



Monthly ESG Newsletter

February 2024

**ARWIN &
PARTNERS**

Sustainability matters!

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ESG Regulatory updates

January 2024



European Parliament – approves two-year delay to sector-specific ESRS and ESRS for non-EU companies

- The Corporate Sustainability Reporting Directive (CSRD) requires the European Commission to adopt, by 30 June 2024, the following European Sustainability Reporting Standards (ESRS):
 - sector-specific ESRS, which will set out the information specific to the sectors in which a company operates; and
 - ESRS to be used by certain non-EU companies with business in the EU meeting certain thresholds.
- Late in 2023, the Commission published a proposal for a decision of the Parliament and the Council to delay the adoption of these two ESRS by two years (30 June 2026). This proposal was approved by the MEPs the 24th of January 2024
- Timing: 2024 ongoing
 - Note: The proposal still needs to be approved by the full Parliament in a plenary vote. After that, negotiations with the Council on the final text can start

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EBA – consults on guidelines on the management of ESG risks

- The European Banking Authority (EBA) launched a public consultation on draft guidelines on the management of Environmental, Social and Governance (ESG) risks
- The draft guidelines set out requirements for institutions for the identification, measurement, management and monitoring of ESG risks, including through plans aimed at addressing the risks arising from the transition towards an EU climate-neutral economy
- Climate change, environmental degradation, social issues and other environmental, social and governance factors are posing considerable challenges for the economy that impact the financial sector. The risk profile and business model of institutions may be affected by ESG risks, in particular environmental risks through transition and physical risk drivers
- Timing: the consultation runs until 18 April 2024

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MEPs – adopt new law banning greenwashing and misleading product information

- The European Parliament has passed a new law to ban greenwashing and misleading environmental claims in product marketing. Key elements of the law include:
 - Prohibiting vague environmental claims like "eco-friendly" without concrete evidence;
 - Allowing only official or authority-certified sustainability labels in the EU;
 - Requiring clear guarantee information in order to be able to emphasize product durability;
 - Banning unfounded claims and misleading information about product repairability and consumable replacement.
- The law aims to protect consumers and encourage a shift from a throwaway culture. This is part of a broader initiative to regulate environmental claims in marketing
- Timing: 2024 ongoing
 - Note: Member states have 24 months to incorporate it into national law

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Maximizing CO2 abatement business opportunities

- *The Circularity in the built environment: Maximizing CO2 abatement and business opportunities white paper, written by the World Economic Forum in collaboration with McKinsey & Company, offers strategies for a sustainable transition in the built environment, aligning with global development goals and addressing the urgent challenge of CO2 abatement, and serves as a call to action for leaders in both the public and private sectors*
- *Approximately 26 percent of global greenhouse gas emissions originate from the built environment. Growing population and accelerating urbanization could further increase this pressure*
- *However, there is an opportunity to transition from current consumption and production patterns to a more sustainable circular approach*

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International Labour Organization

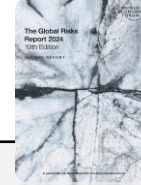


Just Transition Finance

- *This report serves as a guide for banks and insurance companies on the role of banking and underwriting activities in promoting a just transition to low-carbon, climate-resilient economies. It details crucial elements, emerging practices and examples, helping banks and insurers to become enablers of a just and inclusive transition*
- *Climate action must reach record levels to limit the average global temperature increase to 1.5 degrees in order to prevent catastrophic consequences, and to adapt to the physical impacts of climate change. It entails a major transformation affecting all sectors, geographies and societies*
- *Promoting a just transition is essential to achieve broad-based support for ambitious climate action and generate benefits both to the environment and the society, while carefully managing potential adverse social impacts from economic transformation*

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The Global Risk Report 2024

- *The Global Risks Report explores some of the most severe risks we may face over the next decade, against a backdrop of rapid technological change, economic uncertainty, a warming planet and conflict. As cooperation comes under pressure, weakened economies and societies may only require the smallest shock to edge past the tipping point of resilience*
- *Looking back at the events of 2023, plenty of developments captured the attention of people around the world – while others received minimal scrutiny. Vulnerable populations grappled with lethal conflicts, from Sudan to Gaza and Israel, alongside record-breaking heat conditions, drought, wildfires and flooding*
- *Although globally destabilizing consequences, such as those seen at the initial outbreak of the Russia-Ukraine war or the COVID-19 pandemic – were largely avoided, the longer-term outlook for these developments could bring further global shocks*

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NEW CLIMATE INSTITUTE



Corporate Climate Responsibility Monitor 2023

- *The Corporate Climate Responsibility Monitor assesses the transparency and integrity of 24 major companies' climate pledges and strategies. It evaluates four main areas of corporate climate action (i) tracking and disclosure of emissions, (ii) setting emission reduction targets, (iii) reducing own emissions, and (iv) taking responsibility for unabated emissions through climate contributions or offsetting*
- *The companies analysed in the 2023 Corporate Climate Responsibility Monitor have put themselves forward as climate leaders. The 24 global companies have committed themselves to preparing and implementing decarbonisation plans that align with the objective to limit warming to 1.5°C*
- *These companies serve as role models for other large, medium, and small companies around the world. The analysis of these companies should provide the best prospects for the identification of replicable good practice*

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Sustainability & ESG highlights COP28



<p>COP28: Highlights and Fossil Fuel Agreement</p> <ul style="list-style-type: none"> At COP28, an agreement was reached where over 200 nations, including major energy producers like Saudi Arabia, committed to reducing fossil fuels, tripling renewable energy, halting deforestation, and cutting methane emissions by 2030 The deal, led by COP28 President Dr. Sultan Ahmed Al Jaber, didn't mandate a strict timeline for phasing out fossil fuels but marked a significant shift in global climate policy To address the impacts of climate change, particularly in the global South, a loss and damages fund was established, funded by developed countries and reached \$700 million However, the agreement faced criticism for insufficient measures to limit global warming to 1.5C and for the lack of strong leadership from wealthier nations, which were accused of engaging in hypocritical practices regarding fossil fuel reduction Despite these concerns, the deal was addressed as a major step forward, although it fell short of some countries' and environmental groups' ambitions 	<p>Climate funds are showing a promising future</p> <ul style="list-style-type: none"> The World Bank, EU, and UAE have announced major climate finance initiatives The World Bank's commitment exceeds \$40 billion, targeting resilience and adaptation in areas most affected by climate change The EU has earmarked \$4 billion from its Emissions Trading System to support the development of decarbonization technologies The UAE, in the lead-up to hosting COP28, has pledged a substantial \$30 billion through ALTERRA (an African PE fund) to facilitate climate investments in emerging markets, particularly focusing on the global south ALTERRA is divided into two segments: a \$25 billion acceleration fund to boost climate-positive projects and a \$5 billion transformation program aimed at supporting more substantial, transformative climate initiatives 	<p>EFRAG and GRI enhance collaboration</p> <ul style="list-style-type: none"> The EFRAG (European Financial Reporting Advisory Group) and the GRI (Global Reporting Initiative) have formalized their partnership with a MoU (Memorandum of Understanding) to synchronize the ESRS (European Sustainability Reporting Standards) with the GRI Standards This collaboration involves the creation of the GRI-ESRS Interoperability Index. Key areas of cooperation include sector-specific guidelines, SMEs (Small and Medium-sized Enterprises) reporting in the EU, and CSRD (Corporate Sustainability Reporting Directive) standards for non-EU companies The focus also extends to training and accrediting GRI for ESRS and harmonizing XBRL (eXtensible Business Reporting Language) taxonomies. Fundamental commitments include improving data quality in impact reporting, providing reliable information to stakeholders, and achieving integration between global and European sustainability reporting standards 	<p>EU's CSRD put pressure on US firms</p> <ul style="list-style-type: none"> Starting from 2024, the EU's new CSRD (Corporate Sustainable Reporting Directive) enforces comprehensive sustainability reporting from: <ul style="list-style-type: none"> large EU companies with more than 500 employees; U.S. firms with a net turnover of €150 million euros in the EU and has either: large or listed EU subsidiary or an EU branch that generated a net turnover of €40 million euros in the next year. SEC Chair Gary Gensler's expressed concerns about American companies having to adhere to the EU regulation, especially given the absence of equivalent sustainability reporting regulations in the U.S. The piece also touches on California's recent climate disclosure law and the SEC's ongoing efforts to establish its climate reporting guidelines, which will be finalized by April 2024. These new regulations may potentially create conflict since they will add complexity for U.S. companies
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World Bank: launches 7-year bond for SDGs

The World Bank priced a 7-year benchmark bond that matures in January 2031. The Sustainable Development Bond raised USD 5 billion from investors seeking to support the World Bank's work to end extreme poverty and boost prosperity on a livable plane. The lead managers are Barclays Bank PLC, BMO Capital Markets, BNP Paribas, Citigroup Global Markets

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UK Gov: plans to nuclear generation by 2050

The UK Government has published a roadmap for dramatically scaling the nation's nuclear generation capacity using a mix of small modular reactors (SMRs) and large-scale projects. The UK prime minister Sunak has thrown his support behind nuclear and fossil fuels while rolling back on low-carbon heating, buildings and transport as he seeks to politicise decarbonisation options ahead of the general election

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Denmark and India: alliance on Green Fuel

Denmark has announced the GFAI initiative to strengthen collaboration between Denmark and India in sustainable energy solutions and to advance their joint goal towards carbon neutrality. The alliance aims to foster innovation and partnerships between Danish industries and their Indian counterparts, focusing on the Green Fuels sector including Green Hydrogen

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BNP Paribas: Global Sustainability Strategy (GSS)

BNP Paribas Asset Management (BNPP AM) announced the release of its new Global Sustainability Strategy (GSS), updating its approach to applying sustainability considerations in its investments, and including goals to grow its ranges of sustainable and impact investment solutions across themes including climate, nature-based solutions and economic equality

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Sustainability reporting for SMEs - CSRD

The Corporate Sustainability Reporting Directive (CSRD) is the directive that requires EU companies including EU-operating subsidiaries of non-EU companies to report ESG information and sustainability practices and performance. Listed SMEs (excluding micro-enterprises) will have to prepare sustainability disclosures and will have until 2026 to comply with reporting requirements

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The EU crackdown: total ban on F-gases by 2050

The European Parliament has passed a regulation to phase out fluorinated gases (F-gases) in air conditioners and heat pumps, with a total ban by 2050. Starting 2035, only natural gases will be permitted in these devices. This decision, part of the EU's environmental sustainability efforts, aims to reduce greenhouse gas emissions

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How to benefit from the EU's scale up in green subsidies

The European Commission is intensifying its green subsidy program as part of "The Net Zero Plan" aiming for climate neutrality by 2050. The plan revises State aid rules to boost cleantech investments and includes significant funding from EU programs. It focuses on renewable hydrogen, electricity market reform, and net-zero technologies while simplifying aid for renewable energy and decarbonization

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TNFD nature-related: corporate reporting

The Taskforce on Nature-related Financial Disclosures (TNFD) announced that 320 organisations from over 46 countries have committed to start making nature-related disclosures based on the TNFD Recommendations published in September last year. The first adopters are over 100 listed financial institutions (banks, insurers etc.) representing US\$14 trillion in Assets under Management (AuM)

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ESG & Sustainability upcoming events

February 2024



EIB Group Forum 2024: 7-8 February

The event brings together key voices from the public and private sector to discuss a range of issues, including social inequality, economic stability, digitalization and the green transition

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Luxembourg



The EU Sustainable Investment Summit: 12-14 February

The GreenBiz 24 is the premier conference for sustainable business leaders seeking hands-on, tangible solutions in 2024. Join this growing community to recharge and learn what's next in decarbonization, biodiversity, supply chains, strategic communication

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Phoenix,
Arizona



Sustainability, ESG & Accounting: 16-17 February

Share best practices in integrating Sustainability and ESG into courses in the accounting curriculum

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Washington,
USA



World ESG Summit: 19-21 February

This three-day summit will explore the most effective methods for integrating ESG principles into business practices. With a primary focus on implementing ESG practices within the Energy sector. Additionally, the summit agenda will encompass the ambitious goal of achieving NetZero emissions by 2050

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Saudi Arabia



Asia-Pacific Forum on Sustainable Development 2024: 20-23 February

The Asia-Pacific Forum on Sustainable Development (APFSD) is an annual, inclusive intergovernmental forum to support follow-up and review of progress on the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) at the regional level

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Bangkok,
Thailand



IFRS Sustainability Symposium 2024: 22 February

The IFRS Sustainability Symposium is already the premier destination for not only investors, corporates and their advisors, but also dozens of regulators and policymakers from around the world

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New York City,
USA

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ESG Conferences organized by Investment Banks and Brokers

Annual list

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
 Principles for Responsible Investment	Responsible Investment Forum	In attendance	New York	20-21 February 2024	PRI
 ASSOLOMBARDA	Sustainable Finance	In attendance	Milan	16 March 2024	Assolombarda
 BANK OF AMERICA	Environmental, Social and Governance Investing	Online	-	22 April 2024	Bank of America
 UBS	UBS ESG and Sustainability Symposium 2024	In attendance	London	14-19 October 2024	UBS
 Amundi ASSET MANAGEMENT	2023 Edition – The Global Shake-up	In attendance	Paris	13-14 June 2024	Amundi

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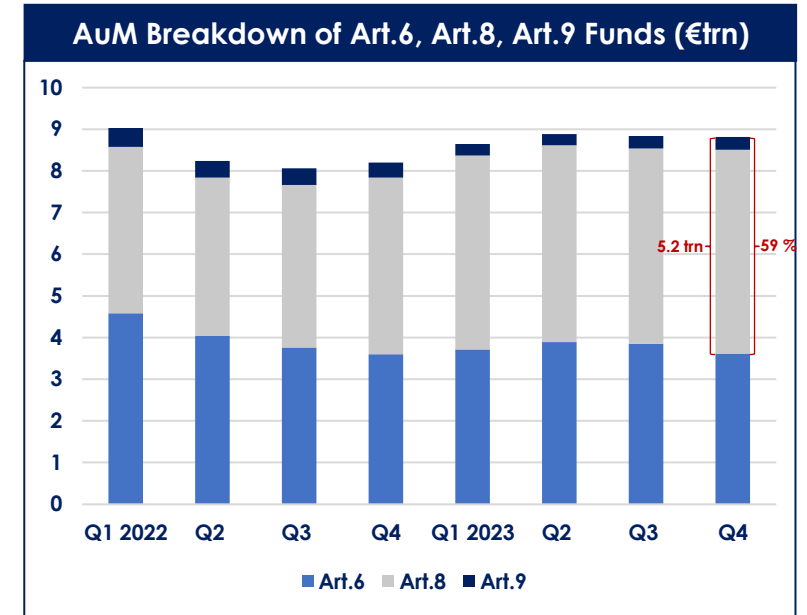
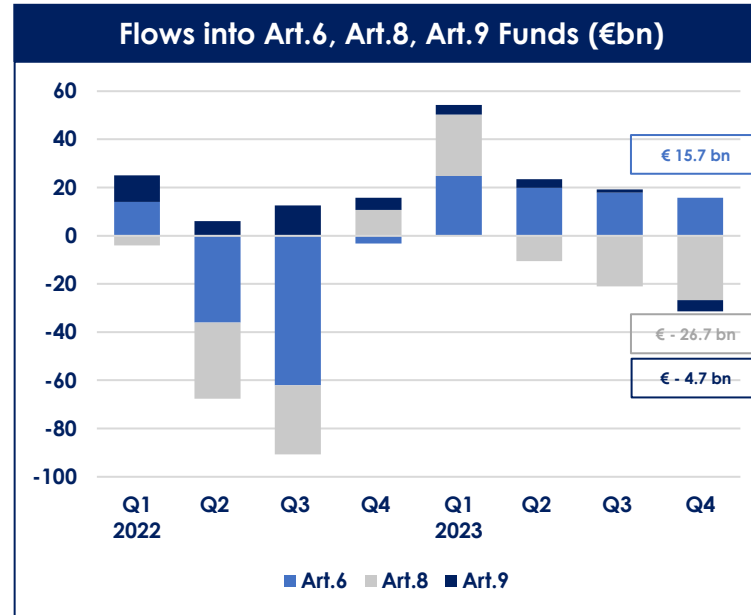
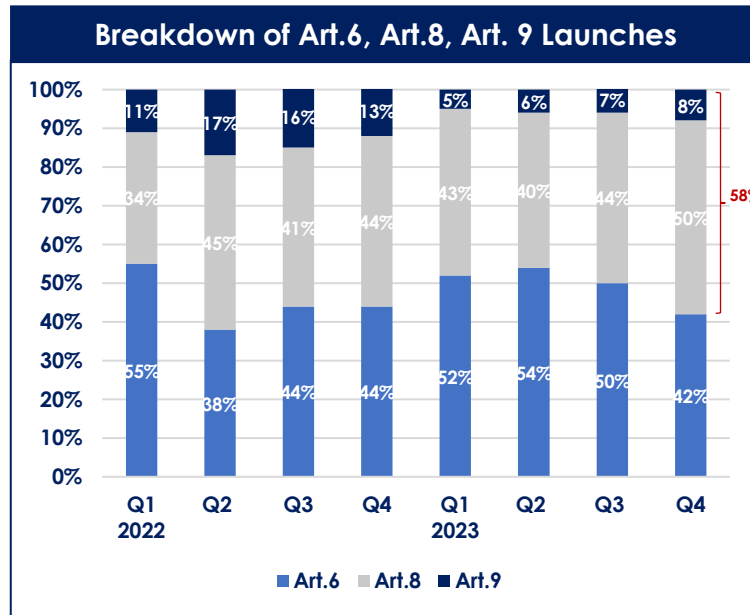
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Article 8 and Article 9 Fund account for 59% share of total AuM in Q4 2023



- In Q4 2023, **Art. 8 and Art. 9** funds accounted for 58% of the total number of funds launched in the EU
- **Art. 9** funds recorded **€4.7 bn of outflows in Q4 2023**, compared to €1.4 bn inflows in Q3 2023
- **Art. 8 and Art. 9** AuM funds stood at **€5.2 trn at the end of December 2023**, increasing the share to 59% of the EU funds

Note: The value of Q2 and Q3 2023 fund flows classification (art. 6, 8, 9) has been updated from Morningstar's last published report

Source: Morningstar

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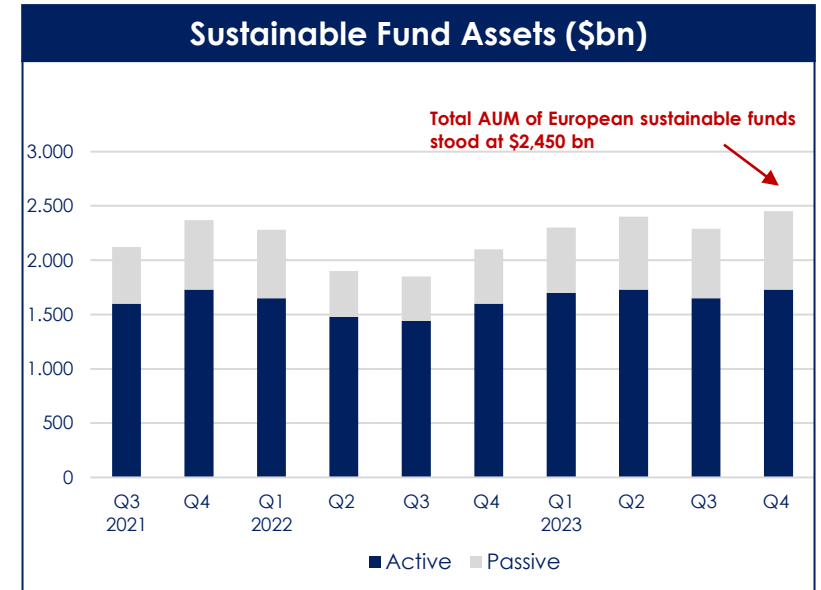
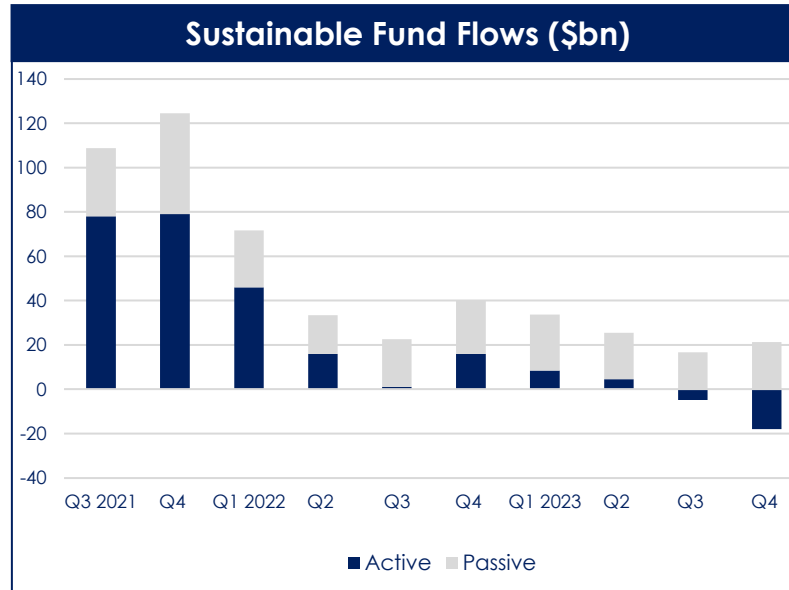
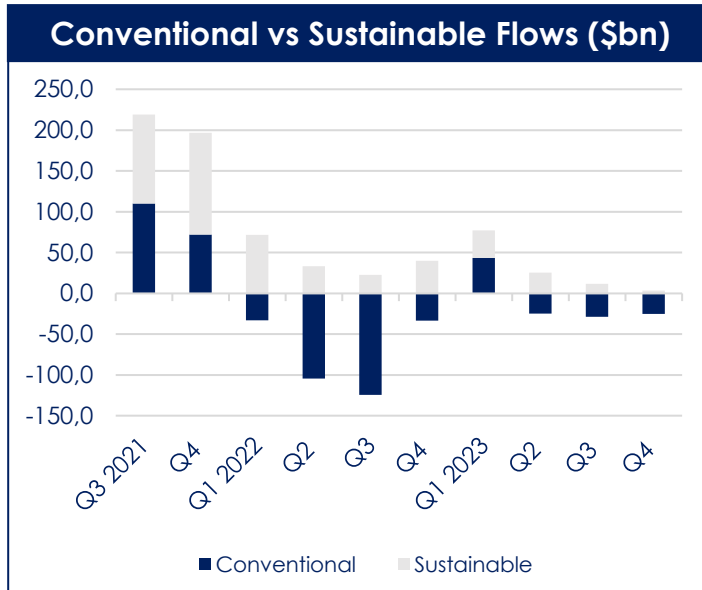
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European sustainable fund flows in Q4 2023 continued to record positive flows

As a result of a positive contribution from passive sustainable funds



- In Q4 2023, total European investment funds recorded approximately **\$22 bn of outflows**
- **European sustainable** funds attracted **\$3.3 bn in net inflows**. **Passive funds** represent **\$21.3 bn of net inflows** - **active funds** recorded approximately **\$18 bn of outflows**
- At the end of Q4 2023, total AUM of European sustainable funds stood at approx. **\$2,450 bn – a 7% increase** from the previous quarter. Overall, **sustainable funds** accounted for **22% of European fund assets**, at the end of December 2023

Note: According to Morningstar research, the global "sustainable" fund universe encompasses open-end funds and ETFs that, by prospectus or other regulatory filings, claim to focus on sustainability; impact; or environmental, social, and governance factors. Universe of sustainable funds is based on intentionality rather than holdings. The global sustainable fund universe does not contain: i) "ESG integrated funds" (which formally consider ESG criteria in the investment process and engage with portfolio holdings but do not make ESG considerations the focus of the investment process); ii) funds that employ limited exclusionary screens (such as controversial weapons, tobacco, and thermal coal) and iii) money market funds, feeder funds, and funds of fund. The value of Q2 2023 funds has been readjusted from Morningstar's previous report

Source: Morningstar

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