



Monthly ESG Newsletter

June 2023

**ARWIN &
PARTNERS**

Sustainability matters!

Contents

Section 1: ESG Regulatory updates

Section 2: Insightful ESG research & news

Section 3: ESG & Sustainability upcoming events

Section 4: ESG conferences organized by Investment Banks & Brokers

Appendix I: Article 8 and Article 9 Fund ex SFDR account for 57% share of total AuM

Appendix II: Evolution of global revenues from carbon taxes and ETSs over time

ESG Regulatory updates

May 2023



European Parliament – close to finalizing its negotiating position on CSDDD Proposal

- The European Parliament's legal affairs committee (known as JURI) voted on 25th April 2023 to make changes to the Commission's proposal. In particular, the JURI committee wants the new Due Diligence regime to be extended to include:
 - EU-based companies with more than 250 employees and worldwide turnover higher than 40 million Euro;
 - Parent companies over 500 employees and a worldwide turnover higher than 150 million Euro;
 - non-EU companies with a turnover higher than 150 million Euro if at least 40 million was generated in the EU.

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ISSB – consults to enhance the international applicability of the SASB Standards

- The International Sustainability Standards Board (ISSB) sought feedback on its proposed methodology for enhancing the international applicability of the SASB Standards to identify sustainability-related risks and opportunities and to develop appropriate disclosures
- The ISSB has identified four potential areas of improvement to be implemented related to:
 - biodiversity, ecosystems and ecosystem services;
 - human capital;
 - human rights; and
 - researching integration in reporting
- In addition, the consultation is open for comments until 9 August 2023 and the ISSB is aiming to revise the metrics within the SASB Standards and make the necessary changes before IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) coming into effect in January 2024

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European Parliament – proposes ban on green claims based on carbon offsetting

- Lawmakers in the European Parliament voted to approve the adoption of new proposed rules requiring companies to substantiate and verify their environmental claims and labels, aimed at protecting consumers from greenwashing
- Companies will be required to ensure the reliability of their voluntary environmental claims, which will need to be independently verified and proven. Also, companies will be required to identify environmental impacts relevant to their products identifying any possible trade-offs
- Parliament's position also adds a requirement for such claims to be supported by quantified and science-based targets, and to include "a detailed and realistic implementation plan to achieve this future environmental performance" backed by concrete targets, a budget, and resource allocation

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Contents

Section 1: ESG Regulatory updates

Section 2: Insightful ESG research & news

Section 3: ESG & Sustainability upcoming events

Section 4: ESG conferences organized by Investment Banks & Brokers

Appendix I: Article 8 and Article 9 Fund ex SFDR account for 57% share of total AuM

Appendix II: Evolution of global revenues from carbon taxes and ETSs over time



European Commission responses on the draft Taxonomy Disclosures Delegated Act

- The European Commission published the draft Taxonomy Environmental Delegated Act, including seven annexes on: i) water, ii) circular economy, iii) pollution, iv) biodiversity, v), vi) and vii) amendments to the Taxonomy Disclosures Delegated Act
- Specifically, the members of the Platform on Sustainable Finance analysed the draft on (vii) the amendments to the Taxonomy Disclosures Delegated Act through the lenses of usability, consistency and cross-sectional issues
- The Platform has focused its feedback on three areas:
 1. Usability issues: clarity and applicability of the criteria, applying identical criteria to all companies, availability of data, labelling of the activities, labelling and structure of enabling activities and scope;
 2. Consistency across the delegated acts when setting technical criteria and on the naming and scope of the economic activities;
 3. Cross-sectional issues: adjustment of legal basis, ambition levels and generic criteria

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Do ESG efforts create value ?

- Bain worked with EcoVadis to assess, for the first time, how ESG activities impact the 100,000 companies tracked by EcoVadis, more than 95% of which are private
- Bain research examined how various aspects of sustainability and ESG activities such as setting ESG targets, tracking results, embedding sustainability into management processes, procuring sustainably, and putting in place programs to reduce carbon and improve diversity, equity, and inclusion correlate with both ESG outcomes and financial performance
- The findings indicate that positive ESG outcomes are a trait of successful companies and that sustainability measures correlate with better financial performance including higher profitability and revenue growth, customer satisfaction, and employee satisfaction

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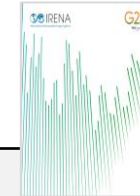


Carbon taxes and ETS record revenue of \$95 billion in 2022

- Despite the global energy crisis, high inflation and fiscal pressures, Emissions Trading Schemes (ETS) and carbon taxes have recorded record revenues. Specifically, in 2022, revenues from carbon taxes and emissions trading systems reached a record level of about USD 95 billion, of which 31% related to carbon taxes and 69% to ETS
- When the first report was published a decade ago, only 7% of global emissions were covered by a carbon tax or ETS, today, as highlighted in the 2023 report, almost a quarter of global greenhouse gas emissions (23%) are covered by 73 instruments
- An ETS places a limit on the amount of greenhouse gas emissions and allows lower emitters to sell their extra emission units (or 'allowances') to higher emitters, thus establishing a market price for emissions. On the other hand, the carbon tax, directly set a price and a tax rate on emissions

Focus slides 14 

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Low-cost finance for energy transition

- This report developed by IRENA in collaboration with the Ministry of New and Renewable Energy (MNRE) under the Energy Transition Working Group of India's G20 Presidency, highlights the importance of low-cost finance in driving the deployment of critical technologies such as hydrogen, offshore wind and energy storage while solar photovoltaic and onshore wind are mature technologies, markets for offshore wind are now opening up in emerging economies, including India
- Access to low-cost capital will therefore play a significant role in financing energy transition projects for G20 countries and beyond, while collaboration between public and private sectors will help to catalyse institutional capital flows
- The bulk of investment will need to focus on renewable energy, energy efficiency, enabling green infrastructure

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S&P Global

S&P Global: new biodiversity risk dataset

S&P Global Sustainable 1 has launched a nature & biodiversity risk dataset assessing nature-related impacts across a company's direct operations. This new dataset will support companies, investors and entities as they seek to understand, manage and mitigate their exposure to nature related risks and impacts

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BNP PARIBAS

BNP Paribas: ends financing oil and gas projects

BNP Paribas will end its direct financing for new oil and gas fields, strengthening its policy – released earlier this year – to reduce its fossil fuel financing activity. BNP Paribas released a series of new energy financing policies including commitments to reduce financing for oil extraction and to transition 80% of its energy financing activities by low carbon energies

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Emirates

Emirates: aviation sustainability R&D fund

Emirates, the world's largest international airline, announced it has committed US\$ 200 million to fund research and development (R&D) projects focussed on reducing the impact of fossil fuels in commercial aviation. Emirates' strategy focusses on 3 areas of activity: emissions reduction, responsible consumption, and the conservation of wildlife and habitats

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Morgan Stanley

Morgan Stanley: \$500 Million for climate solutions

Morgan Stanley Investment Management (MSIM) has raised \$500 million at the first close of its climate private equity strategy 1GT strategy. 1GT is a new growth-oriented private equity platform aimed at investing in climate solutions companies that will eliminate 1 billion tons (1 gigaton) of CO2 emissions from the date of investment through 2050

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Schroders

Schroders: option for clients to offset carbon emissions

Schroders announces the launch of Carbon Offset share classes. This innovation will provide clients with the choice to offset carbon emissions associated with their underlying fund holdings. These share classes will be available as part of the Schroder International Selection Fund (SISF) Global Climate Leaders, focused on investing in companies which evidence "climate change leadership"

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The Guardian

Asset managers use ESG label to invest in coal & oil

Investment funds branded as green or socially responsible are being used by some of the world's largest asset managers to invest hundreds of millions of pounds in fossil fuel companies. BlackRock, State Street and Legal & General alone were found to hold \$1bn (£800m) in bonds issued by fossil fuel companies in their ESG funds

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Microsoft

Microsoft signs a Carbon Removal Deal

Microsoft and Danish energy provider Ørsted announced an agreement for the purchase of 2.76 million tonnes of carbon removal, marking one of the largest-ever carbon removal offtake deals by volume to date. The new agreement forming part of the company's initiative to become carbon negative by 2030, and to remove all of its historical emissions by 2050

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Bloomberg

Carbon offset market reach \$1 Trillion with tight rules

The total value of carbon credits produced and sold to help companies and individuals meet their de-carbonization goals could approach \$1 trillion as soon as 2037. In the near future, prices would rise to just \$12/ton in 2030 and \$35/ton in 2050, allowing companies to lean on cheap offsets with dubious environmental value to meet their decarbonization goals

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

Contents

Section 1: ESG Regulatory updates

Section 2: Insightful ESG research & news

Section 3: ESG & Sustainability upcoming events

Section 4: ESG conferences organized by Investment Banks & Brokers

Appendix I: Article 8 and Article 9 Fund ex SFDR account for 57% share of total AuM

Appendix II: Evolution of global revenues from carbon taxes and ETSs over time

ESG & Sustainability upcoming events

June 2023



ESG & Climate Risk Summit Europe 2023 – 7 June

The event will gather senior risk management and investment strategy decision makers from asset managers, hedge funds, life insurance firms, pension funds and investment banks in the UK and Europe online on ESG risk management and climate risk

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London, United Kingdom



The Climate & Data Summit 2023 – 12 June

The event will gather senior risk management and investment strategy decision makers from asset managers, hedge funds, life insurance firms, pension funds and investment banks in the UK and Europe online on ESG risk management and climate risk

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

London, United Kingdom



European Sustainable Finance 2023 – 13-14 June

Responsible Investor's 16th annual RI Europe conference is returning in person in London this June. This year's edition of the flagship event will discuss sustainable finance developments and industry best practices

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London, United Kingdom



Global Wind Day – 15 June

Global Wind Day is a worldwide event that occurs annually on 15 June. It is a day for discovering wind energy, its power and the possibilities it holds to reshape our energy systems, decarbonise our economies and boost jobs and growth

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Brussels, Belgium



European Sustainable Energy Week – 20-22 June

The focus of this year's event will be energy policy, energy efficiency, and energy union. EUSEW is the largest event that has a focus on renewables and efficient energy use in Europe

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Brussels, Belgium



The Premier Sustainable Finance – 26-28 June

GreenFin 23 will convene an influential audience of finance, investment and sustainability professionals to share insights, address key challenges and showcase leading sustainable financial products and services

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

Boston, USA

Contents

Section 1: ESG Regulatory updates

Section 2: Insightful ESG research & news

Section 3: ESG & Sustainability upcoming events












Section 4: ESG conferences organized by Investment Banks & Brokers

Appendix I: Article 8 and Article 9 Fund ex SFDR account for 57% share of total AuM

Appendix II: Evolution of global revenues from carbon taxes and ETSs over time

ESG Conferences organized by Investment Banks and Brokers

Annual list

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
 THOMSON REUTERS	Balancing Profitability & Sustainability	In attendance	London	6-7 June 2023	Reuters
 Interreg	European Union Green Week	Virtual/In attendance	Brussels	6-7 June 2023	European Union
 THOMSON REUTERS	Global Energy Transition	In attendance	New York	7-8 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	21-22 June 2023	J.P.Morgan
 European Commission	Sustainable Banking & Finance	Virtual/In attendance	Naples	23 June 2023	EU Science Hub
 Raiffeisen Bank International Member of RBI Group	Sustainable Finance Conference	tbd	London	June 2023	
 UBS	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
 J.P.Morgan	Global Energy Conference	tbd	London	6-7 November 2023	J.P.Morgan
 SOCIETE GENERALE	2023 Société Générale European ESG-SRI Conference	tbd	Paris	7 November 2023	Société Générale

Contents

Section 1: ESG Regulatory updates

Section 2: Insightful ESG research & news

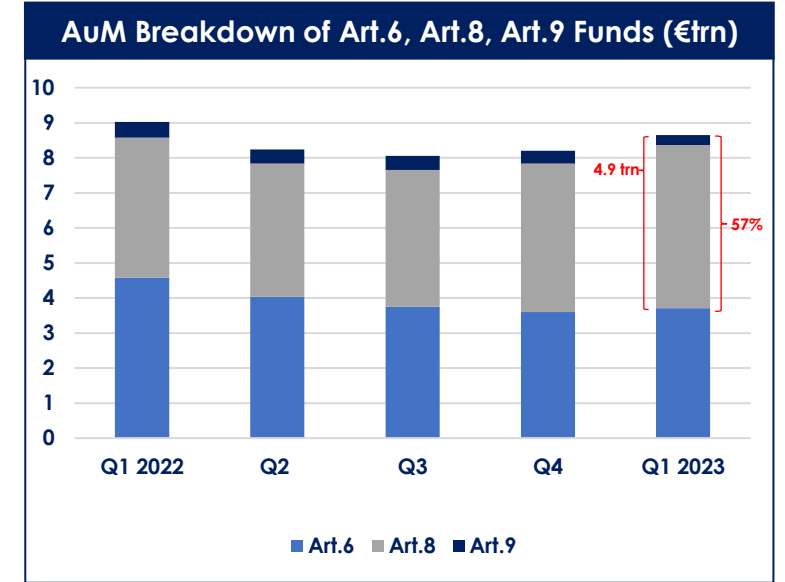
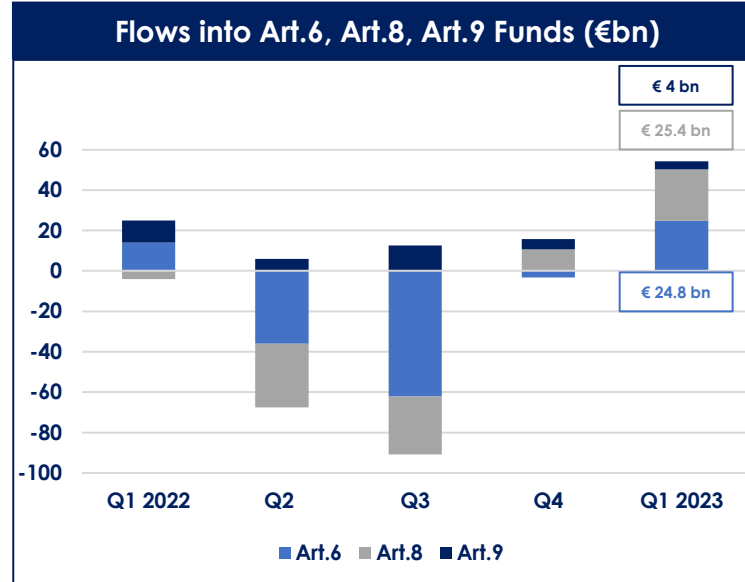
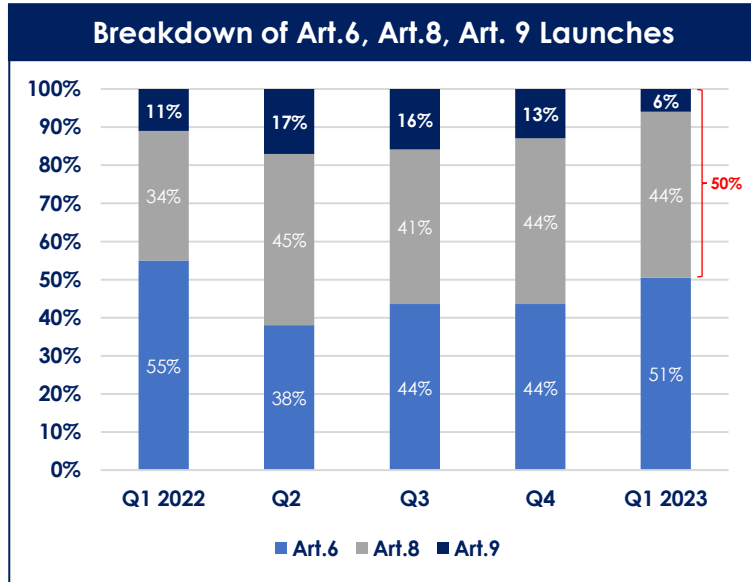
Section 3: ESG & Sustainability upcoming events

Section 4: ESG conferences organized by Investment Banks & Brokers

Appendix I: Article 8 and Article 9 Fund ex SFDR account for 57% share of total AuM

Appendix II: Evolution of global revenues from carbon taxes and ETSs over time

Article 8 and Article 9 Fund ex SFDR account for 57% share of total AuM



- Newly launched **Art. 8 and Art. 9** funds in **Q1 2023** accounted for 50% of the total number of funds launched in the EU
- **Art. 8** funds recorded **€25.4 bn of inflows in Q1 2023** while Art. 9 funds decreased from €5.1 bn (Q4 2022) to €4 bn in Q1 2023
- **Art. 8 and Art. 9** AuM funds stood at **€4.9 trn at the end of March 2023**, up from €4.6 trn at the end of December 2022. As a result, the two groups of sustainable funds accounted for an increased share of **57% of the EU universe**, compared to 55,5% three months earlier

Source: Morningstar

Contents

Section 1: ESG Regulatory updates

Section 2: Insightful ESG research & news

Section 3: ESG & Sustainability upcoming events

Section 4: ESG conferences organized by Investment Banks & Brokers

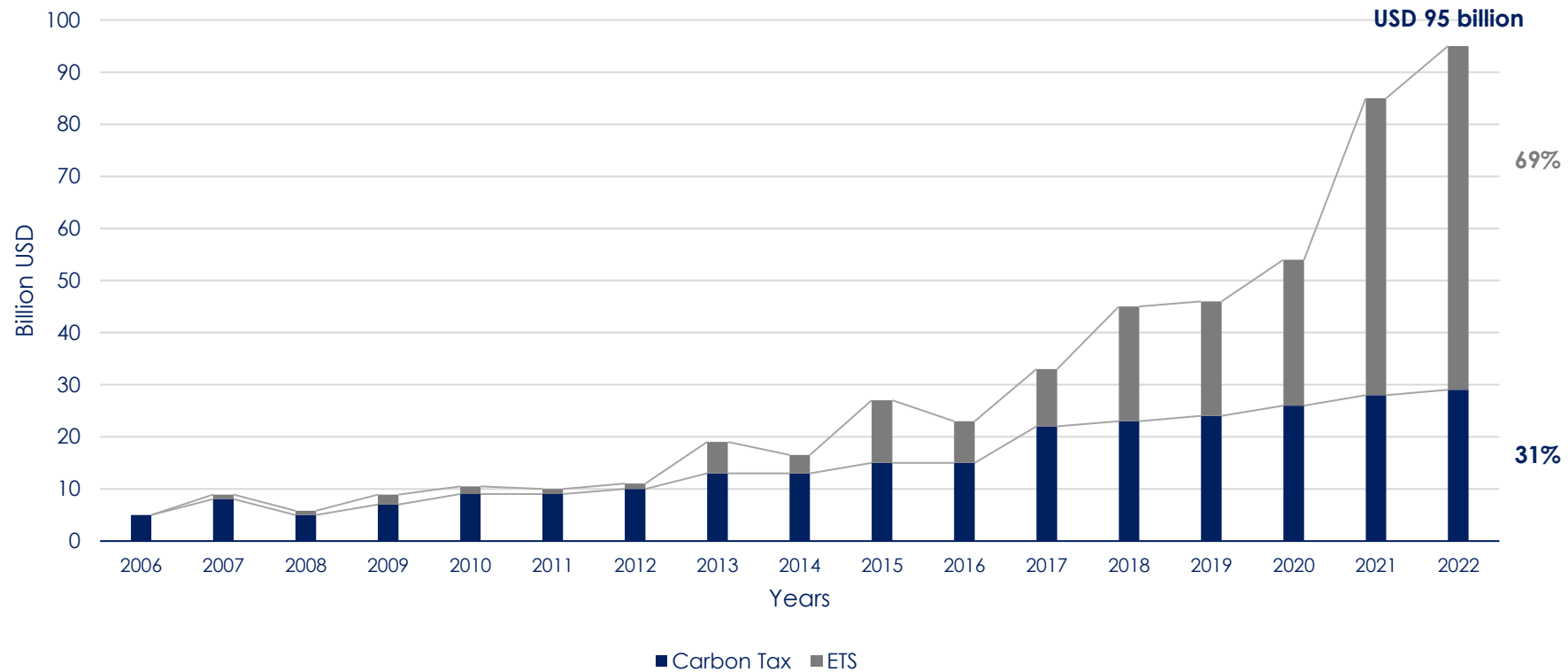
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Appendix II: Evolution of global revenues from carbon taxes and ETSs over time

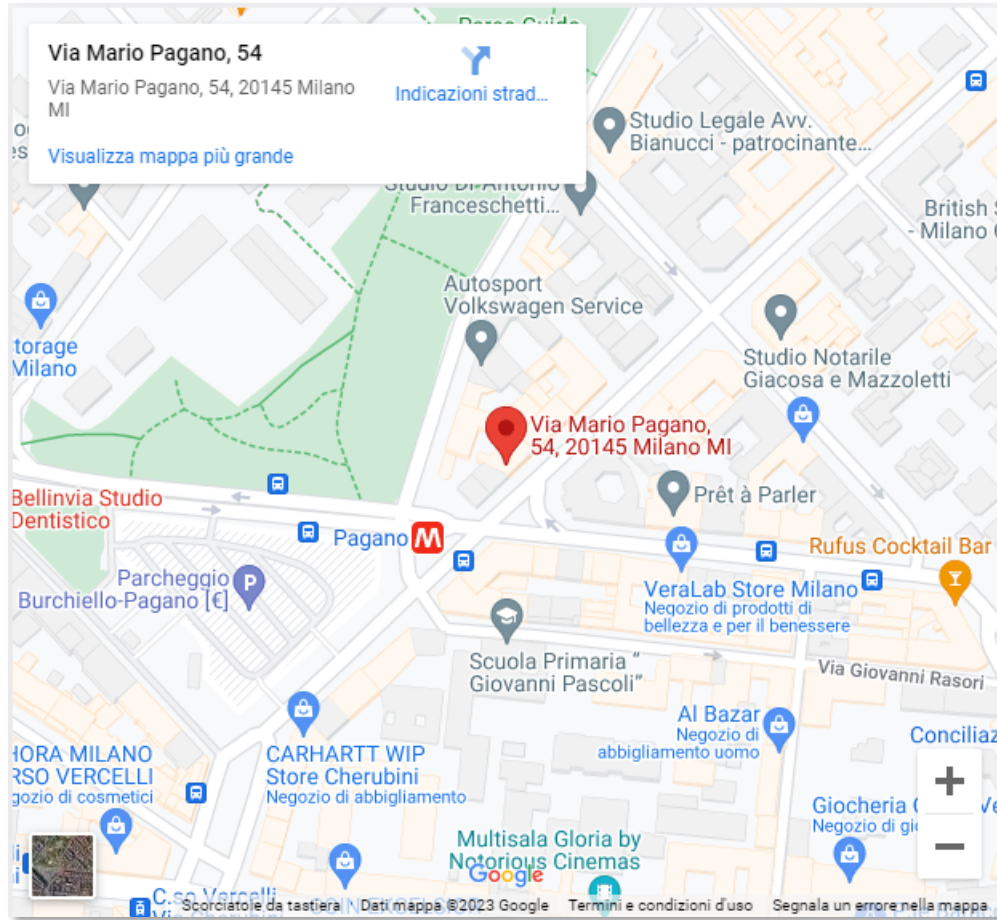
Evolution of global revenues from carbon taxes and ETSs over time

Government revenues from carbon taxes and ETS record revenues of \$95bn in 2022

- Government revenues from carbon taxes and ETSs grew by over 10% in 2022, reaching almost USD 95 billion, globally
- In 2022, **ETSs** accounted for **69%** of global government revenues from direct carbon pricing, with the remaining **31%** from **carbon taxes**



Source: World Bank Group



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Via Mario Pagano 54
20145, Milano