



## Monthly ESG Newsletter

December 2023

**ARWIN &  
PARTNERS**

*Sustainability matters!*

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## **AFM – publishes position paper on improving the Sustainable Finance Disclosure Regulation (“SFDR”)**

- The Dutch Authority for the Financial Markets (AFM) suggests enhancements to the Sustainable Finance Disclosure Regulation (SFDR) in response to the European Commission's ongoing review of the framework. The proposed improvements aim to provide greater significance to investors and ease the redirection of capital toward investments with a sustainable impact. The AFM's paper encourages further discourse on the SFDR review, welcoming discussions on its content and direction
- The AFM advocates for enhanced transparency in sustainable finance by proposing consumer-friendly improvements to the SFDR disclosures, addressing challenges faced by retail investors. Their proposal includes introducing three distinct sustainable product labels with specific quality and disclosure requirements while supporting a universal disclosure regime for all financial products to ensure a level playing field
- Timing: 2023 ongoing

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## **FCA – sustainability disclosure and labelling regime confirmed**

- The FCA ( Financial Conduct Authority) has confirmed a substantial package of measures to improve the trust and transparency of sustainable investment products and minimise greenwashing
- This package of measures, include the consumer-focused labelling regime and will support the UK's position as a world-leading, competitive centre for asset management and sustainable investment
- To tackle this issue, the FCA will introduce:
  - an anti-greenwashing rule for all authorised firms to make sure sustainability-related claims are fair, clear and not misleading
  - product labels to help investors understand what their money is being used for, based on clear sustainability goals and criteria
  - naming and marketing requirements so products cannot be described as having a positive impact on sustainability when they don't
- Timing: 2023 ongoing

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## **European Commission – welcomes agreement on Nature Restoration Law**

- The Commission welcomes the provisional agreement reached between the European Parliament and the Council on the Nature Restoration Law. Once adopted and applied in the EU Member States, the law will be a key contribution to reaching climate neutrality by 2050 and increasing Europe's preparedness and resilience to the effects of climate change
- The law should set in motion a process for continuous and sustained recovery of nature across the EU's land and sea. As an overall target to be reached on EU level, Member States will put in place restoration measures in at least 20 % of the EU's land areas and 20 % of its seas by 2030. By 2050 such measures should be in place for all ecosystems that need restoration
- Member States will need to submit their first nature restoration plan to the Commission within two years of the entry into force
- Timing: 2023 ongoing
  - Note: the regulation will enter into force 20 days after its publication

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## **EFRAG – standards for listed and unlisted SMEs**

- EFRAG is developing simplified sustainability reporting standards for listed small-medium enterprises (LSMEs), small banks, reinsurance captive and insurance companies
- The European Commission, through the SME Relief Package, is committed to providing a voluntary standard for unlisted SMEs
- The draft ESRS prepared by EFRAG for LSMEs consists of six sections: i) General requirements, ii) General information, iii) Policies, actions, and objectives, iv) Environmental information, v) Social information and vi) Business conduct information
- All sections are sector agnostic, i.e. they apply to all companies included in the scope of the standard, regardless of the sectors in which the company operates. The disclosure requirements contained in the standard cover the following reporting areas: i) Governance, ii) Strategy iii) Impact and Risk Management and iv) Metrics
- Timing: from January 2024

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## **European Parliament – EU carbon removals certification framework**

- The European Parliament agreed its negotiating position on a proposal to establish the first EU-level certification framework for carbon removals. This voluntary framework aims to facilitate and speed up the deployment of high-quality carbon removal activities in the EU, resulting in an unambiguous positive climate impact, while fighting greenwashing
- The proposed regulation covers different types of carbon removals, including permanent carbon storage through industrial technologies (such as bioenergy with carbon capture and storage (BECCS) and direct air capture with capture and storage (DACCS), carbon farming (e.g., restoring forests and soil, and wetland management) and carbon storage in long-lasting products (such as wood-based construction)
- Timing: 2023 ongoing

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## **ESMA – publishes three explanatory notes on ESG finance to help investors**

- ESMA released three explanatory notes on key topics of the sustainable finance regulatory framework: a) definition of sustainable investments b) application of 'do not significant harm ("DNSH") requirements and c) use of estimates
- The explanatory notes set out factual information regarding these concepts, with the aim of allowing stakeholders to navigate and better understand the EU's sustainable finance legislative framework. These documents are described by ESMA as purely descriptive and not intended to replace relevant legal texts nor to provide guidance on the application of relevant provisions
- Timing: 2023 ongoing

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## Global Sustainable Development Report 2023

- Transformations are possible, and inevitable. This report is an invitation to embrace transformations with the urgency needed to accelerate progress toward the Sustainable Development Goals
- Four years have passed since the 2019 Global Sustainable Development Report was published and even then, the world was not on track to achieving the Sustainable Development Goals. Since 2019, challenges have multiplied and intensified. The world has moved forward on some fronts, such as the deployment of zero-carbon technologies as one of many climate mitigation strategies
- As a result, overall progress towards the 2030 Agenda and the Goals has been severely disrupted in the last three years, yet every inch of progress matters and counts

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## Sustainability in the Italian insurance sector

- Insurance companies are key players in the financial landscape, with special characteristics that make them unique and particularly relevant in terms of ESG policies. Indeed, insurance companies play the dual role of institutional investors, on the one hand, and providers of insurance products and services, on the other
- In both of these functions they can make a decisive contribution to the 17 UN Sustainable Development Goals ('SDGs') and also to achieving climate neutrality by 2050. In 2022, the Forum for Sustainable Finance ("FFS") launched a survey on the Italian insurance sector, jointly with the Associazione Nazionale fra le Imprese Assicuratrici ("ANIA"), with the aim of analysing how sustainability aspects are included in governance, investment policies and risk insurance policies
- The research has been realized by Etica Sgr, Generali, Reale Mutua and Unipol Group

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## Realizing climate finance opportunities

- Oliver Wyman and the International Association of Credit Portfolio Managers (IACPM) conducted interviews with 25 leading financial institutions alongside market research to assess current market progress. In this context, the study has identified four concrete areas where financial institutions have developed innovative ways to deliver against their commercial strategy and climate and transition goals:
  1. Products and services
  2. Deal-level capabilities
  3. Risk management
  4. Organizational enablers
- Financial institutions are launching strategies to capitalize on the opportunities stemming from the low carbon economy transition. However, they still must navigate between the enormous potential of the emerging climate and transition finance market while capitalizing on more conventional lending, investment, and insurance deals that already fit their existing investment philosophies involving such areas as risk appetite and tenor of investment

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## Fossil fuels in transition

- The Energy Transitions Commission (ETC) is a global coalition of leaders from across the energy landscape committed to achieving net-zero emissions by mid-century, in line with the Paris climate objective of limiting global warming to well below 2°C and ideally to 1.5°C
- At COP21 in Paris, and again at COP26 in Glasgow, the vast majority of the world's nations agreed that it is essential to limit global warming to well below 2°C, and ideally to 1.5°C, with limited overshoot. Since then, 99 countries have committed to such targets, with another 60 countries currently in talks to make these commitments. Recent extreme weather events across the world have illustrated the vital importance of meeting those objectives
- As reported, we are running out of time to achieve such targets. The IPCC concluded in 2020 that to have a 50% chance of limiting global warming to 1.5°C, the world would need to cut CO2 emissions to net-zero by around mid-century

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Linklaters

### UK High Court: dismissed two review on oil and gas

The UK High Court has dismissed two judicial review claims brought by environmental NGOs Greenpeace and Uplift in respect of government decisions relating to new oil and gas exploration and production in the North Sea. The High Court used some of its starkest language yet in dismissing the claims, holding that the issues in dispute were "plainly a matter of judgment and not law"

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FT FINANCIAL TIMES

### UK sets regulatory regime for ESG rating industry

The UK government is set to press ahead with plans to regulate agencies that evaluate ESG performance of companies, the latest in a global crackdown on the sustainable ratings industry. Ministers intend to unveil formal proposals as early as January next year following a three-month consultation that closed in June

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BlackRock

### BlackRock: largest direct air capture plan

The international energy company, Occidental announced that BlackRock will invest \$550 million on behalf of clients in the development of STRATOS, the world's largest Direct Air Capture (DAC) facility in Texas. STRATOS is designed to capture up to 500,000 tonnes of CO2 per year. Construction activities for STRATOS are 30 percent complete and the facility is expected to be commercially operational in mid-2025

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Google

### Google & BCG: AI climate solutions

A new report by Google in collaboration with Boston Consulting Group (BCG) reveals that artificial intelligence (AI) has the potential to mitigate 5-10% of global greenhouse gas (GHG) emissions by 2030. Despite the immense potential of AI, it is crucial to manage its environmental impact as it scales up. Google is committed to developing AI responsibly and minimizing its carbon footprint

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THE SUSTAINABLE DEVELOPMENT GOALS

### Sustainable Development Goals: Mapper tool

The United Nations Office has developed a tool to map expertise on Sustainable Development Goals (SDGs), found among international organisations in Geneva. This has been envisioned as a tool to help strengthen synergies and improve coordination to support countries achieve the SDGs and provide Member States an overview of "who is doing what and where"

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ESG NEWS

### Why ESG investments are profitable

The Forum for Sustainable Finance debunked ten false myths about sustainable finance, highlighting its long-term benefits. Mr. Giovanni (Director of ASviS) emphasised the importance of taking a medium-to long-term perspective. The Forum responded to the criticism with a scientific approach, promoting the integration of sustainability into financial decisions

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J.P.Morgan

### JP Morgan updates financed emissions targets

JPMorgan Chase has set new 2030 targets to reduce financed emissions in aluminium and shipping. It has also updated the way it will calculate financed emissions from energy, as it scales up financing in renewables. The targets cover shipping clients' Scope 1 (direct) emissions and both Scope 1 and Scope 2 (power-related) emissions from aluminium

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GRI

### Standard for transparency on climate change impacts

Global Reporting Initiative ("GRI") has published preliminary versions of two standards that will be central to global commitments to greater accountability for the impacts of climate change. The drafts focus on how organizations can reduce greenhouse gas emissions and energy consumption

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# ESG & Sustainability upcoming events

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## Impact Investing Forum 2023 – 5-6 December

The Impact Investing Forum is delighted to announce IWF 2023 live & in-person event's keynote and speakers including JP Morgan, Big Society Capital, EU, EIB & Big Issue

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London, United Kingdom



## ESG and Climate Summit 2023 – 7 December

The PMIs annual ESG & Climate Summit will bring together experts in the fields of sustainability, impact investment, TCFD and stewardship to discuss the latest developments in ESG for the pensions industry

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London, United Kingdom



## Climate Action COP28 – 4-8 December

The ESG landscape is shifting with more mandatory disclosures and increased stakeholder scrutiny. As the momentum around ESG continues to grow, so does the challenge of keeping up to date with increasing regulatory and market demands. Boards must take note as consumers, investors, employees and regulators are all demanding action

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Dubai, UAE



## 3<sup>rd</sup> World Conference on Sustainability, Energy and Environment – 8-9 December

The power and energy conference will cover a range of topics that are at the top of the agenda of many national and international leaders: air pollution, eco design, energy optimization, climate change, energy practices, waste management, and more

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Berlin, Germany



## ESG Excellence European Forum – 12-13 December

We are thrilled to invite you to the ESG Excellence European Forum 2023, a B2B event dedicated to exploring the latest trends and strategies in Environmental, Social, and Governance (ESG) practices. This Forum serves as a platform for industry leaders, sustainability experts, financial professionals, governance specialists, and compliance professionals from various industries to come together and drive positive change

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Amsterdam, Netherlands



## EIOPA's 7th Sustainable Finance Conference – 14 December

EIOPA's 2023 Sustainable Finance Conference will gather regulators, industry and stakeholders to critically assess efforts in delivering on sustainability goals

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Virtual

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# ESG Conferences organized by Investment Banks and Brokers

Annual list

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Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
CREDIT SUISSE 	Climate Tech Conference	virtual	-	5-6 December 2023	<a href="#">Credit Suisse</a>
 CRÉDIT AGRICOLE	Global Sustainable Finance	In attendance		11-12 December 2023	

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