



Monthly ESG Newsletter

November 2022

**ARWIN &
PARTNERS**

Sustainability matters!

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October 2022 – ESG Regulatory updates



EBA - issues an Opinion in response to the Commission on drafting Implementing Technical Standards

- On the 17th October, the European Banking Authority (EBA) published an Opinion on the amendments proposed by the European Commission to draft the Implementing Technical Standards (ITS) on prudential disclosures of environmental, social and governance (ESG) risks
- The Opinion on ITS focuses on how the Banking Book taxonomy Alignment Ratio (BTAR) should be disclosed by institutions
- BTAR could prevent a symmetric treatment of exposures towards counterparties that may have similar levels of climate-related risks

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Banca d'Italia - the effects of climate change on the Italian economy

- On the 19th October, Banca d'Italia published a research project on the effects of climate change on the Italian economy
- The project consists of 17 research papers that: (a) measure the impact of climate change on economic activities, particularly those most exposed such as agriculture and tourism; (b) analyse some of the policies for adaptation and mitigation
- Studies show that climate change has significant negative impacts on economic activity. Studies also suggest that appropriate mitigation and adaptation policies can limit the negative effects of climate change

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EBA - publishes Report on the integration of ESG risks in the supervision of investment firms

- On the 24th October, EBA published a Report on how to incorporate ESG risks in the supervision of investment firms
- The Report also provides an initial assessment of how ESG factors and ESG risks could be included in the supervisory assessment of investment firms
- This Report, addressed to competent authorities, sets out the foundations for integrating ESG risks-related considerations in the supervisory process of investment firms and covers the main SREP elements including: (i) business model analysis, (ii) assessment of internal governance and risk management, and (iii) assessment of risks (risk to capital and liquidity risk)

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ISSB - sustainability disclosure standards: latest developments

- On the 29th October, the International Sustainability Standards Board (ISSB) has voted to require company disclosures on Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions, applying the current version of the GHG Protocol Corporate Standard
- As part of these requirements, the ISSB will develop relief provisions to help companies apply the Scope 3 requirements and will focus on meeting the information needs of investors
- The ISSB aims to complete deliberations of disclosure standards around the end of 2022, with the view to issue the final standards as early as possible in 2023

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EU Commission – adopted amends to RTS Delegated Regulation

- On 31st October, the European Commission adopted amendments to the Delegated Regulation
- The reason is to require financial market participants to disclose the extent to which their portfolios are exposed to gas and nuclear-related activities that comply with the Taxonomy as transitional activities, as set out in the Complementary Climate Delegated Act (CDA)
- By increasing transparency, these amendments will allow investors to make informed investment decisions. The amendments will now be subject to scrutiny by the European Parliament and the Council

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October 2022 – New documentation on ESG issues

 	 	 	 
<p>Sustainable Investment Survey</p> <ul style="list-style-type: none"> • Pitchbook surveyed more than 500 LPs, GPs and service providers about their sustainable investment practices, gathering information on the motivations, metrics and challenges of a field that is receiving more and more attention • Pitchbook conducted a Sustainable Investment Survey that illuminates the drivers behind investment decisions, breaking down data by region and respondent type. The report also includes spotlights on allocators' and VCs' perspectives, as well as contrasting views on ESG • 73% of European asset managers use an ESG risk factor framework and 70% offer impact investing strategies 	<p>Esg Ratings of Article 8 and 9 Funds</p> <ul style="list-style-type: none"> • This Market Insights focuses on the ESG ratings of Article 8 and 9 funds, two fund categories that have been introduced by the Sustainability Financial Disclosure Regulation (SFDR) • The main purpose of ESG ratings is to evaluate the ESG credentials of a financial product using proprietary methodologies developed by specialised providers • The market for ESG ratings is expected to grow strongly in the short and medium term. The research is focused on two aspects: first, the dispersion between the ratings given by Refinitiv and Morningstar for the same funds, and secondly, the deviations between the ratings of Article 8 and 9 funds 	<p>2022 State of Climate Services: Energy</p> <ul style="list-style-type: none"> • The supply of electricity from clean energy sources must double within the next eight years to limit global temperature increase. Otherwise, there is a risk that climate change, more extreme weather and water stress will undermine our energy security and even jeopardize renewable energy supplies • Access to reliable weather, water and climate information and services will be increasingly important to strengthen the resilience of energy infrastructure and meet rising demand • The 2022 State of Climate Services: Energy report has plenty of good news. It highlights the huge opportunities for green powered grids to help tackle climate change, improve air quality, conserve water resources, protect the environment, create jobs and safeguard a better future for us all 	<p>Securing valuable resources for a Sustainable Future</p> <ul style="list-style-type: none"> • The global economy is growing rapidly, and resource consumption has more than tripled since 1970. This pace threatens the renewal capacity of our planet and the availability of resources for future generations. The limits of rapid economic growth imposed by finite resources and the impact of this growth on the environment are increasingly recognized globally • Circular Economy holds the potential to increase resource efficiency and reduce costs, as well as support economic diversification away from consuming the planet's finite resources while minimizing the impact on the environment • At both government and company levels, the GCC can contribute to a global economy that will use the earth's materials responsibly and preserve its resources for future generations
<p>Click here to download the report</p>	<p>Click here to download the report</p>	<p>Click here to download the report</p>	<p>Click here to download the report</p>

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ESG News Highlights: October 2022



UK government announces net zero review

The UK government has announced a "rapid" independent review of how best to meet the UK's legally-binding climate target of net zero by 2050 in a way that grows the economy and does not place undue burdens on businesses or consumers. The call for evidence closes on 27 October and the review team asked to report back to the government by end of 2022

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EU Taxonomy: Commission publish FAQs under Art. 8

The European Commission has published a FAQs document aiming to clarify the content of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of eligible economic activities and assets. The FAQs clarify the provisions already contained in the legislation

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EU Markets Regulator Adds ESG Disclosure to its Key Priorities

ESMA announced that it has added ESG disclosures to its list of Union Strategic Supervisory Priorities, one of its key tools to coordinate supervisory actions with national competent authorities. The move forms an important step in the implementation of its 2023-2028 strategy, giving a prominent role to sustainable finance.

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The UK Government plans cap on energy revenues

The UK Government introduced the new Energy Prices Bill. This Bill, if enacted, will provide the legislative basis for the energy price support provided to households and businesses as well as a "temporary" revenue cap

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Enel successfully launches new "Sustainability-Linked" bonds

Enel through its subsidiaries Enel Finance International N.V. ("EFI"), a finance company under Dutch law, and Enel Finance America, LLC ("EFA"), a finance company under U.S. law, launched "Sustainability-Linked" bonds reaching 4 billion USD aimed at institutional investors in the U.S. and international markets

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London Stock Exchange sets rules for carbon cutters

The London Stock Exchange has become the first major bourse to set listing rules for companies that finance carbon reduction projects, as part of efforts to grow the market and make it more transparent. Demand for carbon offsets, generated through projects such as tree planting or renewable energy

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Building climate resilient health services with sustainable energy

The World Health Organization (WHO) and over 20 leaders from governments and international organizations agreed and called for action to increase climate resilience of health-care facilities and increase indoor air quality through sustainable energy

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UN Global Compact: new guide to the world of work

Empowering women and promoting gender equality creates social and economic value in the marketplace, workplace and community. Equal opportunity and treatment for all genders is an essential aspect of decent work

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ESG Events Highlights: November 2022



ESG Investment North America – 1/2 November

ESG Investment North America 2022, brings together the most senior decision makers from across institutional asset owner types alongside thought leaders to deliver strategic clarity and vision that will chart the course for the future of the investment industry

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New York, US



ESG in Fixed Income Asia – 3 November

The one-day events will capture the crucial topics relevant to the green, social, sustainability and sustainability-linked (GSSS) bond markets. We will give companies the platform and opportunity to discuss how these trends are evolving

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Singapore, SG



Climate Action at COP27– 9/10 November

For 13 years, Climate Action has been uniting heads of state and multilaterals, environment ministers, business leaders, investors and NGOs alongside the UN Climate Change negotiations, convening the largest multi-stakeholder forum at COP

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Virtual/ Egypt,
EG



Sustainability Summit 2022 – 10 November

The Sustainability Summit is a one-day event dedicated to sustainability and organized by LC Publishing Group. The overarching theme will be sustainability in all areas: financial, economic, governance and innovation

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Milan, IT



Sustainability Reporting & Communications Europe – 22 November

Sustainability Reporting & Communications Europe 2022 will help understand how to collect quality, comparable and transparent data, create effective data management systems in the ESG landscape

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London, UK



ESG Investment Europe 2022 – 22/23 November

The past decade has seen ESG investment on an unstoppable rise, with AUM in EU-domiciled ESG mutual funds forecast to reach dizzying heights of 7.6tn€ by 2025. Integrating ESG criteria usefully and reliably into every investment decision is no longer aspirational. Today, ESG is non-negotiable

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London, UK

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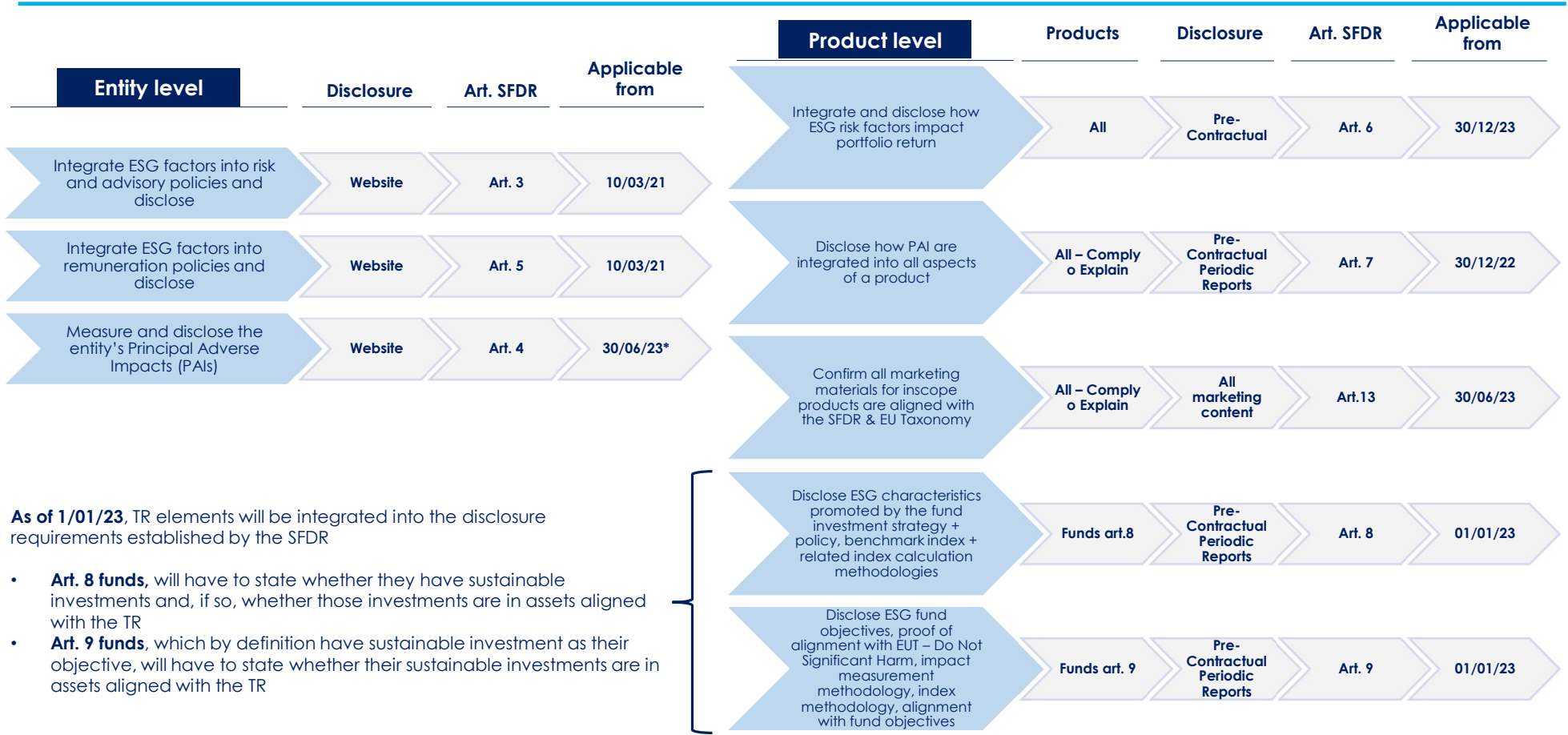
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SFDR – Recap of application deadlines



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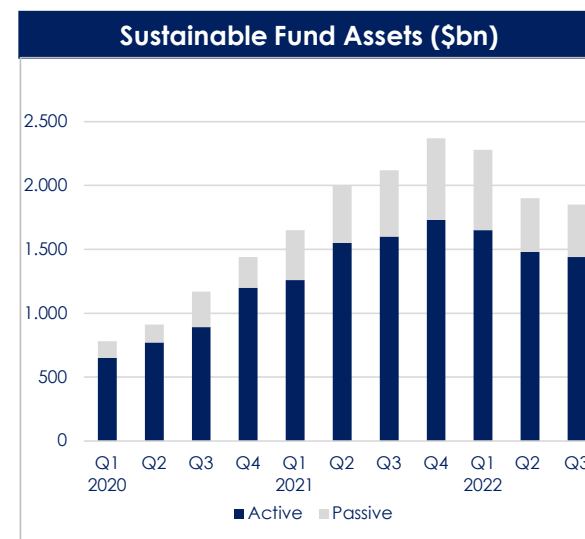
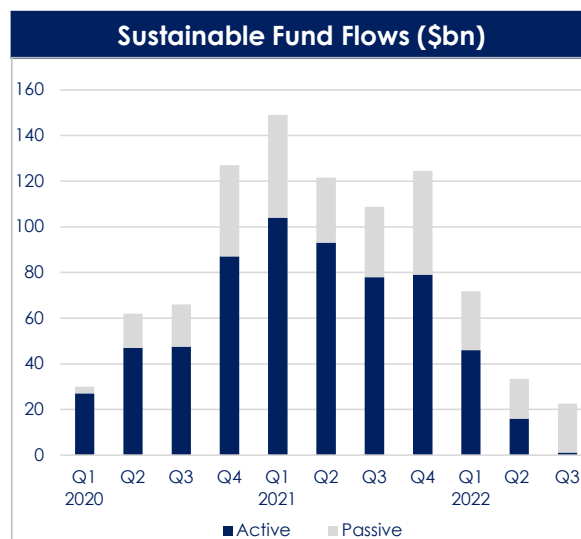
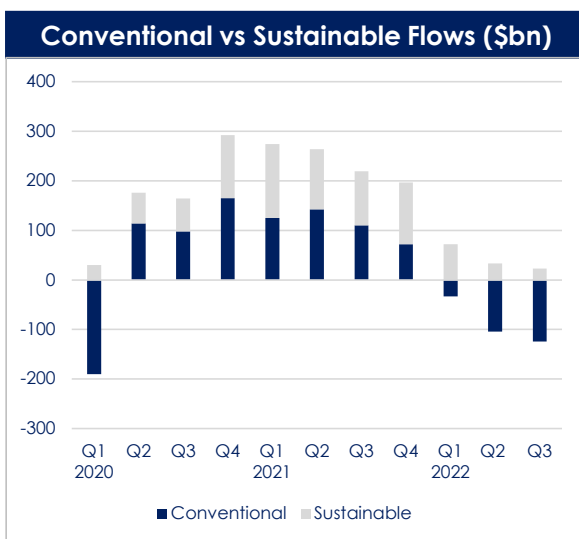
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Inflows into European ESG and Sustainable funds remain positive in Q3 2022

Passive strategies represent over 95% of new inflows



Comments

- In the third quarter of 2022, total European investment funds recorded approximately \$101.7 bn of negative inflows compared to the \$71 bn in Q2 2022. Conventional funds recorded negative inflows, while **sustainable flows remained positive**
- The **European sustainable funds** universe attracted **\$22.6 bn in net inflows**. **Passive strategies** represent over **95%** of the inflows
- At the end of **Q3 2022**, total AUM of European sustainable funds stood around **\$1850 bn**, 22% of which are passive. Overall, **sustainable funds** accounted for close to **18% of European fund assets**, at the end of September 2022

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 2022 funds has been readjusted from Morningstar's previous report

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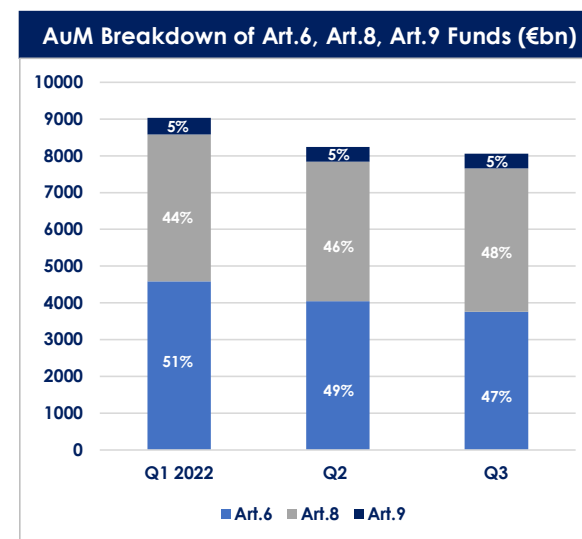
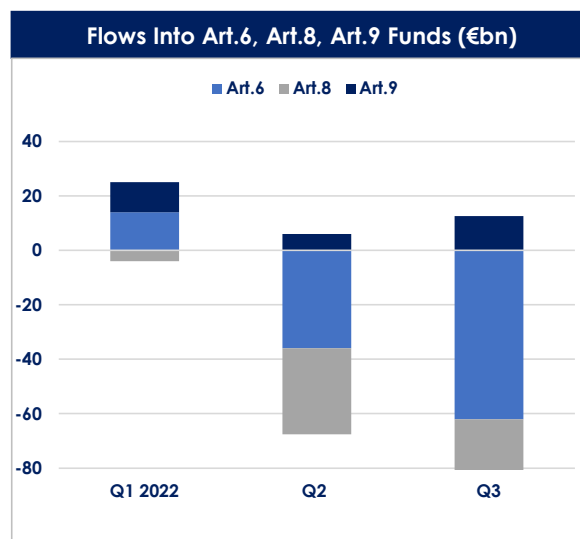
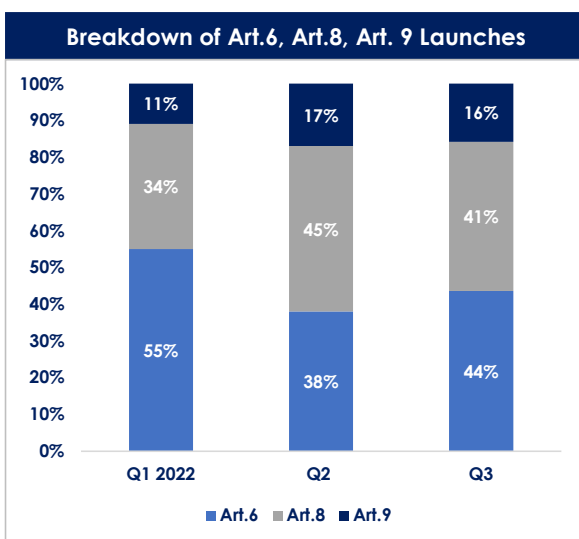
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Art. 8 and Art. 9 funds accounted for over 50% of European Market Share

Art. 9 funds continue to benefit from positive inflow unlike Art. 6 and Art. 8 funds



Comments

- Compared with Q2 2022, newly launched **Art. 8 and Art. 9** funds in **Q3 2022** accounted for a smaller proportion of the overall new EU fund launches, but their market share remained **above the 50% mark** (precisely 57%)
- Art. 8** funds recorded **outflows for €28.7 bn in Q3 2022**. However, this is less than the updated €31.6 bn* in Q2 2022. Art. 8 funds also held up better than **Art. 6**, which recorded **outflows for €62.1 billion in Q3 2022**
- Investors continued to pour money into **Art. 9** products, as these registered **€12.6 bn of net inflows in Q3 2022**, more than double of €6 bn recorded in Q2 2022
- Art. 8 and Art. 9** fund assets stood at **€4300 bn** at the end of September, up from an updated amount of €4190 bn at the end of June. As a result, the two fund groups accounted for an increased share of the EU universe of **53.5%**, compared to 50.9% three months earlier

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ESG Conferences organised by Investment Banks and Brokers

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
 SOCIÉTÉ GÉNÉRALE	ESG/SRI Conference	In attendance	Paris	15,16,17 November 2022	Société Générale SA
 Santander	Santander ESG banking Conference	tbd	tbd	3 November 2022	Banco Santander
J.P.Morgan	Global Energy Conference	In attendance	London	7,8 November 2022	J.P.Morgan
 CREDIT SUISSE	Climate Tech Conference	Virtual	-	6,7 December 2022	Credit Suisse
 UBS	Impact Investing Forum 2022	In attendance	London	7,8 December 2022	UBS
 <small>Deutsche Bank</small>	dbAccess Global ESG Conference	Virtual	-	9 March 2023	Deutsche Bank
 BARCLAYS	ESG Finance Conference	Virtual	-	5 April 2023	Barclays