



Monthly ESG Newsletter

July 2024

**ARWIN &
PARTNERS**

Sustainability matters!

Contents

Section 1: ESG Regulatory updates

Section 2: Insightful ESG research & news

Section 3: ESG & Sustainability upcoming events

Section 4: ESG conferences organized by Investment Banks & Brokers



ESAs – call for enhanced supervision and market practice on sustainability-related claims

- The European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) reiterate their common high-level understanding of greenwashing as a practice whereby sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial services
- This practice may be misleading to consumers, investors, or other market participants. The ESAs stress again that financial market players have a responsibility to provide sustainability information that is fair, clear, and not misleading
- The **EBA final Report** provides an overview of greenwashing risk in the banking sector and its impact on banks, investment firms and payment service providers, with a focus on the changes during the last year
- While the **ESMA final Report**, response to the European Commission's request for input on "greenwashing risks and the supervision of sustainable finance policies"
- Timing: 2024
 - Note: Final Report

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ESAs – propose improvements to the Sustainable Finance Disclosure Regulation (SFDR)

- The European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) published an assessment of the SFDR, with proposals of improvements to the policy. The ESAs call for a coherent sustainable finance framework that caters for both the green transition and enhanced consumer protection
- The ESA's new assessment follows the launch last year by the European Commission of a comprehensive review of the SFDR framework. The categories suggested by the ESAs included a Sustainable products category and a Transition product category
 - The Sustainable category would include products that invest in economic activities and assets that are already environmentally or socially sustainable
 - The Transition category would include products that invest in activities or assets that, although not yet sustainable, aim to become sustainable over time
- Timing: 2024 ongoing

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ISSB – harmonises the sustainability disclosure landscape as it embarks on a new work plan

- The International Sustainability Standards Board (ISSB) has launched a new two-year work plan on IFRS S1 & S2. This includes plans to further consolidate the sustainability reporting landscape through closer ties with other standards and reporting bodies such as the Transition Plan Taskforce, GHG Protocol, CDP, Taskforce on Nature-related Financial Disclosures, and Global Reporting Initiative
- Key topics include measuring greenhouse gas (GHG) emissions effectively, partnering with CDP to deliver alignment, and achieving full interoperability with Global Reporting Initiative (GRI)
- In details, the IFRS S1 builds on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and establishes the scope of information to be provided for all sustainability-related matters. The IFRS S2 focuses instead on climate-related risks and opportunities, requiring companies to disclose how climate change impacts their financial performance and positioning
- Timing: 2024 ongoing

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EU Commission – Nature Restoration Law approved by the Council

- The EU Council approved the Regulation on Nature Restoration, commonly referred to as the “Nature Restoration Law”. This landmark legislation focuses explicitly on restoring the EU’s natural environments
- The Regulation lays down rules to contribute to the long-term and sustained recovery of biodiverse and resilient ecosystems across the Member States’ land and sea areas through the restoration of degraded ecosystems. It is a key element of the EU Biodiversity Strategy for 2030 which is part of the European Green Deal
- Additionally, the Regulation aims to help the EU meet its international commitments, in particular the UN Kunming-Montreal global biodiversity framework agreed at the 2022 UN biodiversity conference (COP15)
- Timing: 2024
 - Note: The regulation will now be published in the EU’s Official Journal and enter into force. It will become directly applicable in all member states

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TNFD and EFRAG – ESRS and Nature-Related Disclosures correspondence

- The Taskforce on Nature-related Financial Disclosures (TNFD) and the European Financial Reporting Advisory Group (EFRAG) have jointly published a correspondence mapping between the European Sustainability Reporting Standards (ESRS) and TNFD’s recommended disclosures
- This mapping highlights the high level of commonality between the two standards, facilitating easier compliance for companies under the CSRD. The collaboration aims to ensure consistent, high-quality sustainability reporting, supporting robust data for stakeholders and sustainable development
- Furthermore, there is a high commonality, with all 14 TNFD recommended disclosures reflected in the ESRS
- Timing: 2024 ongoing

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EFRAG – finalization of three ESRS

- The European Financial Reporting Advisory Group (EFRAG) published the final versions of its first three European Sustainability Reporting Standards (ESRS) Implementation Guidance (IG) documents:
 - I. EFRAG IG 1 Materiality Assessment,
 - II. EFRAG IG 2 Value Chain,
 - III. EFRAG IG 3 ESRS Datapoints.
- EFRAG also released a third set of answers to 44 questions submitted by users of the ESRS on its ESRS Q&A Platform. By prioritizing these documents, EFRAG aims to support undertakings and other stakeholders in the implementation of the ESRS, helping them to focus on the aspects of the standards that are more relevant to them and illustrating the reporting requirements with practical language and frequently asked questions
- Timing: 2024
 - Note: Final Document

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Contents

Section 1: ESG Regulatory updates

Section 2: Insightful ESG research & news

Section 3: ESG & Sustainability upcoming events

Section 4: ESG conferences organized by Investment Banks & Brokers



Burn now or never? Climate change exposure and investment of fossil fuel firms

- The focus of the paper is on how future climate policies expectations impact investment decisions of fossil fuel firms. This empirical analysis reveals that firms with greater exposure to climate change increased their investment in response to the Paris Agreement, as opposed to firms with lower exposure
- The paper expresses that the firm's investments are directed towards traditional activities in the fossil fuel industry. There are no indications that firms have invested to transition towards renewable energy sources, nor to less carbon-intensive production. The findings contribute to the ongoing discussion about the potential adverse effects of delays in the implementation of climate regulation
- The climate change exposure measure captures the extent to which firms' management and financial analysts discuss broadly defined aspects of climate change, and as this measure relies on the frequency of climate change topics in conversations, this is a soft measure of climate change exposure

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Financing the Climate Transition: Investment rationale and implementation approaches

- The process of decarbonising the global economy in response to climate change has given rise to the concept of "transition finance". The financial strategies necessary to move away from fossil fuels and towards a sustainable future, emphasizes the pivotal role of investors
- Investors adopt two approaches. These are portfolio decarbonization, and financing the transition of higher emitters toward low-carbon business models. Both have the same aim, but use different economic strategies. The first approach rebalances the portfolio away from high emitters, while the second approach focuses on investing in transition opportunities, such as companies that are leading the way in their respective sectors and transitioning their business models
- The report underscores the importance of combining these approaches to balance the benefits of each. The transition finance landscape is complex, with sector-specific challenges and opportunities. Investors must navigate this terrain, leveraging indicators like emissions track records and green revenue shares to identify potential leaders in the transition

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SBTi Financial Institutions' near-term criteria

- The Science Based Targets initiative (SBTi) unveiled a suite of revisions and new resources to enable financial institutions (FIs) to set ambitious near-term emission reduction targets. The changes include an increase in ambition to 1.5°C, the introduction of fossil fuel finance criteria and overall improvements for usability and clarity
- The reported last version called "Financial Institutions' Near-Term Criteria Version 2.0", includes all criteria that must be met for financial institutions' near-term target(s) to be validated by the SBTi as well as recommendations that are important for transparency and best practice. It is important to note that criteria and recommendations are subject to change and may be updated
- This updated version aims to: (i) align criteria with the SBTi Corporate Net-Zero Standard, notably by increasing minimum scope 1 and 2 mitigation ambition from well-below 2°C to 1.5°C and (ii) Introduce criteria for the new Fossil Fuel Finance Targets method option to disclose, halt, transition and phase out FIs' fossil fuel-related activities

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The climate action tracker's guide to a good 2035 climate target

- For a second year in a row, the world continues to break temperature records as greenhouse gas emissions rise. Governments are expected to submit their climate targets - or new Nationally Determined Contributions (NDCs) - by early 2025, with targets for 2035
- National governments need to meet the Paris Agreement's goal of 1.5°C by 2030. To do so, they need to move to emergency mode and strengthen the ambition of their 2030 NDC targets and current policy action. Targets and action needs to align with the pathway to net CO2 zero emissions by 2050 globally
- A failure to substantially increasing the ambition of current 2030 targets and action would mean limiting peak global warming to 1.5°C will not be possible and would likely lead to a multi-decadal, high overshoot of this limit, even if followed by strong 2035 targets

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Fashion Pact: ESG in the fashion industry

FASHION PACT

Over 200 fashion brands, including Adidas, Burberry, Ermenegildo Zegna Group, Ferragamo & Armani Group, as well as others, accounting in total for one third of the fashion industry, have signed a deal that aims to transform the industry, taking into account the effects on climate, biodiversity, and the oceans. The large number of brands can guarantee an end-to-end impact along the value chain

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MIMIT: Transition Plan 5.0

MIMIT

The Council of Ministers has introduced the new "Transition 5.0 Plan," by the Minister of Enterprise and Made in Italy (MIMIT). The program aims to support the digital and green transformation of Italian companies. Resources amounting to 6.3 billion euros are on the way. According to the latest MEC SPE Observatory, a third of entrepreneurs are ready to request the incentives

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Tesla, Exxon, AGMs see Norway's fund "voice"

Bloomberg

The recent shareholder annual meetings of Tesla Inc. and Exxon Mobil Corp marked a step change in how Norway's sovereign wealth justifies its voting decisions. The fund has now started going into more depth for how it votes at the general meetings for a handful of companies, including the logic behind why it voted against Elon Musk's \$56 billion Tesla Inc. pay package

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Energie pre-orders 5 million tons of Carbon Credits

ENGIE

Energie pre-orders 5 million tons of nature-based carbon removals issuing 2030-2039 from climate finance company Catona. The collaboration exemplifies an industry-leading approach to reducing emissions aligned with public science-based targets and addressing residual emissions through high-impact carbon removal projects, on the path to net zero and beyond

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Lloyd CEO: John Neal on climate change

LLOYDS BANK

Lloyd's is meeting to discuss how insurers are currently assessing their business amidst numerous risk factors, including geopolitical, monetary, technological, demographic, and climate-related challenges. Weather-related losses are increasing exponentially in both frequency and severity. Last year, the US experienced the highest number of convective thunderstorms in a decade

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G7: meeting on climate, energy and environment

G7 ITALIA

Green economy agreement reached by G7 nations in Italy largely reiterates climate and environmental commitments already made through past international forums. The G7 Climate gives a precise follow-up to the goals agreed at COP 28 and sends a clear message to the other countries, especially the major economies, on the level of commitment that is needed

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EU: invests €3 billion for cleaner energy systems

EU

The European Commission announced investments of nearly €3 billion in clean energy projects in lower-income member states. The new disbursements were made through the EU's Modernisation Fund. This new announcement marks the largest disbursement to date for the fund, bringing the total spending to €12.65 billion since January 2021

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Europe's air quality status 2024

European Environment Agency

Air pollution is Europe's largest environmental health risk. It causes cardiovascular and respiratory diseases that impact health, as well as reduce quality of life and cause preventable deaths. This paper presents the status of regulated pollutants in ambient air in 2022 and 2023 in relation to current EU air quality standards and World Health Organization (WHO) guideline levels

[Click here to go to the article](#)

Contents

Section 1: ESG Regulatory updates

Section 2: Insightful ESG research & news

Section 3: ESG & Sustainability upcoming events

Section 4: ESG conferences organized by Investment Banks & Brokers

ESG & Sustainability upcoming events

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Global Energy Transition 2024: 1-3 July

The Global Energy Transition Congress & Exhibition (GET) is a premier event that brings together thought leaders, innovators, and industry experts from the energy, hard-to-abate sectors, finance, and start-ups to address the critical challenges and opportunities to decarbonise industry and accelerate the global energy transition

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Milan,
IT



Point Zero Forum 2024: 1-3 July

At Point Zero Forum, central bankers, regulators, policymakers, industry leaders and technologists from around the world gather for three days of dialogue, collaboration and networking

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Zurich,
CH



Net-Zero Week 2024: 6-12 July

Net Zero Week is the UK's official national awareness week and the biggest net zero conference - we are back for year four. We bring together all the stakeholders needed to reach net zero by 2050

[Click here to go to the page](#)

Virtual



Bloomberg Green Festival: 10-13 July

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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Seattle,
US



Sustainable Finance Conference 2024: 16 July

AIMA's dedicated ESG conference returns in 2024 welcoming delegates for a half-day programme of education and insights from our expert line up of speakers

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London,
UK



4th International Climate Change Conference: 26-27 July

Impacts of Climate Change in the developing world

[Click here to go to the page](#)

Rome,
IT

Contents

Section 1: ESG Regulatory updates






Section 2: Insightful ESG research & news

Section 3: ESG & Sustainability upcoming events

Section 4: ESG conferences organized by Investment Banks & Brokers

ESG Conferences organized by Investment Banks and Brokers

Annual list

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
Bloomberg	Bloomberg Green Festival	In attendance	Seattle	10-13 July 2024	Bloomberg
Bloomberg	Bloomberg Sustainable Business Summit	In attendance	Singapore	31 July 2024	Bloomberg
 BORSA ITALIANA	Euronext Sustainability Week	In attendance	Milan	9-13 September 2024	Borsa Italiana
 BORSA ITALIANA	Investor Conference - Focus on Infrastructure & Energy	In attendance	Milan	12 Settembre 2024	Borsaitaliana
 UBS	UBS ESG and Sustainability Symposium 2024	In attendance	London	14-19 October 2024	UBS
J.P.Morgan	Global Energy Conference	In attendance	London	4-5 November 2024	JPMorgan
 MORNINGSTAR	Sustainable Investing Summit 2024	In attendance	Amsterdam	7-8 November 2024	Morningstar
United Nations Climate Change Global Climate Action	UN Climate Change Conference	In attendance	Baku	12-22 November 2024	UN Climate Change
Jefferies	Energy Transition Conference	In attendance	New York	21 November 2024	Jefferies
J.P.Morgan	European Financials Conference	In attendance	London	21-22 November 2024	JPMorgan
 Kepler Cheuvreux	IR Summit 2024	In attendance	London	10-11 December 2024	Kepler Cheuvreux

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