



Monthly ESG Newsletter

September 2023

**ARWIN &
PARTNERS**

Sustainability matters!

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ESG Regulatory updates

August 2023



European Commission – adopts the European Sustainability Reporting Standards (ESRS)

- The Commission adopted the European Sustainability Reporting Standards (ESRS) for use by all companies subject to the Corporate Sustainability Reporting Directive (CSRD). This marks another step forward in the transition to a sustainable EU economy
- 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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European Commission – adopts detailed reporting rules for the Carbon Border Adjustment Mechanism's transitional phase

- The European Commission adopted the rules governing the implementation of the Carbon Border Adjustment Mechanism (CBAM) during its transitional phase
- In the CBAM's transitional phase, traders will only have to report on the emissions embedded in their imports subject to the mechanism without paying any financial adjustment. This will give adequate time for businesses to prepare in a predictable manner, while also allowing for the definitive methodology
- To help both importers and third country producers, the Commission also published a guidance for EU importers and non-EU installations on the practical implementation of the new rules. At the same time, dedicated IT tools to help importers perform and report these calculations are currently being developed, as well as training materials, webinars and tutorials to support businesses when the transitional mechanism begins
- Timing: 1 October 2023 until the end of 2025

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ISSB – investor group calls on the development of reporting standard for human rights and human capital

- A group of investors representing over \$1 trillion in assets under management has published a letter to the IFRS Foundation's International Sustainability Standards Board (ISSB), urging it to prioritize the development of global reporting standards for companies to disclose on human capital and human rights
- The ISSB published its first set of climate and sustainability reporting standards in June 2023, and recently launched a Request for Information (RFI) asking for feedback on priorities for its next two-year work plan, outlining four potential projects including biodiversity, ecosystems and ecosystem services; human capital; human rights, and; a research project on integration of sustainability information in financial reporting
- Timing: 2023 ongoing

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Emerging Market Real Economy Sustainable Bonds

- This report examines the potential for sustainable bond issuance in five countries focussing on three key sectors
- The report begins with an introductory chapter outlining the scope of the report and the wider market context. This is followed by three sector benchmark chapters examining each target sector on a global scale. These chapters are structured to provide an overview of the sustainability drivers in the sector, including a brief overview of the macro-economic situation, a summary of regulations and government policy regarding sustainable debt
- In detail, there are deep dives into sustainable bond issuance assessing total market size, region, issuer type, and top issuers with focus on emerging market potential. In addition, are included brief insights into alternate sustainable debt such as green and sustainability-linked loans and an outlook for sustainable bond issuance in the sector

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Managing Risks for a Changing Climate

- Triggered by the climate crisis and calls for transparency from investors, governments are enacting a wave of new climate regulations. For financial institutions and asset managers this means obligatory reporting on climate-related risks, greenhouse gas (GHG) emissions, and detailed plans to reach net-zero emissions by 2050 in lending and investment portfolios
- The previous eight years from 2014 to 2022 have been the warmest on record globally and this rise in temperatures has resulted in an increase in the frequency and severity of extreme weather events. In 2022, 18 climate-related disasters struck the United States, each causing damages exceeding US\$1 billion
- The growing materiality of climate-related financial burdens has prompted governments and regulatory bodies to enact legislation that mandates businesses to employ tracking, measuring, and disclosure mechanisms that account for different environmental metrics, strategies, and risks

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Capital projects are critical for a green future

- Capital is critical to tackling climate change. According to McKinsey analysis, meeting net-zero targets will require spending \$9.2 trillion a year on physical assets between now and 2050, up from \$3.5 trillion today. By then, the energy mix would also include nascent energy technologies such as clean hydrogen; battery storage; and carbon capture, utilization, and storage
- Capital projects, including those crucial to the energy transition, typically take many years and many hands to design, build, and launch. The number and scale of projects in the current pipeline will not suffice. Labor costs are increasing as raw materials and components remain in high demand, and the global supply chain has strained to keep pace, making the transition to newer technologies with different cost structures even more challenging
- The time is now for industry players to fundamentally rethink how they approach projects to deliver them faster, cheaper, and more efficiently than ever

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Investing in American Energy

- The Inflation Reduction Act of 2022 (IRA) and Bipartisan Infrastructure Law of 2021 (BIL) together represent a historic investment of more than \$430 billion toward modernizing the American energy system
- The provisions in these two laws will enhance the nation's energy security, lower energy costs for American households and businesses, drive clean energy innovation, improve human health, and mitigate climate change
- The laws will create high quality jobs and new economic opportunities through investments in and incentives for domestic clean energy manufacturing. IRA and BIL go a long way toward injecting the public investment that is needed to build a clean energy economy
- In this report, The U.S. Department of Energy (DOE) presents results of a new analysis on the economy-wide impacts of IRA and BIL, including impacts on the energy system and progress toward climate targets

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Walmart, PepsiCo invest \$120 Million in regenerative agriculture

Walmart and PepsiCo are collaborating regenerative farming practices on more than 2 million acres of farmland in the US and Canada. The goal is to achieve approximately 4 million metric tonnes of greenhouse gas emission reduction by 2030. The plan is to invest 120 million USD on suppling farmers to improve health and water quality

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Morrow Sodali acquires ESG strategy advisory HXE partners

Morrow Sodali, a global stakeholder engagement and ESG consulting firm, has acquired HXE Partners, a New York-based advisory firm that specializes in supporting companies and investors with the development, management, and integration of sustainability and ESG strategies and practices

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CVC: PE portfolio companies with SBTi

CVC climate targets are based on Science Based Targets initiative (SBTi) for all the eligible companies in its portfolio by 2035 and to reduce its absolute Scope 1 and 2 emissions by 73% by 2030; it also plans to support portfolio companies in measuring and decarbonising their emissions, with a focus on Scope 3

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New generation of funds signals evolution of ESG

How can an investor make good returns and avoid pitfalls from the energy transition? This is arguably one of the most important and contentious questions in finance today. This article is written by the vice-chair at Oliver Wyman and former global head of banks and diversified financials research at Morgan Stanley

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Oil industry: only 7% of investment for sustainable energy

The research conducted by the NGO Greenpeace Central and Eastern Europe (CEE) highlights how the oil industry and thus the large fossil fuel companies are still ambiguous about the actual efforts they are putting into reducing their impact on the planet's climate. In 2022 only 0.3 percent of the total energy production of the 12 major European oil companies came from renewable sources

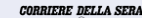
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UN warns that only 11% of treated wastewater is reused

In the new wastewater report titled "Turning Problem to Solution" the UNEP (United Nations Environment Programme) warned that only 11 percent of treated wastewater is reused, while about half of the world's untreated wastewater still ends up in rivers, lakes and seas. With the right policies in place, wastewater could provide alternative energy for half a billion people

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End the era of salary secrecy to combat the gender pay gap

In Europe, women earn on average 13 percent less than men. This is precisely why the EU Directive 2023/970 for equal pay for men and women includes a ban on wage secrecy. Workers will therefore be able to know the salaries of their colleagues who perform the same jobs as them

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Hydrogen power is considered "green" ?

Tunisia is one of the driest countries in Africa, and has just suffered three years of drought. Yet the EU sees the country as key to producing "green hydrogen" for export to Europe. The trouble is, this fuel is obtained by splitting water into oxygen and hydrogen with electricity generated by renewable sources. Tunisia has lots of sun but precious little fresh water

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ESG & Sustainability upcoming events

September 2023



Sustainability LIVE London – 6-7 September

With an impressive turnout of over 5,000 attendees, Sustainability LIVE London serves as the ultimate platform to connect with like-minded peers and actively contribute to crafting a sustainable future. The event will be hosted interactive high-energy workshops based on sustainability and net-zero topics

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Virtual/London,
United Kingdom



The Road to CSRD Compliance – 6-7 September

The Corporate Sustainability Reporting Directive [CSRD] will come into effect in less than 6 months for 50,000 European companies, and with nearly half not on track to comply, businesses are scrambling to prepare. Join 300+ sustainability, finance, and policy leaders to build the networks, collaborations, and learnings that will set you on the path to CSRD compliance

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London, United
Kingdom



5th annual ESG and Climate Risk Week – 12-14 September

The 5th annual ESG and Climate Risk Week looks beyond ESG and climate risks to provide practical scenarios on how companies are strengthening their climate disclosure. With near-term target-setting and action-planning, companies will align with global commitments to a just and inclusive low-carbon transition

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Virtual/London,
United Kingdom



Climate week – 17-24 September

Climate Week NYC is the largest annual climate event of its kind, bringing together some 400 events and activities across the City of New York. Business leaders, political change makers, local decision makers and civil society representatives of all ages and backgrounds, from all over the world, gather to drive the climate change transition

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Virtual/New
York



SDGs Summit 2023 – 18-19 September

Heads of State and Government are going to talk about these SDGs. How are the goals going to be met? What is the impact of crises facing the world? These are all questions that are going to be answered during this year's summit. All in all, the goal is to achieve the SDGs by 2030, which is the target year

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New York



11th annual International Conference on Sustainable Development (ICSD) – 18-20 September

This year's theme is "The Midpoint of the SDGs: Global and Local Progress & Challenges". The topics will cover six major themes: inclusion in education; measurements and metrics for SDG4; governance and state capacity; education as a cross-cutting theme; shocks, fragility and resilient education systems

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Virtual/New
York

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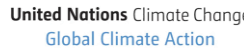



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ESG Conferences organized by Investment Banks and Brokers

Annual list

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
	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
	8 th Asia Conference on Environment and Sustainable Development	In attendance	Japan	3-5 November 2023	ACESD
	Global Energy Conference	tbd	London	6-7 November 2023	J.P.Morgan
	2023 Société Générale European ESG-SRI Conference	tbd	Paris	7 November 2023	Société Générale
	ESG Integration Forum	In attendance	London	21 November 2023	IR Magazine
	Investment Management Forum Impact	In attendance	Brussels	23-24 November 2023	EFAMA
	UN Climate Change Conference	In attendance	United Arab Emirates	30 Nov – 12 Dec 2023	UN Climate Change
	Sustainable Innovation Forum	In attendance/virtual	Dubai	4-5 December 2023	Sustainable Innovation Forum
	Sustainable Finance Conference	virtual		14 December 2023	EIOPA
	Sustainable Investment Strategy Summit	In attendance	London	21 March 2024	PMI Live

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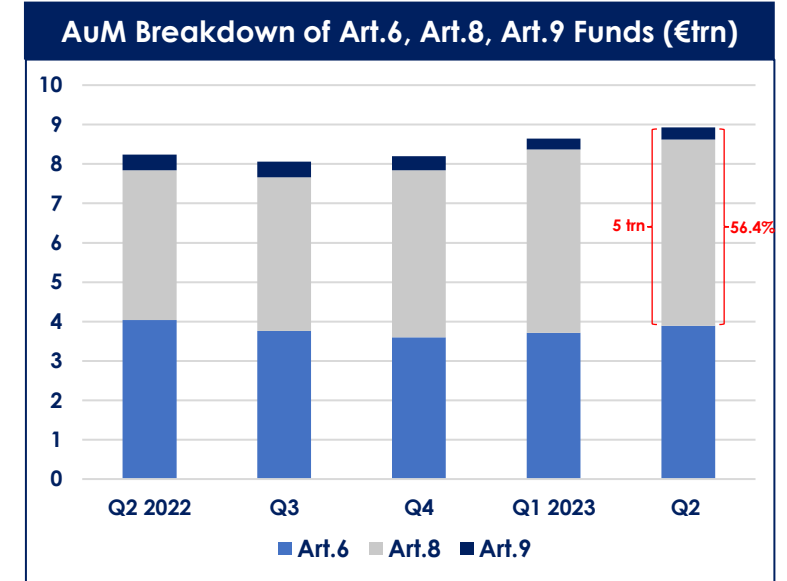
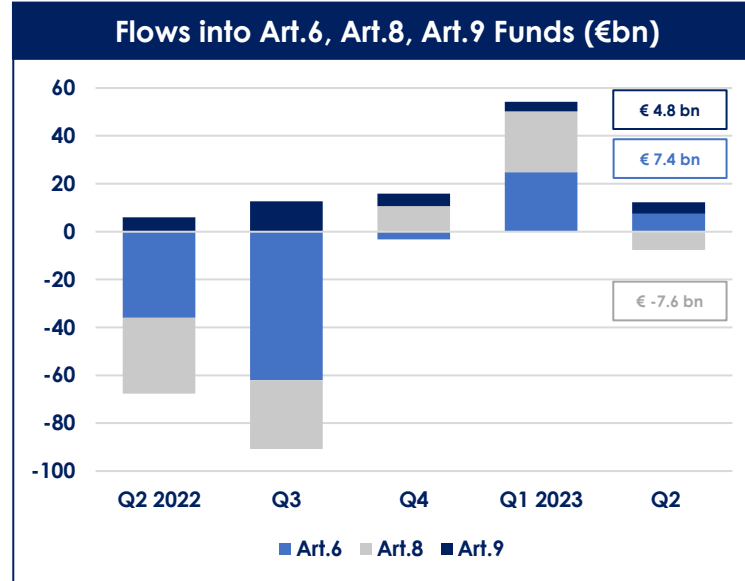
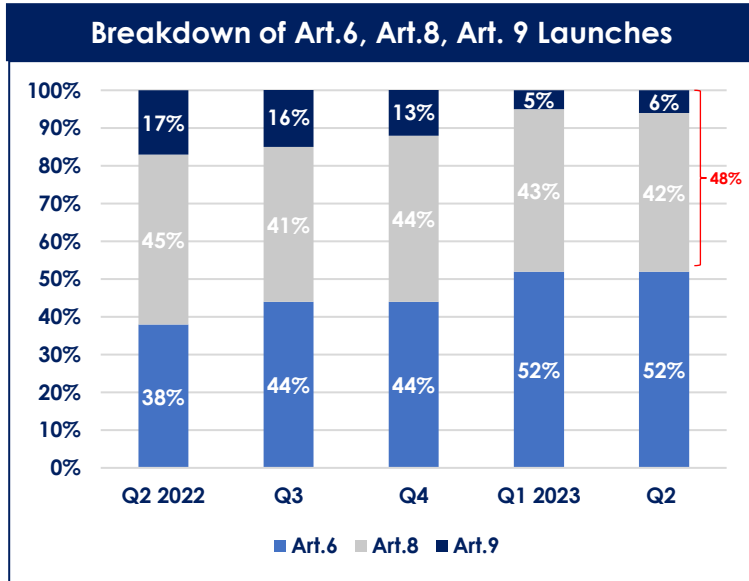
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Article 8 and Article 9 Fund ex SFDR account for 56.4% share of total AuM



- In the second quarter of 2023, newly **Art. 8 and Art. 9** funds still accounted for 48% of the total number of funds launched in the EU
- **Art. 9** funds recorded **€4.8 bn of inflows in Q2 2023** increased, compared to €4 bn in Q1 2023
- **Art. 8 and Art. 9** AuM funds stood at **€5 trn at the end of June 2023**, from the restated €4.9 trn at the end of March 2023. As a result, the two groups of sustainable funds accounted for an increased share of **56.4% of the EU universe**

Source: Morningstar

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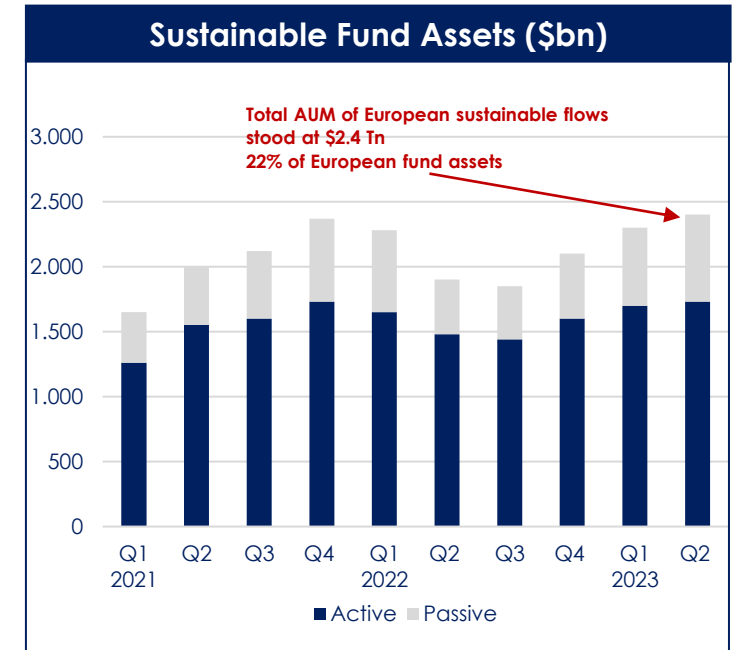
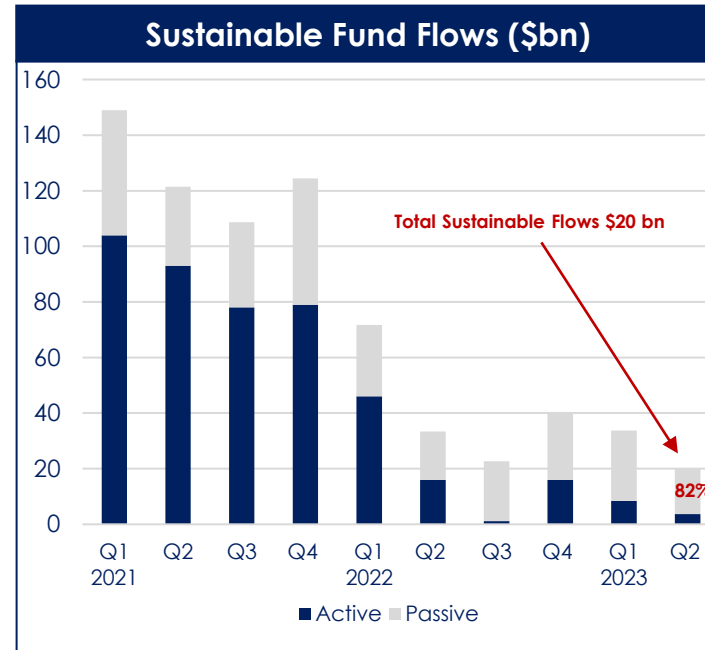
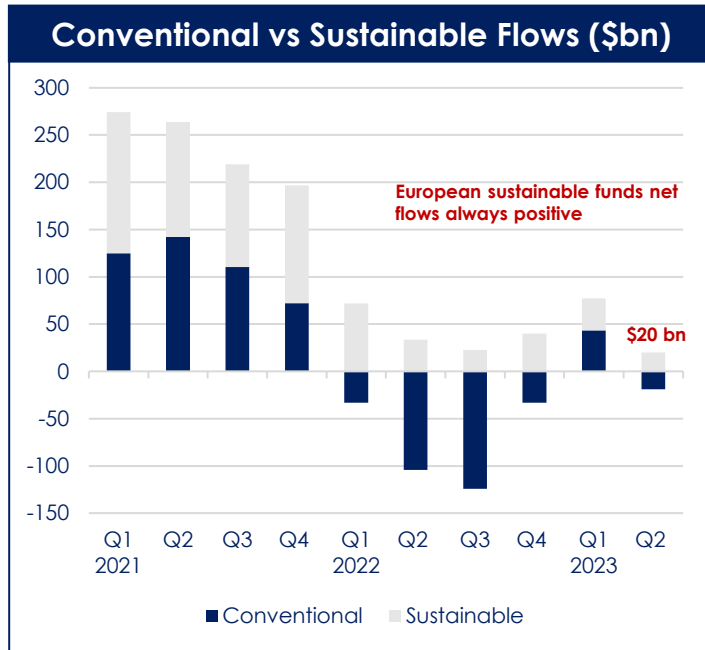
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Net flows into European sustainable funds in Q2 2023 remain positive, 82% of new inflows are Index



- In Q2 2023, total European investment funds recorded approximately **\$1 bn of inflows**
- **European sustainable** funds attracted **\$20 bn in net inflows**. **Passive funds** represent over **82%** of the inflows
- At the end of Q2 2023, total AUM of European sustainable funds stood at approx. \$2,400 bn, up 4% in the last quarter
- Overall, **sustainable funds** accounted for **22% of European fund assets**, at the end of June 2023

Source: Morningstar

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