requirements for similar instruments*
- *ESMA, due to the lack of climate-related data on the underlying assets of structured finance products, is working with the contribution of EBA, EIOPA and the ECB towards enhancing disclosure standards for securitized assets by including new, proportionate and targeted climate change-related information*

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European Parliament – votes to reduce member states' emissions by 40% for a climate change

- *On 14th March, the European Parliament amended its legislation of the so-called Effort Sharing Regulation. It sets binding annual reductions for greenhouse gas (GHG) emission for road transport, heating of buildings, agriculture, small industrial installations and waste management for each EU member state and currently regulates roughly 60% of all EU emissions*
- *The revised law increases the 2030 GHG reduction target climate change at EU level from 30% to 40% compared to 2005 levels, and also establishes that all EU countries must now reduce GHG emissions with targets ranging between 10 and 50%*
- *The 2030 targets for all member states are based on GDP per capita and cost-effectiveness. Member states will also have to ensure every year that they do not exceed their annual GHG emission allocation*

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March 2023

ESMA – a unique definition of Greenwashing for every market

- *On 16th March, the SMSG (Securities and Markets Stakeholder Group) advise ESMA to (i) align the definition of greenwashing for the financial sector with definitions that are used in the broader economy, to the extent possible; (ii) to take the definitions provided in certain EU regulations as a starting point, subject to improvements, and (iii)the definition of greenwashing should be linked as much a possible to existing requirements on non-misleading information*
- *Even if ESMA is not competent to solve all SMSG greenwashing requests, the SMSG believes that ESMA has an important role to play in (i) monitoring those evolutions on the markets, examining its causes, and flagging this to the Commission; and (ii) asking questions and giving advice to the Commission for further improvement*

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European Commission – Net Zero Industry Act

- *On 16th March, President Von Der Leyen announced Net-Zero Industry Act to scale up manufacturing of clean technologies in the EU and make sure the Union is well-equipped for clean-energy transition as a part of the Green Deal Industrial Plan*
- *The objective is to create better conditions to set up net-zero projects in Europe and attract investments, with the aim that the Union's overall strategic net-zero technologies manufacturing capacity reaches at least 40% of the Union's deployment needs by 2030*
- *The Net-Zero Industry Act will create the best conditions for those sectors that are crucial for us to reach net-zero by 2050 such as technologies like wind turbines, heat pumps, solar panels, renewable hydrogen as well as CO2 storage*

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European Commission – Directive on Green Claims

- *On 22th March, the European Commission outlined a new proposal of the "Green Claims Directive". This directive aims to regulate environmental claims made by companies on their products and services in the European Union. The directive establishes guidelines for companies to follow when making environmental claims, setting out reliable criteria*
- *The directive applies to a wide range of environmental claims, including those related to carbon footprint, water use, and biodiversity. It also requires companies to provide evidence to back up their claims and prohibits them from making claims that are misleading or could create confusion for consumers*
- *The goal of the directive is to promote transparency and accuracy in environmental marketing and to prevent "greenwashing". The directive is expected to take effect in the EU in 2023 and non-compliant companies could face fines or other penalties*

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March 2023

UNEP FINANCE INITIATIVE

The 2023 Climate Risk landscape

- *With worsening impacts of climate change affecting almost every human and natural system across the globe and the critical economic transition to a net-zero emissions future on its way, successful companies and communities will be the ones showing climate resilience and contributing to a sustainable future*
- *In order to better understand climate risks and opportunities and inform their strategies, financial institutions have turned towards climate risk tools, a market that has developed at an impressive pace in the last few years*
- *UNEP FI's 2023 Climate Risk Landscape report assists financial institutions in better understanding the diverse and dynamic landscape of climate risk tools. The report explores the most commonly used climate risk models: Intergovernmental Panel on Climate Change (IPCC), International Energy Agency (IEA) and Network for Greening the Financial System (NGFS)*

Focus slides 14

[***Click here to download the report***]

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European ESG Outlook 2023

- *Despite the immediate need to focus on energy security since the start of the war in Ukraine, the EU is determined to achieve its intermediate target of 55% greenhouse gas ("GHG") reduction by 2030 and become climate-neutral by 2050 through the Green Deal Industrial Plan aimed at creating an attractive environment for net-zero investments*
- *The EU also continues to lead the way globally on ESG regulation, in particular with new regimes on sustainability reporting and due diligence. Managing greenwashing remains another EU priority focus*
- *The topics will focus on energy transition, greenwashing, climate change, sustainable finance, supply chain due diligence and circular economy in the Eurozone*

[***Click here to download the report***]

afme/ Finance for Europe

Sustainable Finance in Europe

- *Five years have passed since the launch of the EU Action Plan on Financing Sustainable Growth, and most of the building blocks of the EU framework are now in place*
- *Firms are implementing the EU Taxonomy Regulation, relying on extensive guidance on data and usability, as a tool for screening economic activities as well as increasing transparency*
- *Meeting the reporting requirements in the Taxonomy, Pillar III and the Sustainable Finance Disclosures Regulation remains a challenge, but the development of EU and international sustainability reporting standards, and the upcoming implementation of the Corporate Sustainability Reporting Directive, can improve the availability of reliable and comparable ESG information in the near future*

[***Click here to download the report***]

Insightful ESG research | 2

March 2023

United Nations Global Compact

UN Global Compact CEO study

- *As we approach the halfway mark to achieve the 2030 agenda, CEOs remain committed to delivering the SDGs. Yet they are sounding the alarm that more action and support are needed to rescue the global goals*
- *Globally, 87% of CEOs feel that current levels of geopolitical instability limit the world's ability to achieve the SDGs. The fallout is leaving CEOs with limited confidence in multilateralism as they work to achieve the Global Goals*
- *Geopolitical instability is also amplifying existing pressures, such as expanding supply chain disruptions, increasing price volatility, and intensifying resource shortages. As CEOs deal with these impacts in the short term, sustainability efforts are being disrupted, as shown by the 43% of CEOs who agree that geopolitical instability has set back their sustainability efforts*

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McKinsey & Company

Climate Investing: continuing breakout growth

- *Climate-related investments increased significantly from 2022 due in part to the policies of the United States and Europe aimed at zeroing out emissions by 2050. The growth seems on track to continue this year, even though the global economic context remains challenging*
- *This report will outline a framework that could allow investors to succeed in this turbulent environment by ensuring that investment targets are not only well positioned to leverage a wide range of climate tailwinds but are also able to identify climate-investing trends*
- *The momentum seems poised to continue in 2023 as governments, corporations, and investors increasingly accelerate the deployment of climate technologies, which offer the potential to promote energy security, affordability, and sustainability objectives*

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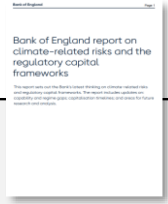
Bank of England



Bank of England: climate-related risk assessment

- *This report sets out the Bank of England latest thinking on climate-related risks and regulatory capital frameworks. The report includes updates on: capability and regime gaps; capitalisation timelines; and areas for future research and analysis*
- *Existing capability and regime gaps create uncertainty over whether banks and insurers are sufficiently capitalised for future climate-related losses. This uncertainty represents a risk appetite challenge for micro and macroprudential regulators*
- *Current evidence suggests that the existing time horizons over which risks are capitalised by banks and insurers are appropriate for climate risks. The Bank will continue to explore how climate risks can be calibrated within the timelines embedded in existing capital frameworks and climate-related risk*

Focus slides 16

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Insightful ESG news

March 2023

ESG News.

EU invests in climate strategic projects

The Commission announced an investment of over €116 million for the new LIFE Programme's Strategic Projects. The investment will help eight major projects in Belgium, Estonia, Spain, Italy, Poland, Slovakia and Finland reach their climate and environmental targets. These projects will help Europe to become the world's first climate-neutral continent by 2050

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IBM

EY&IBM offer ESG data and Sustainability Strategy

Global professional services firm EY and tech giant IBM announced the launch of a collaboration, aimed at providing ESG solutions to help companies accelerate, manage and report on sustainability-related business transformations and initiatives particularly focused on Scope 1, 2 and 3 GHG emissions'

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BNP PARIBAS

BNP Paribas launches two fixed income ESG ETFs

BNP Paribas Asset Management (BNPP AM) has launched two fixed income ESG ETFs that are listed on the Euronext Paris, Borsa Italiana and the Deutsche Boerse. The indexes will exclude issuers in sectors with a negative ESG impact and those that violate the United Nation's Global Compact

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ESG today

Biden announces $6Bn for decarbonization projects

The Biden administration unveiled a series of initiatives aimed at reducing greenhouse gas emissions from the industrial sector, including the announcement of a $6 billion Industrial Demonstrations Program to accelerate decarbonization projects targeting the highest emitting industries such as iron and steel, aluminium and cement

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BCG

BCG launches a virtual center for green transition

Boston Consulting Group announced the formation of its global center for Climate & Sustainability Policy & Regulation to support clients for the global transition to a net-zero, nature-positive world. The virtual center builds on BCG's extensive experience helping companies, governments, and multilateral organizations accelerate their climate and sustainability journeys

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New ISO standards for carbon neutrality

ISO 14068 (the "Carbon Neutrality IS") will provide a standardized approach towards carbon neutrality and communicating associated claims, in addition to an international standard on sustainable finance. The objective is to achieve and demonstrate carbon neutrality that could be applied to organizations and products (including services, buildings and events)

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KERING

Kering commits to 40% emissions reduction

Kering announced a new climate commitment, with a goal to reduce greenhouse gas emissions by 40% by 2035 across the company's value chain including Scope 1, 2 and 3 emissions. Kering's 2021 Climate Strategy report outlined several of the company's Scope 3 emissions reduction strategies adopting more circular economy approaches

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ING

ING restrics funding for Oil&Gas investments

ING announced an expansion of its approach to align its oil and gas portfolio with its climate goals, with plans to introduce new funding restrictions targeting oil and gas infrastructure, and to reduce the volume of traded oil and gas financed in its Trade and Commodity Finance business

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ESG & Sustainability upcoming events

April 2023

REUTERS EVENTS	**Balancing Growth & Sustainability – 4/5 April** *In a period of geo-political and macro-economic crises companies must balance action, whilst sustaining a successful business. Those that can achieve this will future proof their business, protect the planet and ensure inclusive, sustainable growth* ***Click here to go to the page***	NYC,USA
MSCI	**Sustainable Finance in Fixed Income – 20 April** *Sustainable Finance in fixed Income risk and opportunities in 2023* ***Click here to go to the page***	Virtual /NYC, USA
EarthX	**EXPO EarthX 2023 – 21/23 April** *Possibly one of the largest conferences on sustainability, EarthX brings together government agencies, academic institutions, businesses, speakers and more to discuss a wide range of environmental and sustainability-related topics* ***Click here to go to the page***	Dallas, USA
Environmental Finance	**The Future of ESG Data America – 24 April** *The Future of ESG Data conference is arriving in the US as a central source of discussion and learning for the rapidly evolving ESG Data industry. This unique one-day event will offer unrivalled insight from industry leading experts on all aspects of the industry* ***Click here to go to the page***	Washington, USA
Chartered Governance Institute UK & Ireland	**ESG Summit 2023 – 27 April** *This year, the Chartered Governance Institute's annual ESG Summit will explore how Governance sits at the heart of ESG – how the 'G' in ESG underpins and facilitates the 'E' and the 'S* ***Click here to go to the page***	London, UK
MIT	**MIT Sustainability Summit - 28 April** *MIT is excited to announce its 15th Annual Sustainability Summit on De-mystifying Carbon Markets* ***Click here to go to the page***	Virtual/ Boston, USA

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ESG Conferences organized by Investment Banks and Brokers

Annual list

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
BARCLAYS	ESG Finance Conference	Virtual		5 April 2023	Barclays
ifgs	ESG Meets FinTech	In attendance	London	17-18 April 2023	IFGS
BofA	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	7th 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	Sociètè Gènèrale

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UNEP FI's 2023 Climate Risk
Diverse and dynamic tools according to IPCC, IEA & NGFS

	General Considerations	Tools
Intergovernmental Panel on Climate Change (IPCC)	▪ Alignment to 1.5°C scenarios will require rapid and deep decarbonisation in all sectors ▪ Renewables or fossil fuels with Carbon Capture and Storage (CCS) will help achieve emission reductions' with the Carbon Dioxide Removal (CDR) technology ▪ The GHG emissions drivers of the Shared Socioeconomic Pathway (SSP) scenarios where the global population growth will reach 8.5 –9.7 billion people by 2050 and GDP increases of 2.7–4.1% per year from 2015–2050	▪ **Illustrative Mitigation Pathways (IMP):** Show mitigation strategies to (i) achieve rapid decarbonisation (ii) focusing on renewables (iii) shifting development pathways. These IMPs are associated with below 2°C and 1.5°C scenarios, and some are classified alongside SSP1–1.9. ▪ **SSP2 – 4.5[1]:** Global consumption-based carbon dioxide (CO_2) and CH_4 emissions in urban areas are expected to increase from 29 to 34 Gt (Gigatonnes) in 2050 ▪ **SSP3 – 7.0[2]:** Global consumption-based CO_2 and CH_4 emissions in urban areas increase up to 40 Gt. This pathway assumes slow technological change, high population growth, and fragmentation ▪ **SSP5 – 8.5[3]:** This pathway would assume a reversal of current technology and/or mitigation policy trends
International Energy Agency (IEA)	▪ Provides key insights to the current global energy crisis generated by Russia's invasion of Ukraine ties into its future scenario assumptions ▪ Government policy are putting a clean energy economy and a fossil-fuel peak into view in their updated model assumptions ▪ 1.5°C achievement will ultimately come down to the speed and total investment in an economy built on clean and affordable energy, enabled by effective policymaking and incentives	▪ **NZE2050 – Net-zero Emissions** by 2050: Getting to net zero requires a tripling of spending on clean energy and infrastructure by 2030. Achieving the NZE pathway is narrow but achievable with the necessary policy and technology advances ▪ **APS – Announced Pledges Scenario:** Fossil-fuel demand is put into decline by 2030. GHG emissions peak in the mid-2020s and fall to 12 Gt in 2050, which is associated with a temperature increase of 1.7°C by 2100. Increases in global clean energy manufacturing are a driving factor for rapid deployment of clean technology
Network for Greening the Financial System (NGFS)	▪ Incorporates the most updated trends in solar, wind, and other key mitigation technologies ▪ Contains a more detailed representation of physical risk, including acute risks ▪ Transition risks are represented with increased granularity in the transportation and industrial sectors	▪ **Current Policies Scenario:** GDP losses up to 2100 are the highest in physical risk scenarios. Limited transition risk is reflected by low impact to macroeconomic variables such as unemployment and inflation ▪ **Disorderly Scenarios:** GDP losses from transition risks are highest, due to a combination of transition speed and investment uncertainty ▪ **Net-zero 2050:** Moderately negative GDP losses, with a balance of costs from carbon prices and overall energy costs,

Source: UNEP FI

Note[1]: This pathway assumes that CO_2 emissions hover around current levels before starting to fall mid-century, but they do not reach net zero by 2100. Temperatures rise 2.7°C by the end of this century. Note[2]: On this path, emissions and temperatures rise steadily and CO_2 emissions roughly double from current levels by 2100. By 2100, average temperatures have risen by 3.6°C
Note[3]: Current CO_2 emissions levels roughly double by 2050. The global economy growth is fuelled by exploiting fossil fuels and energy-intensive lifestyles. By 2100, the average global temperature is a scorching 4.4°C higher

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Bank of England key work on climate-related risks

Phase 1
Identifying climate-related risks

Phase 2
Embedding into frameworks

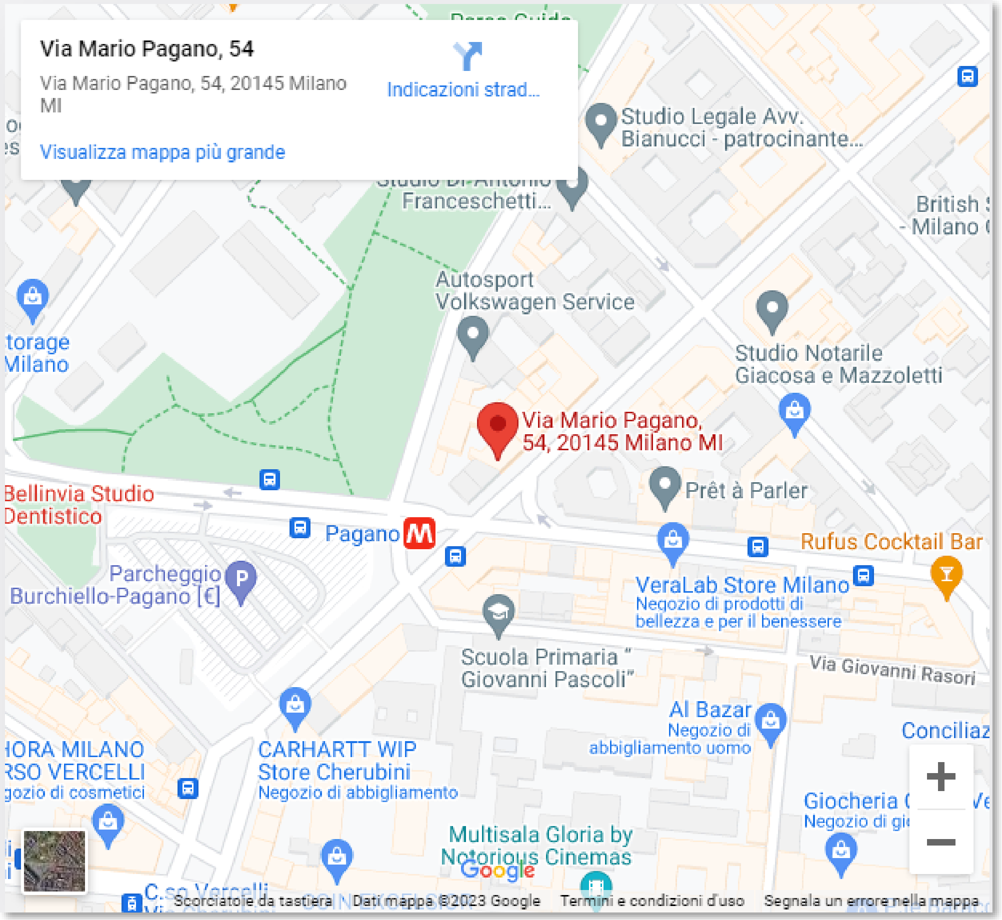
Phase 3
Active supervision and reflecting on the policy framework

2015	2016	2017	2018	2019	2020	2021	2022	2023 (onwards)
Prudential Regulation Authority[1] (PRA) report on the impact of climate change on the **UK insurance sector**	***No relevant regulations applied***		PRA report of transition in thinking: impact of climate change on the **UK banking sector**	Established the Climate Financial Risk Forum to build capacity and share best practice across the financial sector industry **Set supervisory expectations** for banks and insurers on climate-related risks	**Letter to CEOs** providing feedback to industry	Launched **Climate Biennial Exploratory Scenario[2] (CBES)** exercise The PRA **Climate Change Adaptation Report** (CCAR) set out **findings** on **industry progress** and reflections on the links of **climate-related risks** and the **regulatory capital frameworks**	**Published CBES results** Letter to CEOs proving further **feedback** to **firms** as well as **observations** of effective and less effective **practices** Hosted a **Climate** and **Capital conference** focused on **complex issues** associated with adjusting the **regulatory capital framework** for **climate-related risks**	Bank of England report on climate-related risks and the regulatory capital frameworks provides update on the Banks's thinking and areas for further work

Source: Bank of England

*Note[1]: **Prudential Regulation Authority (PRA)** its primary objectives are to promote the safety and soundness of firms that it regulates, and to contribute to the protection of insurance policyholders. The FPC's primary objective is to protect and enhance the stability of the financial system of the United Kingdom*
*Note[2]: **Climate Biennial Exploratory Scenario (CBES)** includes three scenarios exploring both transition and physical risks, to different degrees. The exercise considered two possible routes to net-zero UK greenhouse gas emissions by 2050: an 'Early Action' (EA) scenario and a 'Late Action' (LA) scenario. A third 'No Additional Action' (NAA) scenario explores the physical risks that would begin to materialise if governments around the world fail to enact policy responses to global warming*

Contacts



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