Monthly ESG Newsletter

May 2023

ARWIN & PARTNERS

Sustainability matters!

Contents

ESG Regulatory updates | 1
April 2023

European Parliament – adopts new rules on binding pay-transparency measures about gender pay gap

- *On 30th March, the European Parliament approved a new legislation that will require EU companies to disclose information that makes it easier for employees to compare salaries and to expose existing gender pay gaps*
- *If pay reporting shows a gender pay gap of at least 5%, employers will have to conduct a joint pay assessment in cooperation with their workers' representatives. Member states will have to put in place effective, proportionate and dissuasive penalties, for employers that infringe the rules*
- *The rules stipulate that workers and workers' representatives will have the right to receive clear and complete information on individual and average pay levels, broken down by gender. Pay secrecy will be banned and the new rules will come into force 20 days after their publication*

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European Commission – consults on draft Delegated Acts with technical screening criteria for "Taxo 4"

- *On 5th April, the European Commission published for consultation a (i) a draft Delegated Act with technical screening criteria ("TSC") for the remaining four environmental objectives under the Taxonomy Regulation and (ii) a draft Delegated Act that amends the existing Taxonomy Climate Delegated Act*
- *With respect to (i), the remaining four environmental objectives also denominated as "Taxo 4" cover the following areas:*
  - *sustainable use and protection of water and marine resources;*
  - *transition to a circular economy;*
  - *pollution, prevention and control; and*
  - *protection and restoration of biodiversity and ecosystem*
- *The consultation on the two draft Delegated Acts closes on 3 May 2023*

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Eurosif – investor associations call for preserving the timeline and integrity of the CSRD and ESRS

- *On 6th April, the European Sustainable Investment Forum (Eurosif) and the Principles for Responsible Investment (PRI) are calling on the European Commission to maintain the integrity and timeline for implementation of the Corporate Sustainability Reporting Directive (CSRD) and corresponding first set of the European Sustainability Reporting Standards (ESRS)*
- *Investors regularly report that the lack of comparable, verifiable, and decision-useful sustainability information is a barrier to investing in line with the EU Green Deal and broader sustainability objectives*
- *The CSRD and the ESRS provide investors with consistent and reliable information about the material sustainability-related risks, opportunities, and impacts they need to make investment decisions*

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ESG Regulatory updates | 2
April 2023

EU Commission – launches Taxonomy Navigator to support companies

- *On 7th April, the European Commission has launched the EU Taxonomy Navigator, an easy-to-use webpage that offers a series of online tools to help users better understand the EU Taxonomy, with the intention of facilitating its implementation and supporting companies in their ESG reporting obligations*
- *In particular, the EU Taxonomy Navigator offers three tools to help guide the way:*
  - *EU Taxonomy Compass, a visual representation of the sectors, activities, and criteria included in the delegated acts of the EU Taxonomy;*
  - *EU Taxonomy Calculator, a step-by-step guide on reporting obligations;*
  - *FAQ repository, an overview of questions and answers on the EU Taxonomy and its delegated acts*

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ESAs – propose amendments to extend and simplify sustainability disclosures

- *On 12th April, ESAs proposed changes to the disclosure framework to address issues that have emerged since the introduction of SFDR. The authorities seek feedback on the amendments that address:*
  - *Extending the list of universal social indicators for the disclosure of the principal adverse impacts of investment decisions on the environment and society, such as earnings from non-cooperative tax jurisdictions or interference in the formation of trade unions*
  - *Refining the content of other indicators for adverse impacts and their respective definitions, applicable methodologies, formulae for calculation as well as the presentation of the share of information derived directly from investee companies, sovereigns or real estate assets*
  - *Adding product disclosures regarding decarbonization targets*

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ISSB – prioritise climate-related disclosures to support initial application

- *On 10th of April, the International Sustainability Standards Board (ISSB) decided that it will complement its package of transitional reliefs to support companies applying the ISSB's first two Standards "S1" (general requirements) and "S2" (climate)*
- *The relief will enable companies to focus initial efforts on ensuring they meet investor information needs around climate change. Furthermore, companies can prioritise putting in place reporting practices and structures to provide high-quality, decision-useful information about climate-related risks and opportunities in the first year of reporting using the ISSB Standards*
- *In details, companies will be able to use their first year of reporting to get familiar with concepts and requirements within the ISSB Standards—undertaking important exercises to get their systems in place—using climate first, before reporting on other sustainability-related risks and opportunities*

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Contents

Insightful ESG research
April 2023

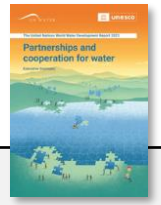
Rate the Raters 2023

- *The 2023 Rate the Raters report is based on analysis of survey responses from a broad range of corporate sustainability professionals and investors. Survey data are supplemented by in-depth interviews and secondary research*

Focus slides 13

- *The findings reveal ongoing evolution in the ESG ratings space, with the landscape becoming more complex at the same time as ratings become more important to investors and corporations. Surveyed investors and companies clearly prefer ESG raters with an active approach and more robust company engagement over passive ESG raters, giving highest marks for quality and usefulness to CDP and S&P Global*
- *Rate the Raters aims to provide useful insight about ESG rating providers to ensure that the industry meets its promise to hold corporations accountable and motivate them to improve sustainability performance*

Click here to download the report



UNESCO - Water Development Report 2023

- *As the UN system's principal authoritative report on water, the United Nations World Water Development Report 2023 directly informs the UN conference discussions, describing how building partnerships and enhancing cooperation across all dimensions of sustainable development are essential to accelerating progress towards the Sustainable Development Goal for water and sanitation (SDG 6) and realizing the human rights to water and sanitation*
- *Water use has been increasing globally by roughly 1% per year over the last 40 years and is expected to grow at a similar rate through to 2050, driven by a combination of population growth, socio-economic development and changing consumption patterns*
- *Water scarcity is becoming endemic as a result of the local impact of physical water stress, coupled with the acceleration and spreading of freshwater pollution*

Click here to download the report

UNEP-FI – Nature-Related Risks

- *This report presents the results of an extensive global pilot testing led by UNEP-FI with the private finance sector to test the draft risk management and disclosure framework from the Taskforce on Nature-related Financial Disclosures (TNFD)*
- *The report presents practical case studies based on the findings and insights from more than 40 global financial institutions which assessed the current applicability of the TNFD framework for selected high-impact sectors*
- *The pilots aim to support financial institutions to start their journey to unboxing nature-related dependencies, impacts, risks and opportunities – and supporting the ultimate goal of shifting global financial flows away from nature-negative outcomes and toward nature-positive outcomes*

Click here to download the report

Enel – Zero Emissions Ambition Report

- *Enel has published a decarbonization roadmap to net-zero emissions by 2040 based on Science Based target initiative (SBTi) aiming to eliminate direct and indirect greenhouse gas emissions and moving towards a sustainable electrification powered by renewable energy*
- *The firm helps to ensure that our planet does not warm by more than 1.5°C, the maximum temperature increase to avoid a climate crisis as defined by the Paris Agreement*
- *Enel will invest a total of approximately EUR 32 billion over the next three years, mainly to promote clean and sustainable electricity. In detail, EUR17 billion will be dedicated to renewable energies and EUR15 billion to the transition and development of new forms of green energy*

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Insightful ESG news
April 2023

BAIN & COMPANY

Do ESG efforts create value?

Research by Bain & Company and EcoVadis indicates that positive ESG outcomes are a trait of successful companies. Beyond benefiting the planet and society, sustainability measures correlate with financial performance. In addition, companies and private equity funds can realize financial returns while accelerating their ESG transition towards the green economy

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ESG NEWS

EU: agreement on aircraft biofuel

A minimum of 2 per cent share of sustainable fuels in air transport from 2025, increasing every five years to 70 per cent in 2050. The goal of the European Union is to increase the spread of biofuels and hydrogen by reducing emissions in the aviation sector. The program is called RefuelEU Aviation and the European airports will have two years to be aligned to the regulation

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ECB: Banks misalignment to climate risks

The quality of European banks' disclosures on climate and environmental risks is still undervalued. Most of the time, this information is incomplete or insufficient and thus not in line with the requirements of the European Central Bank (ECB). The ECB is faithful that banks will continue to improve the quality of information

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ESG NEWS

Wall Street banks: not well advanced on ESG targets

The six largest Wall Street banks are not aligned with their 2030 ESG targets specifically oil and gas financing targets do not respect the global warming scenario within the critical 1.5 C threshold set by Paris Agreement in 2015. The Transition Pathways Initiative (TPI) research centre highlighted that the six banks are all members of the Net Zero Banking Alliance

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Linklaters

UK Green Day: the future of UK energy

The UK government's "Green Day" finally landed on 30 March 2023, with a number of key announcements on net zero and energy security. This include specifically the Net Zero Growth Plan focused on renewables, carbon capture, usage, storage, nuclear and hydrogen and the Energy Security Plan which sets governments' steps to ensure energy independency

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Green Finance Institute

GFI and DEFRA work on nature-related financial risk

The Green Finance Institute (GFI) is working with DEFRA (Department for Environment Food & Rural Affairs) to deliver a body of research outlining nature-related financial risk estimates and the impact that the climate and ecological crises could have on the UK economy with a focus on biodiversity loss and ecosystem degradation. The research highlights the financial impact that nature could have on UK businesses
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Apple

Apple increases clean energy usage in one year

Apple announces that the use of renewable electricity by its manufacturing partners increased by 30% in 2022 alongside commitments from dozens of additional suppliers to move to 100% renewable energy for all Apple production. Emissions from the supply chain represent more than 70% of apple's carbon footprint. Apple achieves to become carbon neutral by 2030

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Mastercard: first sustainable cards

Newly–produced Mastercard plastic payment cards be made from more sustainable materials (such as recycled or bio-sourced plastics) by 2028. Mastercard launched an Eco-Certification (CEC) scheme in 2021, applying a badge that identifies cards made from sustainable materials such as recyclable, recycled, bio-sourced, chlorine-free, degradable or ocean plastics

Click here to go to the article

Contents

ESG & Sustainability upcoming events

May 2023

IFC International Finance Corporation WORLD BANK GROUP — Creating Markets, Creating Opportunities	**Impact Investing World Forum – 4/5 May** *Keynote and speakers including BlackRock, IFC, Shell, EU, EIB & Big Issue. Full list of speakers and keynotes for conference Impact Investing World Forum 2023* ***Click here to go to the page***	London, United Kingdom
Sustainable Investment Forum Europe 2023	**Sustainable Investment Forum Europe – 9 May** *In partnership with UNEP FI this forum will facilitate the sharing of best practice for effective ESG risk management and disclosure to combat greenwashing. It will provide the means to promote solutions for sustainable investors grappling with the practical challenges of new regulations* ***Click here to go to the page***	Paris, France
NORDIC SUSTAINABILITY EXPO	**Nordic Sustainability Expo – 9-10 May** *The focus will be on circular consumption and production, corporate and political Social Responsibility, Climate Change as well as Sustainable Cities* ***Click here to go to the page***	Stockholm, Sweden
CFA Society Switzerland	**Sustainable Investing for Planet & Society – 10 May** *Conference will follow up this year on the evolving topics around ESG Investing, ESG investment approaches and solutions, integration of ESG factors in investment process, measurement of ESG metrics, ESG investment reporting and international regulatory and self-regulatory initiatives on transparency and disclosure* ***Click here to go to the page***	Zurich, Switzerland
OMC MED ENERGY CONFERENCE & EXHIBITION	**Reshaping the Energy Industry: Action for Transition – 23-25 May** *3 days programme of technical sessions, panels and meet companies exhibiting cutting edge technology* ***Click here to go to the page***	Ravenna, Italy
NAFSA 75 CELEBRATING 75 YEARS OF EXCELLENCE	**75th NAFSA Annual Conference & Expo – 30 May-2 June** *NAFSA: Association of International Educators, the world's largest association dedicated to international education and exchange. It is the most diverse and comprehensive global event attended by professionals from across the industry* ***Click here to go to the page***	Washington, USA

Contents

ESG Conferences organized by Investment Banks and Brokers

Annual list

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
Sveriges Riksbank	Climate Change & Financial System Conference	tbd	tbd	2-3 May 2023	Sveriges Riksbank
Deutsche Bank	Bank Solar & Clean Tech Conference	Virtual		18 May 2023	Deutsche Bank
Thomson Reuters	Balancing Profitability & Sustainability	In attendance	London	6-7 June 2023	Reuters
	ESG Fintech Summit	In attendance	London	15 June 2023	ESG Fintech Summit
J.P.Morgan	Energy, Power, & Renewables Conference	tbd	New York	22-23 June 2023	J.P.Morgan
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

Contents

Rate the Raters: ESG Rating Perception
2023

Results from "*Rate the Raters 2023*" survey conducted by *ERM* on ESG rating perception among institutional investors

Quality Rankings *(Investor Survey)*

Rank	ESG Ratings Provider	% Respondents Rating High Quality (4&5)
1	ISS-ESG	65
2	CDP	64
3	Sustainalytics	59
4	EcoVadis	50
5	S&P Global ESG	36

Usefulness Rankings *(Investor Survey)*

Rank	ESG Ratings Provider	% Respondents Rating High Quality (4&5)
1	CDP	56
2	ISS-ESG	52
3	Sustainalytics	42
4	S&P Global ESG	30
5	Bloomberg	29

Quality Rankings *(Corporate Survey)*

Rank	ESG Ratings Provider	% Respondents Rating High Quality (4&5)
1	CDP	80
2	S&P Global ESG	53
3	Sustainalytics	46
4	MSCI	43
5	ISS-ESG	34

Usefulness Rankings *(Corporate Survey)*

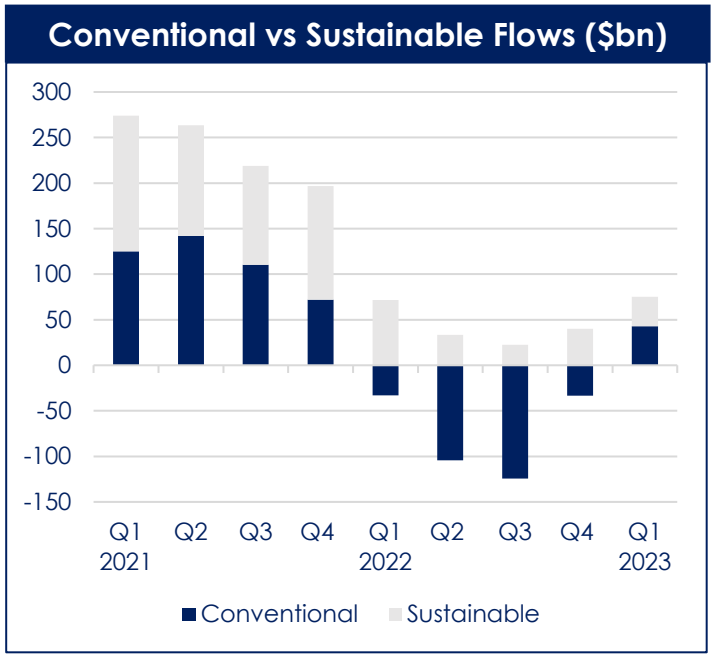
Rank	ESG Ratings Provider	% Respondents Rating High Quality (4&5)
1	CDP	71
2	Sustainalytics	51
3	MSCI	49
4	S&P Global ESG	42
5	ISS-ESG	40

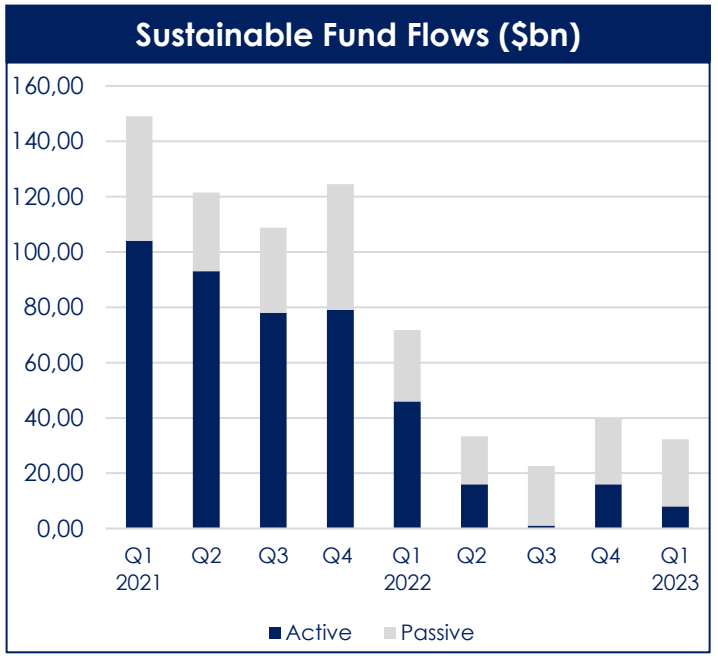
Source: The SustainAbility Institute by ERM

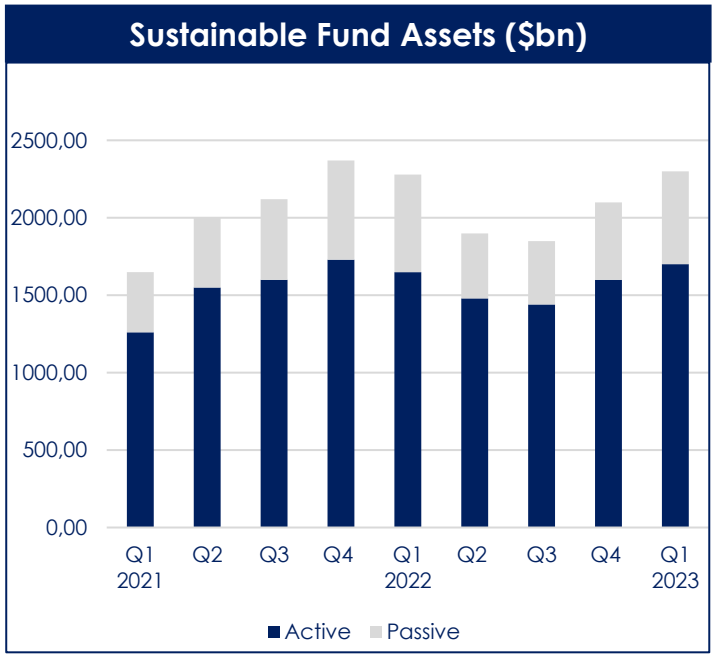
- **ESG rating and sustainability report** are considered among the most useful source of information on corporate ESG performance
- **Investors frequently use more than one ESG rating** in their evaluation methodologies, but they have different considerations about them

Contents

Net flows into European sustainable funds in Q1 2023 at $32,3 bn, down by 20%







- In Q1 2023, total European investment funds recorded approximately $77 bn of inflows compared to $2,5 bn of outflows in Q4 2022
- **European sustainable** funds attracted **$32,3 bn in net inflows**. **Passive funds** represent over **75%** of the inflows
- At the end of Q1 2023, total AUM of European sustainable funds stood at approx. $2,300 bn, up 8.2% in the last quarter. Overall, **sustainable funds** accounted for **22% of European fund assets**, at the end of March 2023

Source: Morningstar

Contacts

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