



Monthly ESG Newsletter

June 2024

**ARWIN &
PARTNERS**

Sustainability matters!

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ESG Regulatory updates

May 2024



ESMA – establishes harmonised criteria for use of ESG and sustainability terms in fund names

- Following the public statement in December 2023, the ESMA has published the final report containing Guidelines on funds' names using ESG or sustainability-related terms
 - ESMA requires funds using ESG terms to allocate > 80% of their investments to ESG objectives under the SFDR
 - Funds labeled "sustainable" must commit significantly to sustainable investments, 50% threshold linked to sustainable investments was removed
 - Impact-related funds must generate measurable positive impacts alongside financial returns
 - All funds using these terms must follow Paris-aligned Benchmarks exclusions, avoiding investments in controversial weapons, tobacco, and major fossil fuels
 - Transition-related terms are allowed if funds meet the 80% threshold and Climate Transition Benchmark exclusions
- Timing: 2024 ongoing
 - Note: within two months of the guidelines' publication, funds must notify ESMA of their compliance status. Existing funds have a six-month transition period; new funds must comply immediately

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EFRAG & IFRS Foundation – publish interoperability guidance

- EFRAG and the IFRS Foundation released guidance to illustrate the alignment between the ISSB IFRS Sustainability Disclosure Standards and the ESRS. This guidance aims to help companies efficiently comply with both sets of standards, reducing complexity, fragmentation, and duplication ensuring companies can meet both requirements
- The guidance describes the alignment of general requirements, including key concepts like materiality and presentation, and offers information on the alignment of climate disclosures. It explains how companies can use either set of standards to achieve compliance with both, supporting transparency, comparability, and accountability in sustainability reporting. This interoperability aims to reduce the reporting burden on companies by allowing them to collect, govern, and control decision-useful data more efficiently
- The document also outlines the steps companies need to take to align their reporting with both ISSB and ESRS standards, providing practical support for implementing these standards effectively
- Timing: 2024 ongoing

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ISSB – publishes its digital sustainability taxonomy, helping investors

- The ISSB published the IFRS Sustainability Disclosure Taxonomy, fulfilling its commitment to help investors and capital providers analyze sustainability-related financial disclosures efficiently
- The taxonomy reflects IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, enabling companies to tag information consistently and facilitating a global baseline for sustainability standards
- The ISSB Taxonomy, designed to be consistent with the IFRS Accounting Taxonomy, allows companies to provide comprehensive digital financial reports and supports interoperability with other digital taxonomies, such as those developed by EFRAG
- This initiative aims to improve transparency and efficiency in capital markets by enabling easier search, extraction, and comparison of sustainability disclosures
- Timing: 2024 ongoing
 - Note: The ISSB plans to release a webcast at the end of May to explain the taxonomy's benefits and usage

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ESMA – calls for SMEs to be required to report on positive sustainability impacts

- EU markets regulator the European Securities and Markets Authority (ESMA) has issued recommendations to adjust proposed sustainability reporting requirements for market-listed small and medium-sized (SME) businesses, with proposals including a requirement for SMEs to report on sustainability-related opportunities and positive impacts, in order to avoid the risk of greenwashing
- The recommendations form part of ESMA's response to a consultation by the European Financial Reporting Advisory Group (EFRAG) on its proposed European Sustainability Reporting Standards (ESRS) for small and medium enterprises under the EU's Corporate Sustainability Reporting Directive (CSRD)
- In its response to the consultation, ESMA acknowledged that EFRAG was required "to strike a difficult balance" between addressing proportionality concerns in setting sustainability reporting requirements for smaller businesses with the need to provide transparency and reliability of information to investors
- Timing: 2024 ongoing
 - Note: for listed SMEs in 2026

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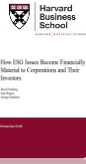
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How ESG issues become financially material to corporations and their investors

- Management and disclosure of environmental, social and governance (ESG) issues have received substantial interest over the last decade. The paper outlines a framework of how ESG issues become financially material, affecting corporate profitability and valuation. Understanding this process is important both for actors driven by financial or societal motives
- The former group, which includes companies and return-first investors, can use the framework to make resource allocation decisions based on expectations about future materiality thereby enhancing risk-adjusted returns
- The latter group, which includes regulators, NGOs, and impact-first investors, can use the framework to design and implement interventions that create market-based incentives for companies and investors to align their behavior with social and environmental outcomes

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Scaling carbon markets: a new market blueprint for 2024

- Voluntary carbon markets (VCMs) are essential to many climate priorities, such as driving investment toward carbon-abating projects and providing corporations with a tool to help them achieve net-zero
- But the still relatively young global VCM ecosystem faces a challenging growth task: to condense and accelerate decades of market evolution, standardization and scale to meet demands for access, transparency, trust and climate action in the now
- To better understand the state of VCMs and their obstacles to growth, Nasdaq and the ValueExchange undertook a major international survey in late 2023, reaching out to strategic decision-makers across the voluntary carbon market trade life cycle. Drawing on views from global project owners, commercial banks, market operators, brokers and investors, this research has been run with two objectives in mind: first, to clearly define the problems that the industry faces today in trying to scale and grow; second, to develop an action plan as we look ahead to emerging needs and opportunities

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Understanding individual investors' interests and priorities

- More than three quarters (77%) of global investors are interested in sustainable investing. 57% say their interest increased in the last two years and 54% anticipate increasing their sustainable investments in the next year
- Financial returns are the main priority for individual investors and more than 70% believe strong ESG practices can deliver them. Investors are most focused on corporate efforts to promote resource efficiency and stronger governance practices. More than 60% of investors are concerned about greenwashing risks and the lack of transparency with ESG data
- Water solutions, healthcare and climate action are top themes for investors, but there's broad interest across many environmental and social areas. However, investors appear uncertain on how to invest in social themes and favor environmental solutions when asked about specific and targeted investment objectives

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Pilot climate scenario analysis exercise

- The Federal Reserve conducted a pilot climate scenario analysis (CSA) exercise in 2023 to learn about large banking organizations' climate risk-management practices and challenges and to enhance the ability of large banking organizations and supervisors to identify, estimate, monitor, and manage climate-related financial risks. The pilot CSA exercise was exploratory in nature and does not have consequences for bank capital or supervisory implications
- The Federal Reserve neither prohibits nor discourages financial institutions from providing banking services to customers of any specific class or type, as permitted by law or regulation. The decision regarding whether to make a loan or to open, close, or maintain an account rests with the financial institution, so long as the financial institution complies with applicable laws and regulations
- National banks used climate scenario analysis to consider the resiliency of their business models to a range of climate scenarios and to explore potential vulnerabilities across short and longer-term time horizons

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Microsoft: signs largest-ever clean energy deal

Microsoft has signed the largest-ever corporate clean energy deal with Brookfield Renewable Partners, securing over 10.5 gigawatts of renewable energy projects in the U.S. and Europe. The deal, set to begin construction in 2026, supports Microsoft's goal of matching all its electricity consumption with net-zero energy purchases by 2030

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Canada: investigates Lululemon's greenwashing

Canada's Competition Bureau has initiated an investigation into Lululemon over allegations of greenwashing, regarding the company's environmental claims. Lululemon, confident in the accuracy of its sustainability efforts, highlights its "Be Planet" program goals, but faces scrutiny over potentially misleading statements and the environmental impact of its products

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Mercedes-Benz: launches recycling for car materials

Mercedes-Benz has launched an "urban recycling" pilot project in partnership with TSR Recycling GmbH to source recycled raw materials like steel, aluminum, polymers, copper, and glass for new cars. This initiative supports their Ambition 2039 strategy, aiming for a carbon-neutral vehicle fleet by 2039, and seeks to increase the use of recycled materials to 40% while avoiding downcycling

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POTUS increases tariffs on China EVs & batteries

President Biden has significantly increased tariffs on Chinese imports critical to the U.S. clean energy strategy, such as electric vehicles, batteries, and solar cells, with some tariffs rising from 25% to 100%. This move, targeting \$18 billion worth of goods, aims to counteract China's "unfair trade practices" and support U.S. manufacturing and clean energy initiatives

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Boards still have an ESG expertise gap

The progress and ongoing challenges faced by U.S. public boards in acquiring expertise in ESG areas. Over the past five years, the percentage of Fortune 100 board members with ESG credentials has increased from 29% to 43%. Despite this progress, significant gaps remain, particularly in critical areas such as climate change and worker welfare

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\$4 trillion investor group urges Shell

A group of 27 institutional investors - "Follow This" owns approximately 5% of Shell stock representing more than \$4 trillion of AUM announced that they have co-filed a shareholder resolution at Shell, urging the energy giant to set Paris Agreement-aligned medium-term target to reduce emissions arising from the use of its products

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HSBC UK: carbon calculator for SMEs clients

HSBC UK announced a new partnership with carbon accounting startup Greenly, providing a carbon calculator for small and medium-sized enterprises (SMEs) to measure, assess and address their carbon footprint. The new solution follows a recent survey by the bank indicating that the lack of advice and support over sustainability measurement presents a significant barrier for SMEs in achieving decarbonization progress

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Exxon: investors urged by Glass Lewis to reject board

Proxy adviser Glass Lewis & Co. is urging Exxon Mobil Corp. shareholders to oppose Lead Director Joseph Hooley's re-election, citing "unusual and aggressive tactics" against activist investors and his hostile attitude towards climate-conscious shareholders. Glass Lewis, in particular, cites Hooley's contribution to the lawsuit Exxon launched in late January against activist investors

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ESG & Sustainability upcoming events

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**Bloomberg
Intelligence**

COP 28.5: Looking back on Dubai, looking ahead to Baku: 4 June

At the halfway point between the COP 28 and COP 29 Climate Change Conferences, Bloomberg Intelligence and Bloomberg LP are pleased to host leading experts from the public and private sector

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Virtual



Be The Progress Toward Sustainability: 10-14 June

The top sustainability science and innovation event of 2024 is a collaboration between the Sustainability Research and Innovation Congress (SRI), and Finland's Sustainability Science Days (SSD)

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Helsinki,
FIN



Integrate Sustainability Today To Thrive Tomorrow: 11-12 June

Ownership of sustainability information lies with every department and stakeholder. With the arrival of the CSRD companies now have to act and ensure a collective commitment to deliver transformative change

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London,
UK

**ECONOMIST
IMPACT**

4th annual Sustainability Week US: 12-13 June

In 2024, this event will bring together businesses, policymakers and government. One-on-one meetings and exclusive closed-room sessions such as the CSO Leaders' Club will provide insight on how to achieve success

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NYC,
US

GREENFIN

Sustainable Finance Conference 2024: 17-19 June

GreenFin 24 is the leading sustainable finance conference for professionals harnessing the power of capital markets to realize a net zero economy

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NYC,
US



Climate Investment Summit: 26 June

Climate Investment Summit will partner for its third year with the London Stock Exchange Group to host its global finance event at the London Stock Exchange

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London,
UK

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ESG Conferences organized by Investment Banks and Brokers

Annual list

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
Jefferies	Software & Data Governance Conference	In attendance	Newport	29-30 May 2024	Jefferies
 European Union	Green Conference 2024	In attendance	tbc	29-30 May 2024	European Union
 SDA Bocconi	Blue Economy Summit	In attendance	Milan	4 June 2024	SDABocconi
 J.P.Morgan	Sustainable Investing Summit 2024	In attendance	London	4 June 2024	JP Morgan
Jefferies	Energy Golf Conference	In attendance	Kiawah	4-6 June 2024	Jefferies
 European Commission	European Sustainable Energy Week	In attendance	Brussels	11-13 June 2024	European Commission
 Amundi	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
 IFRS	IFRS Foundation Conference ESG 2024	In attendance	London	24-25 June 2024	IFRS
Bloomberg	Sustainable Finance Forum 2024	In attendance	London	25 June 2024	Bloomberg
Bloomberg	Bloomberg Green Festival	In attendance	Seattle	10-13 July 2024	Bloomberg
 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
 Kepler Cheuvreux	IR Summit 2024	In attendance	London	10-11 December 2024	

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