



Monthly ESG Newsletter

August 2023

**ARWIN &
PARTNERS**

Sustainability matters!

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ESG Regulatory updates

July 2023



ESMA and NCAs – assess disclosures and sustainability risks in the investment fund sector

- The European Securities and Markets Authority (ESMA), launched a Common Supervisory Action (CSA) with National Competent Authorities (NCAs) on sustainability-related disclosures and the integration of sustainability risks in UTICS and AIFMD
- NCAs will share knowledge and experiences on how to foster convergence in how they supervise sustainability related disclosure. Among the main objectives:
 - assess whether market participants adhere to applicable rules and standards in practice;
 - gather further information on greenwashing risks in the investment management sector; and
 - identify further relevant supervisory and regulatory intervention to address the issue.
- Timing: fiscal year 2023 until Q3 2024

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IFRS – fully incorporated the TCFD into ISSB from 2024

- Following the publication of the inaugural ISSB Standards - IFRS S1 and IFRS S2 - the Financial Stability Board (FSB) has asked the IFRS Foundation to take over the monitoring of the progress on companies' climate-related disclosures from the Task Force on Climate-related Financial Disclosures (TCFD)
- The ISSB is working to support effective implementation of IFRS S1 and IFRS S2, which provide for a global baseline of sustainability-related disclosures worldwide, including capacity building and monitoring progress towards the broad use of high-quality disclosures
- IFRS S1 and IFRS S2 fully incorporate the recommendations of the TCFD. As such, the FSB noted that the Standards mark "the culmination of the work of the TCFD", which was established in 2017 at the request of the Financial Stability Board
- Timing: fiscal year 2024

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ESMA – provides insights into the expected sustainability disclosure in prospectuses

- The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, has issued a Public Statement on the sustainability disclosure expected to be included in prospectuses
- The statement sets out ESMA's expectations on how the specific disclosure requirements of the Prospectus Regulation in relation to sustainability-related matters in equity and non-equity prospectuses should be satisfied considering the Environmental, Social and Governance (ESG) transition. This will help to:
 - ensure that national competent authorities (NCAs) take a coordinated approach to the scrutiny of sustainability-related disclosure in prospectuses;
 - provide issuers and their advisors with an understanding of the disclosure that NCAs will expect them to include in their prospectuses; and
 - support investors' ability to make an informed investment decision considering the importance of disclosure relating to sustainability-related matters.
- Timing: 2023 ongoing

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ESG Regulatory updates

July 2023



European Commission – adopts the European Sustainability Reporting Standards

- The Commission has adopted the European Sustainability Reporting Standards (ESRS) for use by all companies subject to the Corporate Sustainability Reporting Directive (CSRD)
- The standards cover the full range of environmental, social, and governance issues, including climate change, biodiversity and human rights. They provide information for investors to understand the sustainability impact of the companies in which they invest. They also take account of discussions with the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI) in order to ensure a very high degree of interoperability between EU and global standards and to prevent unnecessary double reporting by companies
- Timing: 2023 ongoing

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EBA – consults on one-off climate risk scenario analysis

- The European Banking Authority (EBA) launched a public consultation on draft templates for collecting climate related data from EU banks. This effort is part of the one-off Fit-for-55 climate risk scenario analysis, which the EBA will carry out together with the other European Supervisory Authorities (ESAs) and with the support of the European Central Bank (ECB) and the European Systemic Risk Board (ESRB)
- The draft templates are designed to collect climate-related and financial information on credit risk, market and real estate risks. Banks are asked to report aggregated and counterparty level data as of December 2022
- Timing:
 - submission of banks comments 11 October 2023
 - Results publication Q1 2025

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European Commission – Biodiversity Strategy 2030

- The EU's Biodiversity Strategy for 2030 is a comprehensive, ambitious and long-term plan to protect nature and reverse the degradation of ecosystems
- In the post-COVID-19 context, the strategy aims to build our societies' resilience to future threats such as (i) the impacts of climate change (ii) forest fires (iii) food insecurity (iv) disease outbreaks
- The strategy highlights unlocking funding for biodiversity, and setting in motion a new, strengthened governance framework to:
 - ensure better implementation and track progress;
 - improve knowledge, financing and investments;
 - better respecting nature in public and business decision-making.
- Timing: guidelines proposal 2023 ongoing

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Climate-change scenarios in financial services

- This paper focuses on how a deeper understanding of climate change, including tipping points, can improve financial services climate-scenario modelling
- Investigating adverse yet plausible scenarios enables actuaries to investigate how different combinations of risks could impact the future solvency of a financial entity and what action could be taken to mitigate this
- This paper examines the limitations and assumptions in relation to climate-change scenario focusing on hot-house world scenarios of 3°C or more of warming. In the context of climate change, scenario modelling enables financial institutions and regulators to investigate the impact of different climate futures, which is important given the challenges we face
- The aim of the report will be to clearly highlighting areas of challenge, as well as providing ideas on ways to develop scenario techniques to better capture the severe risks we are tackling

[Click here to download the report](#)



The importance of human capital management

- This research, suggests that effective human capital management can lead to improved outcomes for organisations and their stakeholders. It argues that human capital can act as a clear driver of company productivity and profitability and that companies with durable management frameworks create stronger returns and value for investors
- Unlike environmental factors which have transparent values, human capital has traditionally been difficult to quantify. Investors cannot ignore human capital management in evaluating investee companies. As we approach continued economic volatility, we expect that companies with strong human capital management are likely to be more capable of navigating the future effectively.
- Even as the integration of artificial intelligence across industries evolves, the relevance of people as the stewards of value creation will remain high

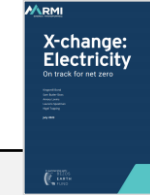
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Net-zero: implications for global supply chains

- Increasingly climate targets are changing global materials supply chains, to the extent that the transition to a net-zero emissions economy has generated a "materials transition." This report aims to provide an integrated perspective on these supply-chain changes, including materials demand, shortages that can be expected, and key actions that will be required to balance the equation and safeguard the speed of the transition
- The metals and minerals industries must adapt their supply chains to provide critical materials for the energy transition. Materials are a critical enabler of the net-zero transition. The world has embarked on an ambitious decarbonization journey toward a net-zero emissions economy, which will require fundamental technology shifts across industries at an unprecedented speed
- Even with the current decarbonization trajectory trending toward 2.4° Celsius, the supply of many minerals and metals embedded in key lower-carbon technologies will face a shortage by 2030

[Click here to download the report](#)



X-change: Electricity

- The last decade has been characterized by exponential change in the electricity sector. Policy pressures rose and solar, wind, battery and grid technology improved their storage capacity. In addition, the share of the global economy with net-zero targets by mid-century increased to 90%. Reinforcing feedbacks between corporate action and ambition, policies, and policy pressures promoted the rapid deployment of solar and wind electricity generation
- Putin's invasion of Ukraine was a 'Sputnik moment' for policy, making apparent to Europe its degree of dependency on Russian fossil fuel energy, and making clear to the West its degree of dependency on Chinese renewable energy technology. This helped make possible the IRA (Inflation Reduction Act) in the US and drove the European Commission's REPowerEU plan
- The International Energy Agency (IEA) expects 87% of capital investment in electricity generation in 2023 to be for low-carbon energy, almost all of which is solar and wind

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ESG NEWS

IMO: reduces global shipping industry's GHG

Member States of the International Maritime Organization (IMO) has adopted the 2023 Strategy on Reduction of GHG Emissions from Ships, with enhanced targets to tackle harmful emissions. IMO GHG Strategy includes an enhanced common ambition to reach net-zero GHG emissions from international shipping close to 2050

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ESGtoday

Investors, Banks push back on EU ESG reporting rules

A coalition of investment and sustainable investing groups – including Eurosif, PRI, IIGCC, EFAMA, UNEP FI announced the publication of a joint statement calling on the European Commission to reconsider its recent proposed changes to the European Sustainability Reporting Standards (ESRS), which would ease several aspects of the EU's upcoming Corporate Sustainable Reporting Directive (CSRD)

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bp

BP invests in biofuel startup to produce clean fuels

Energy giant BP announced an expansion of its investment in biofuels startup WasteFuel with a new \$10 million commitment, alongside an agreement to collaborate with the company on improving bio-methanol production yields, with a particular focus on decarbonizing the maritime shipping sector. BP says will achieve up to 90% CO2 reductions compared to conventional fuels

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BlackRock

L. Fink will no longer use the term ESG it is too politicized

Larry Fink, CEO of BlackRock, declared that he had stopped using the term "ESG" to refer to sustainable investments, due to the extreme politicization of this expression. Republican politicians have launched continuous attacks on sustainable investments in the last year, while the Democratic party has strenuously defended them

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Amundi

Amundi: votes against 500 directors over climate strategy

Amundi has opposed the re-election of 500 directors at 84 companies in the Energy & Utility sector concerning climate strategies and non executive remuneration criteria. Amundi said that it "will be vigilant on the inclusion of ESG criteria in the variable remuneration," and will require companies in climate mitigation risk-exposed sectors

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REUTERS

COP 28: climate summit

Countries at this year's U.N. climate summit must face up to how far behind they are lagging on climate change targets and agree a plan to get on track. The COP28 summit will be the first formal assessment of countries' progress towards the Paris Agreement's target to limit climate change to 1.5 Celsius (34.7 Fahrenheit) of warming

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EURONEXT

Euronext: new indices with SBTi targets

European market infrastructure provider Euronext announced the launch of two new indices investing solely in companies with climate goals approved by the Science Based Targets initiative (SBTi) as in line with the 1.5°C goal of the Paris Agreement. The new indices will be the Euronext Europe SBT 1.5° and the Euronext Eurozone SBT 1.5°

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INTESA SANPAOLO

CDP: €1 Billion financing to SMEs and Mid-Cap

Cassa Depositi e Prestiti (CDP) has agreed with Intesa Sanpaolo to support Italian SMEs and Mid-Caps in a constantly evolving market phase, enabling them to access long-term financing. Companies will also be able to benefit from additional bonuses in the case of investments with ESG purposes

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ESG & Sustainability upcoming events

August 2023

ICEEE E2023

10th Conference on Energy and Environmental Engineering – 6-8 August

The conference aims at attracting international experts, academics and companies to allow exchanges of experiences and best practices among different regions, countries and continents. ICEEE2023 will feature keynote addresses by experts from both academia and industries, who will share, discuss, and dissect significant latest developments and scientific advancements related to energy and environment

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Singapore



13th Conference on Environmental Pollution 2023 – 9-11 August

The 13th International Conference on Environmental Pollution and Remediation (ICEPR 2023) aims to become the leading annual conference in fields related to environmental pollution and remediation. This conference will provide an ideal environment to develop new collaborations and meet experts on the fundamentals, applications, and products of the mentioned fields

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London, United Kingdom

S&P Global

Beyond ESG with Transition Outlooks at Climate Week and COP28 – 16 August

As we look ahead to Climate Week and COP28, join S&P Global thought leaders to unpack what's needed for a just transition, how nature and biodiversity risks are impacted by the transition, and what factors are at play in financing this transition

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Virtual



World ESG Summit – 21-22 August

This two-day summit will bring together leading industry professionals, investors, and experts to discuss effective methods for incorporating ESG principles into business practices, with a particular focus on achieving net zero emissions by 2050

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Kuala Lumpur, Malaysia



World Water Week 2023 – 20-24 August

If water solutions are to be sustainable, it's crucial that all voices are heard and valued. A more inclusive World Water Week is better placed to capture the bigger picture and provide a wider range of thoughts, reflections and ideas

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Virtual/
Stockholm, SE

The Scientistt
Exploring Science · Promoting Innovation

2nd Global Summit and Expo on Sustainable and Renewable Energy – 28-30 August

GSESRE2023 aims to bring together the renowned researchers, scientists and scholars to exchange ideas, to present sophisticated research works and to discuss hot topics in the field and share their experiences on all aspects of Sustainable and Renewable Energy

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London, United Kingdom

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ESG Conferences organized by Investment Banks and Brokers

Annual list

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
 REUTERS	Leadership ESG Summit & Global Broadcast	In attendance	London	6-7 September 2023	Reuters
 BORSA ITALIANA	7th Edition – Sustainability Week	Virtual/In attendance	Milan	4-8 September 2023	Borsa Italiana
 UBS	Sustainable Finance Conference 2022	In attendance	London	11 September 2023	UBS
 UBS	Global Energy Transition Conference	tbd	London	12-13 September 2023	UBS
 United Nations	SDG Summit 2023	In attendance	New York	18-19 September 2023	SDG Summit
 PRIVATE EQUITY EUROPEAN ESG SUMMIT	Private Equity European ESG Summit	In attendance	London	4 October 2023	PE ESG Summit
	World Sustainability Congress	In attendance	Amsterdam	18-19 October 2023	Sustainability Congress
 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
 EFAMA	Investment Management Forum Impact	In attendance	Brussels	23-24 November 2023	EFAMA
 United Nations Climate Change Global Climate Action	UN Climate Change Conference	In attendance	United Arab Emirates	30 Nov – 12 Dec 2023	UN Climate Change

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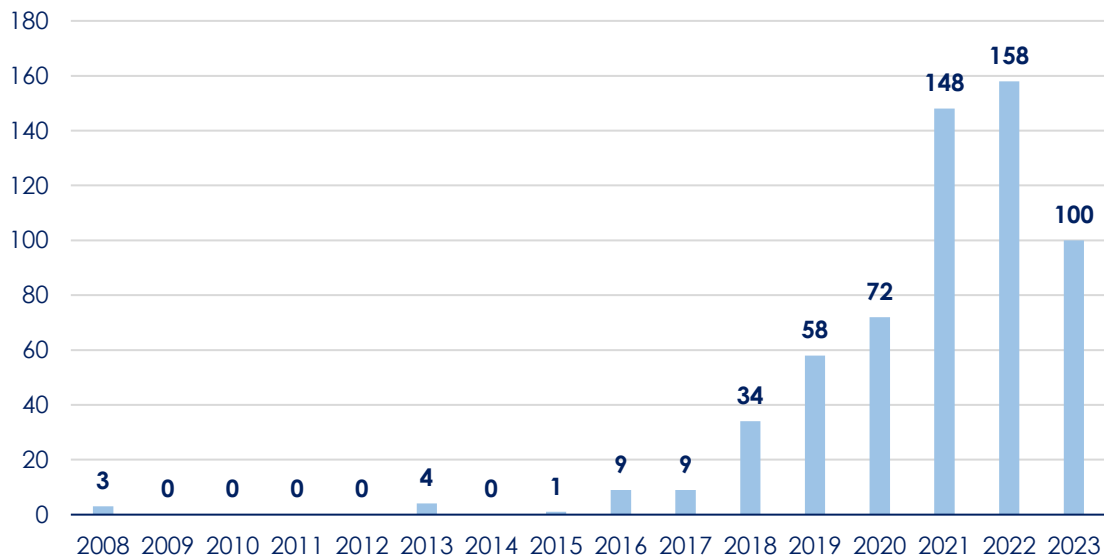
Update June 2023 on ESG ETFs

Slightly decrease of new listed instruments in 2023, stable percentage growth of ESG ETFs compared to 2022

Comments:

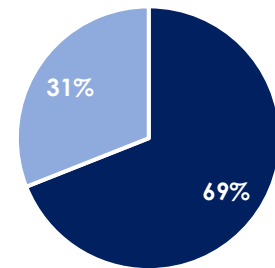
- ESG EFTs instruments from 2022 to 2023 decreased, despite that, 100 new listed instruments have been launched
- The **percentage** of **ESG ETFs listed instruments** in **June 2023** has **increased** compared to the end of **June 2022**, from **31% to 39%**

ESG ETFs: new listed instruments



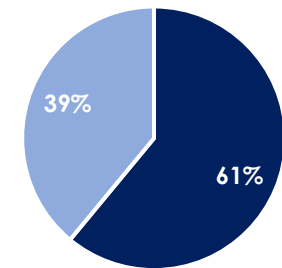
ESG ETFs Breakdown: listed instruments

June 2022



Other ETFs ESG ETFs

June 2023



Other ETFs ESG ETFs

Source: ETFplus Market Analysis

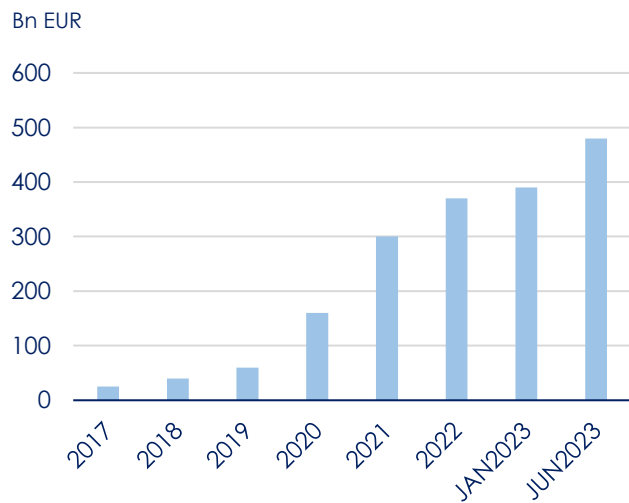
Update June 2023 on ESG listed Bonds

Growing investor preference for green bonds

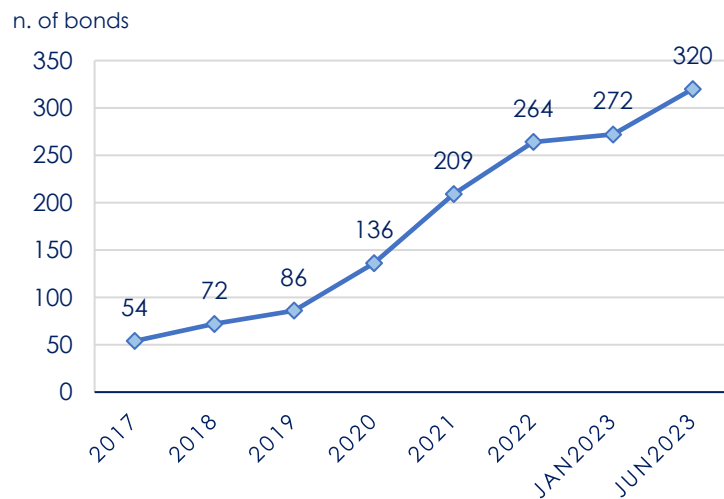
Comments:

- **Upward trend** in bond AuM, between 2017 (**nearly 25 Bn EUR**) and June 2023 (**close to 480 Bn EUR**)
- **Positive trend in new issues** from 54 in 2017 to 320 in June 2023
- In June 2023, in terms of outstanding Bn EUR, **53,5%** of the ESG listed bonds are classified as “**Green bond**”. An additional **40,3%** is classified as “**Sustainable**” and “**Social**” (respectively **20,4%** and **19,90%**), the residual **6,2%** is classified as “**Other**”

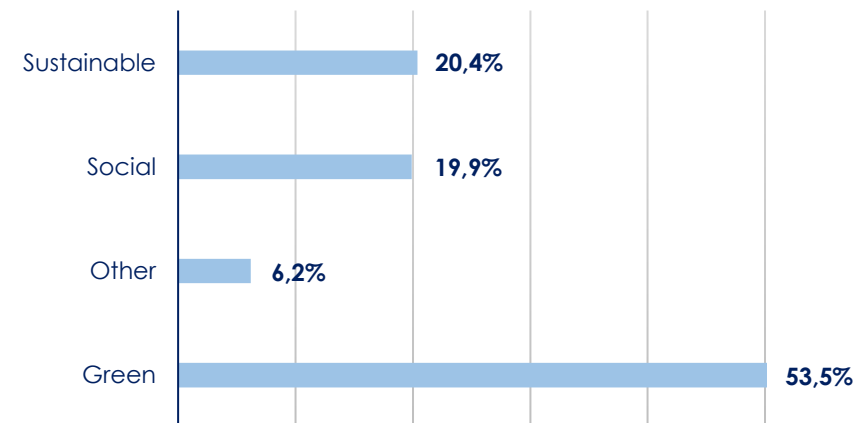
ESG Bonds (AuM)



Listed ESG Bonds



ESG Bonds: breakdown



Source: Borsa Italiana Market Analysis

14 Note: Fixed Income Markets (MOT – Italian regulated bond market), ExtraMOT – is the new Multilateral Trading Facility (MTF) of Borsa Italiana for bond instruments and EuroTLX – is based on the Italian retail bond market
 Note: Bonds are classified as “Green”, “Other”, “Social” and “Sustainable” and “Other” includes Climate Action, SDG Linked and Transaction Bonds

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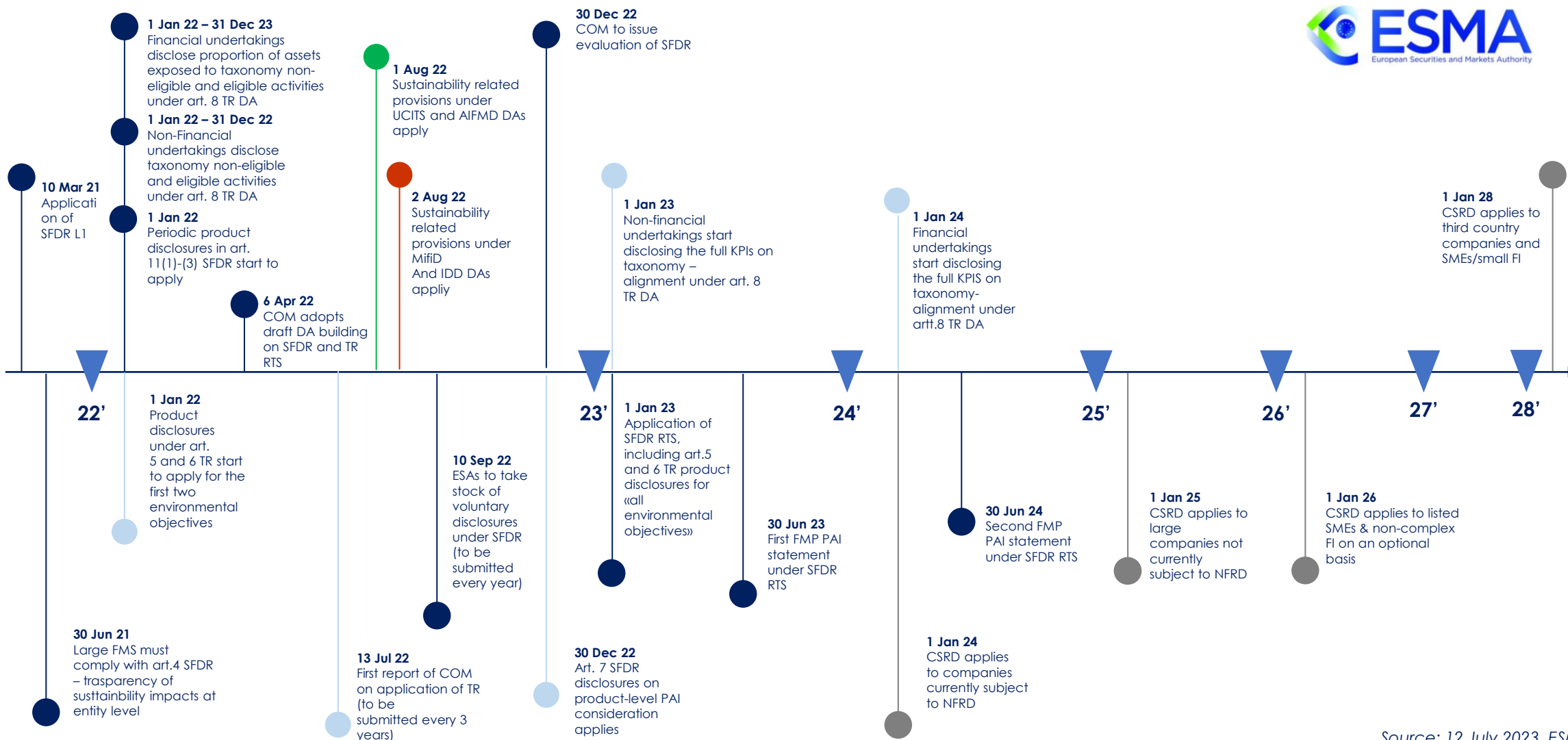
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ESMA – Sustainable Finance Timeline

Already implemented and upcoming regulation



Source: 12 July 2023, ESMA

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