



Monthly ESG Newsletter

March 2024

**ARWIN &
PARTNERS**

Sustainability matters!

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EC – the Council and Parliament agree to establish an EU carbon removals certification framework

- The European Council and Parliament have reached an agreement to establish a certification framework for carbon removals within the EU
- This framework aims to certify carbon removal activities, ensuring they are genuine, quantifiable, and verifiable, thereby contributing to the EU's climate objectives
- The initiative is part of the EU's broader strategy to achieve climate neutrality by 2050, emphasizing the importance of enhancing and verifying carbon sinks
- The agreement includes provisions for monitoring and reporting, setting a solid foundation for the accountability and transparency of carbon removal efforts
- This agreement marks a significant step towards operationalizing carbon removals, aligning with the EU's commitment to leading global efforts in climate action and sustainability
- Timing: 2024 ongoing

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EC on ESG rating – the Council and Parliament reach an agreement

- The Council and European Parliament reached a provisional agreement on a proposal for a regulation on environmental, social and governance (ESG) rating activities, which aims to boost investor confidence in sustainable products
- ESG ratings provide an opinion on a company's or a financial instrument's sustainability profile, by assessing its exposure to sustainability risks and its impact on society and the environment. ESG ratings have an increasingly important impact on the operation of capital markets and on investor trust in sustainable products
- The new rules aim to strengthen the reliability and comparability of ESG ratings by improving the transparency and integrity of the operations of ESG ratings providers and preventing potential conflicts of interests
- Timing: 2024 ongoing
 - Note: The provisional political agreement is subject to approval. The regulation will start 18 months after its entry into force

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European Council – fails to endorse CSDDD

- Although a provisional political agreement on the Corporate Sustainability Due Diligence Directive (CSDDD or CS3D) had been reached by the Council and the European Parliament in December, the Directive failed to achieve final approval in the Council on (28 February), following concerns from a number of member states including Germany, Italy and France
- It has been reported in the press, that efforts to reach final agreement on the CSDDD proposal were further derailed at the last minute by an attempt from France to significantly reduce the scope of the new rules to apply only to companies with more than 5,000 employees, instead of the proposed 500 employee threshold
- Timing: 2024
 - Note: It is unclear at this stage whether negotiations on the CSDDD will continue over the coming weeks or whether this will have to wait until after the European Parliament elections this summer

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EC – Nature Restoration Law

- The European Commission's Nature Restoration Law is a proposal aimed at reversing the decline of biodiversity and restoring natural habitats across the EU
- The proposal sets legally binding targets to restore degraded ecosystems, particularly those that are crucial for carbon sequestration and disaster risk reduction
- It mandates that EU member states target restoration efforts to cover at least 20% of the EU's land and sea areas by 2030, with the ambitious goal of achieving complete ecosystem restoration by 2050
- In conclusion, the Nature Restoration Law represents a move in the right direction, towards sustainable environmental management within the EU. It emphasizes restoration and conservation as key strategies for mitigating climate change and protecting biodiversity
- Timing: 2024 ongoing

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EC – Net-Zero Industry Act

- The European Council and the European Parliament reached a provisional deal on the 'net-zero industry act' (NZIA) which aims to strengthen Europe's net-zero technology products manufacturing ecosystem
- Introduces a single list of net-zero technologies, along with criteria for selecting strategic projects that will significantly contribute to the EU's decarbonization efforts
- The act is designed to position Europe as a leader in the global clean technology sector, emphasizing the creation of a competitive, green, and job-creating industrial sector
- The regulation aims at boosting the industrial deployment of net-zero technologies needed to achieve EU's climate goals
- Timing: 2024 ongoing

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ECB – focuses on green transition, climate and nature-related risks

- The European Central Bank (ECB) has decided to expand its work on climate change, identifying three focus areas that will guide its activities in 2024 and 2025:
 1. the challenges of the transition to a green economy, especially the associated with transition costs and investment needs;
 2. the increasing physical impact of climate change, and how measures to adapt to a hotter world affect the economy;
 3. the risks stemming from nature loss and degradation, how they interact with climate-related risks and how they could affect the ECB's work through their impact on the economy and financial system.
- A comprehensive overview of the planned work programme for 2024 and 2025 is available in the [Annex](#)
- Timing: 2024 ongoing

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Latest recall key topics in January



January

IFRS S1 & S2 – Sustainability-related Disclosures

- The International Sustainability Standards Board (ISSB) has developed two new standards, IFRS S1 and IFRS S2, to standardize sustainability reporting globally
 - **IFRS S1:** Enhances transparency by requiring companies to disclose general sustainability-related information, including how sustainability issues impact their strategy, business model, and financial planning
 - **IFRS S2:** Focuses on climate-related risks and opportunities, requiring companies to disclose how climate change impacts their financial performance and positioning
- These ESG standards went into effect on January 1st, 2024, these standards aim to improve the transparency and comparability of sustainability information, crucial for investors and stakeholders
- Timing: 2024 ongoing

[Click here to download the text IFRS S1](#)

[Click here to download the text IFRS S2](#)



January

International banks supervision: 2024 priorities

- The Prudential Regulation Authority (PRA) outlined its 2024 priorities for UK-active international banks and investment firms, emphasizing enhanced governance, risk management, and operational resilience
- Climate-related financial risks are a growing material risk to firms and the financial system, requiring significant improvements in risk management capabilities
- Processes to identify, measure, and mitigate climate-related financial risks must be developed and integrated, aligning with PRA expectations and considering trading book exposures
- Firms must employ tailored stress scenarios to better understand the impact of climate change on their business, financial, and operational resilience, enhancing overall climate risk assessment
- The PRA's focus on climate-related financial risks in 2024 aims to drive firms towards more robust climate risk management practices
- Timing: 2024 ongoing

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January

European Parliament – empowering consumers for the green transition

- The European Parliament submitted a proposal which aims to amend the current legislation to ensure more transparency and to empower consumers for the ongoing green transition
- The proposed rules will enhance consumers' rights by amending the unfair commercial practices directive (UCPD) and the consumer rights directive (CRD) and adapting them for the green transition and the circular economy
- These amendments would provide transparent information on product longevity, repair options, and environmental repercussions, countering greenwashing while simultaneously implementing measures to prevent deliberate shortening of product life cycles, thereby enhancing their utility and decreasing environmental degradation
- Timing: 2024 ongoing
 - Note: Member States would be required to transpose the directive 18 months from the adoption and would have additional six months to start with its application

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Climate change: expectations of companies

- The document outlines Norges Bank's expectations for how company should manage various environmental and social matters. These expectations are based on internationally recognised principles such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/Principles of Corporate Governance, the OECD Guidelines for Multinational Enterprises and other topic-specific standards
- This document serves as a starting point for Norges Bank's discussions with corporate clients, hoping to support them on topics related to climate change. It requires these companies to address ESG opportunities in a meaningful manner, according to their business model
- Norges Bank expectations are primarily directed at company boards. Boards should understand the broader environmental and social consequences of company operations, taking into account the interests of relevant stakeholders

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Morningstar ESG Commitment Level

- Sustainability-focused investors should be discerning when selecting managers. With tremendous growth in sustainable investing has increased choices and concerns about greenwashing
- The Morningstar ESG Commitment Level helps investors assess an asset manager's alignment to their own sustainability preferences by providing insights into the firm's sustainable-investing philosophies, ESG integration processes, resources, and active ownership activities
- This fifth edition of the Morningstar ESG Commitment Level report provides an update on the landscape with a review of 12 asset managers. The Morningstar ESG Commitment Level is expressed as a four-point scale: Leader, Advanced, Basic, and Low

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Impact Investing – Do ESG funds fulfil their promises

- Impact investing – i.e., investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return have been attracting growing interest from investors. It is, thus, important for ESMA's work to combat greenwashing. This is because considering that while essential for progressing on the EU's sustainability objectives, impact investing may be prone to misleading, inaccurate or unsubstantiated claims
- Impact and ESG investing play a key role in achieving sustainability objectives. For this reason, the topic requires particular attention to ensure that products and strategies that aim to foster such objectives stand true to their claims
- ESMA ensures that all impact claims are based on well-known sustainability frameworks, including the United Nations Sustainable Development Goals (SDGs), which are a significant pillar of the international development agenda

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NGFS scenarios: guidance on where institutional adaptations are required

- The NGFS scenarios are designed for comprehensive analysis, merging climate transition and physical risks with macroeconomic trends. They serve as a foundation for assessing potential climate change impacts on financial stability and economic conditions
- Highlighting the advancements in scenario modelling, the guidance encourages users to extend the number of scenarios covered, adapting new ones to their specific institutional context and risk profile, underlining the necessity for appropriate risk management practices
- Stressing the critical nature of early and orderly transition efforts, the scenarios illustrate the significant advantages of moving swiftly towards a net-zero emissions target by 2050. It argues that proactive measures are essential to mitigate climate-related risks effectively and prevent substantial economic and financial system losses

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GRI: reporting standard for mining sector

The Global Reporting Initiative (GRI) announced the launch of its new mining sector reporting standard, aimed at enabling companies in the sector to disclose on a wide set of sustainability impacts, ranging from emissions and biodiversity to community impact and human rights. The new standard comes amid broad stakeholder demand for transparency into the mining sector's impact

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EU's energy rollout at risk due to grid delays

Environmental think tank Ember has cautioned that while the EU recorded an unprecedented reduction in coal and gas power alongside a surge in renewable energy generation last year, grid connection delays can compromise the EU's progress in the long term. Ember's recent 'European Electricity Review' report, analyse the full-year electricity generation and demand data for 2023 in all EU-27 countries

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EU sets 2040 climate targets towards neutrality

The Commission has published a detailed impact assessment on possible pathways to reach the agreed goal of making the European Union climate neutral by 2050. Based on this impact assessment, the Commission recommends a 90% net greenhouse gas emissions reduction by 2040 compared to 1990 levels. A Legislative proposal will be made by the next Commission, after the European elections

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How to address gender pay gaps

Income inequality remains a troubling issue, despite years of progressive and proactive approaches and legislation. All too often, workers of one particular group (usually women or people of color) are systematically underpaid across an organization. The remedy for such pay gaps is often to focus on those workers who are most underpaid. In US, women are 20% paid less relative to men

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Schroders: UK energy transition fund

The private markets investment unit of Schroders Plc has built what it says is the country's first ever renewables and energy transition long-term asset fund, in a move that provides to pension investors. The fund launched, is intended to offer investors strong potential returns with a unique risk profile, while directing essential capital towards decarbonization and green energy sources

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Barclays: halt the financing of new oil and gas

Barclays Plc plans to halt the direct financing of new oil and gas projects, as the UK bank expands the scope of assets that will find it harder to gain access to capital in future. Barclays said its new policy sets out "clear expectations of transition strategies and decarbonization requirements for energy clients."

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Banks & sustainability due diligence rulemaking

CSDDD proposes that companies be responsible for the environmental and social impacts of their activities throughout supply chain. If applied to the financial sector, the "downstream" supply chain requirement would make banks responsible for reporting on clients' environmental, social and human rights abuses. Right now, no actions are in place, but rules are still under scrutiny

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Trillion Dollar Boost for Green Projects in 2024

In 2024, S&P indicates that bond issuance is expected to rise by 4.3%, with eco-friendly bonds forecasted to reach \$950 billion to \$1.05 trillion, representing 14% of total issuances. Despite economic uncertainties, the appetite for sustainable investments continues to be strong, highlighting a global movement towards financing eco-friendly projects and supporting broader sustainability objectives

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ESG & Sustainability upcoming events

March 2024

	<p>9th annual Sustainability Week: 4-6 March <i>The 9th annual Sustainability Week, incorporating the Energy Transition summit (ETS), will deliver vital information that you can use to move faster on reducing emissions and improving your environmental impact in 2024</i></p> <p>Click here to go to the page</p>	London, UK
	<p>Connecting the World's Net Zero Leaders: 6-7 March <i>International business leaders will share their valuable knowledge and real-world experience that will accelerate your efforts in cutting emissions and enhancing your environmental footprint throughout 2024</i></p> <p>Click here to go to the page</p>	London, UK
	<p>World Ocean Summit: 11-13 March <i>The 11th annual World Ocean Summit returns to Lisbon, leading the way to spark conversation and action in the transition to a sustainable ocean economy</i></p> <p>Click here to go to the page</p>	Lisbon, Portugal
	<p>ESG & Impact Investing Forum: 17-19 March <i>Opal Group is happy to announce the return of the 10th annual ESG & Impact Investing Forum. ESG and Impact investing is an approach that seeks to create positive social and environmental impact alongside a financial return</i></p> <p>Click here to go to the page</p>	Florida, USA
	<p>Sustainable Investment Strategy 2024: 19 March <i>Sustainable Investment Strategy summit is the essential annual event for leaders to stay on top of the latest trends and innovations in sustainable investment</i></p> <p>Click here to go to the page</p>	London, UK
	<p>Integrate sustainability today to thrive tomorrow: 26-27 March <i>Rising pressures for immediate leadership and action, increasing legal risks, and complex financial realities are making the effective integration of sustainability across all functions fundamental to long-term business success</i></p> <p>Click here to go to the page</p>	New York City, USA

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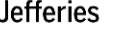





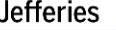
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ESG Conferences organized by Investment Banks and Brokers

Annual list

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
 Jefferies	Paper & Packaging Summit	In attendance	London	7 March 2024	Jefferies
 ASSOLOMBARDA	Sustainable Finance	In attendance	Milan	16 March 2024	Assolombarda
 BANQUE DE FRANCE EUROSYSTEME	Network for the Greening of the Financial System (NGFS) for Banks	In attendance	Paris	19 March 2024	Banque De France
 Jefferies	Private Internet and Data Privacy Conference	In attendance	Santa Monica	16-17 April 2024	Jefferies
 BANK OF AMERICA	Environmental, Social and Governance Investing	Online	-	22 April 2024	Bank of America
 Bloomberg	Sustainable Business Summit	In attendance	London	25 April 2024	Bloomberg
 BIS	Climate Change Summit	In attendance	Türkiye	6-7 May 2024	BIS
 Jefferies	Renewables & Clean Energy Conference	Online		21-22 May 2024	Jefferies
 Jefferies	Software & Data Governance Conference	In attendance	Newport	29-30 May 2024	Jefferies
 Jefferies	Energy Golf Conference	In attendance	Kiawah	4-6 June 2024	Jefferies
 Amundi ASSET MANAGEMENT	2023 Edition – The Global Shake-up	In attendance	Paris	13-14 June 2024	Amundi
 BANCA D'ITALIA	Sustainability in Credit Risk Assessment	In attendance	Venice	13-14 June 2024	Bank of Italy
 Jefferies	Aerospace ESG Summit	Online		20 June 2024	Jefferies
 European Commission	2nd Conference on Sustainable Banking & Finance 2024	In attendance	Naples	21 June 2024	European Commission
 UBS	UBS ESG and Sustainability Symposium 2024	In attendance	London	14-19 October 2024	UBS
 Jefferies	Energy Transition Conference	In attendance	New York	21 November 2024	Jefferies

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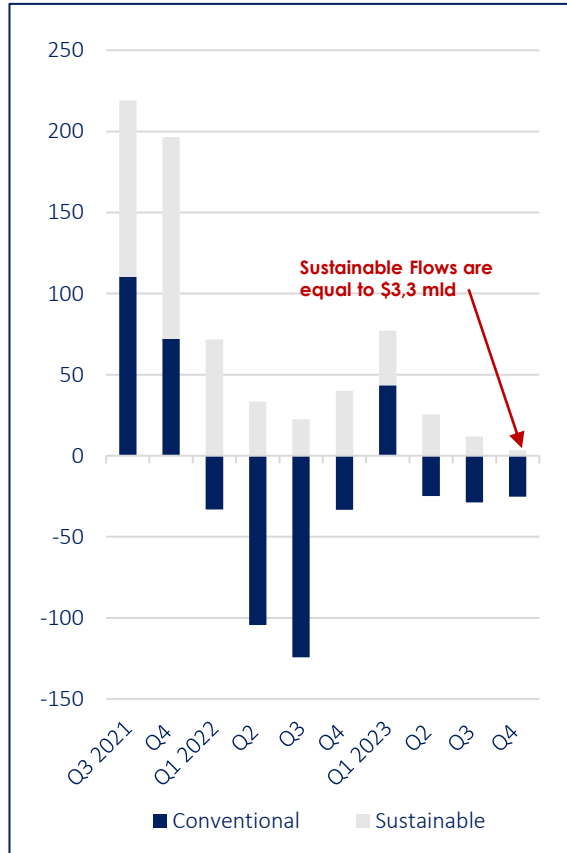
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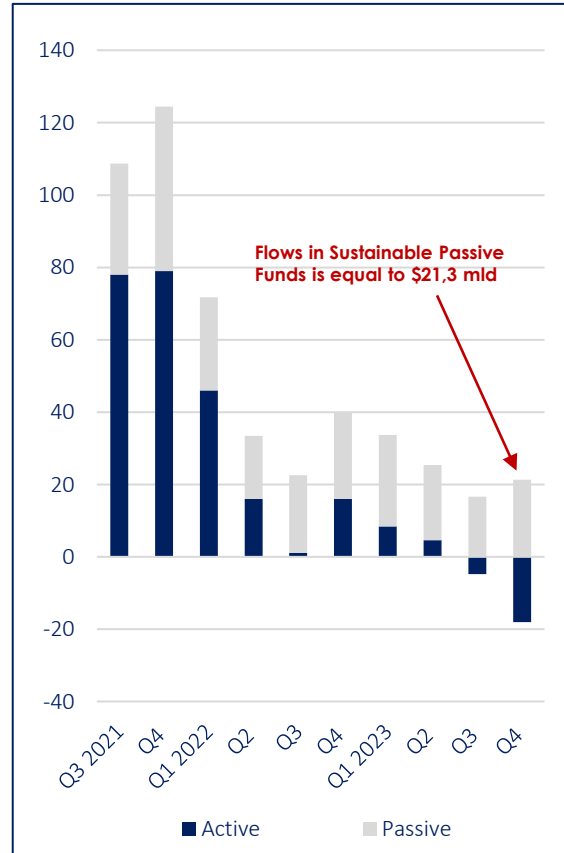
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Sustainable fund flows remain positive driven by equity and passive funds

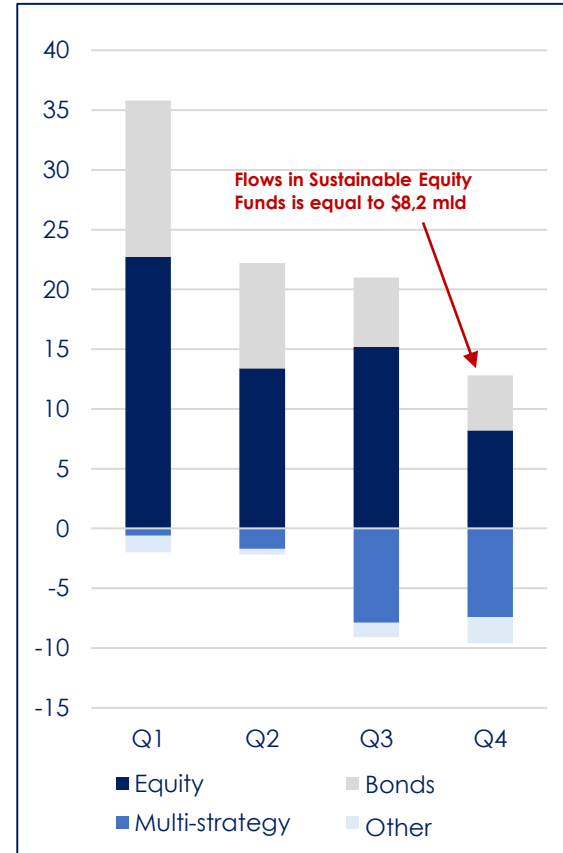
Conventional vs Sustainable Flows (\$bn)



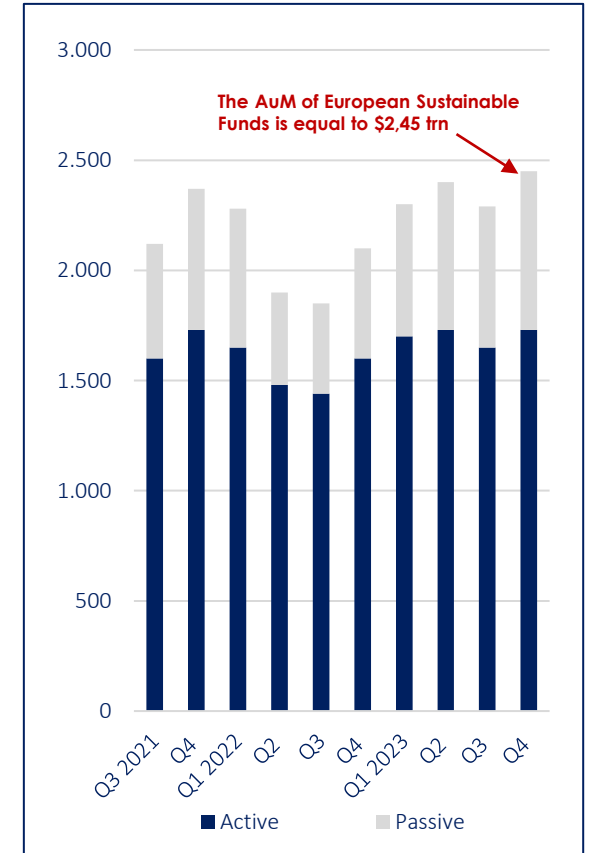
Sustainable Fund Flows (\$bn)



Sustainable Fund Flows 2023 (\$bn)



Sustainable Fund Assets (\$bn)



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

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