ESG NEWS YOU CAN USE

September 10, 2023

Environmental

[The European Central Bank (ECB) has released climate stress test results finding that banks' credit risk could rise by more than 100% by 2030 if global climate goals are pushed off until the second half of the decade.]
The ECB considered three climate transition scenarios: an "accelerated transition", a "late-push transition", and a "delayed transition". Although the "accelerated transition" would cost more initially, the ECB found that businesses, banks, and households would benefit from lower costs and financial risks by the end of the decade.

The Network for Greening the Financial System (NGFS) has launched a conceptual framework to help central banks and supervisors assess and address nature-related financial risks. The framework focuses on: (1) identifying sources of physical and transition risks; (2) examining the economic risks; and (3) assessing risks relating to the financial system.

Artificial intelligence is starting to be used to help buildings become greener. AI can analyze historical patterns and daily habits to conserve energy use and technology that manages heating, cooling, and lighting can help buildings cut their energy us by 20%. Still, only 10-15% of buildings are reported as having necessary equipment or systems to collect the data needed to support AI.

Regulation and Reporting

The European Financial Reporting Advisory Group (EFRAG) and the Global Reporting Initiative (GRI) are working together to reduce the burden of multiple reporting and have announced a joint statement on interoperability between the two standards. According to the joint statement, companies that are reporting under GRI Standards can easily transition to the European Sustainability Reporting Standards (ESRS), while companies using ESRS will be automatically recognized as in cooperation with GRI (eliminating the need to dual report).

Investing

Nearly 80% of Gen Z and Millennials, and more than 70% of Gen X, would be willing to give up performance to ensure that their investments aligned with their values, according to a recent study by U.S. Bank. Even 65% of Boomers surveyed were willing to accept less than the S&P 500's 10-year average return of 12% to invest in accordance with their beliefs.

More than 90% of executives are expecting to significantly increase their spending for ESG data this year, according to a new survey by Bloomberg and Adox Research. Most executives view ESG data as a key competitive factor to keep us with competitor's capabilities and to their own firms' competitive differentiation; the data is also important for regulatory compliance. Executives surveyed said the most challenging aspect of managing ESG data was the fact it is constantly evolving and new.

According to a study by analysts at Goldman Sachs, asset managers are having an easier time selling their products in Europe if they are ESG registered. Since the EU enforced its Sustainable Finance Disclosure Regulation (SFDR), its two ESG categories, Article 8 and 9, have received 3.4 times in client flows as Article 6, the non-ESG counterpart. Article 9 funds, in particular, are "seeing the most consistent inflows across equities and fixed income," wrote the Goldman analysts. For Article 8 funds, the preferred sectors include water utilities, health-care technology and diversified consumer services; the preferred sectors for Article 9 funds are water utilities, mortgage REITs, and independent power and electricity producers.

Resources & Membership

Finpublica's **membership portal** is live. If you are interested in joining a community more than 200 finance leaders focused on sustainable finance and ways to implement initiatives inside their organizations and across the industry, we invite you to apply.

Check out Finpublica's website for the latest information on ESG topics. Just added include pages summarizing: (1) **Biodiversity;** (2) **Carbon Capture Technology**; (3) **Clean Hydrogen**; and (4) **the first two standards recently released by the International Sustainability Standards Board (ISSB).**

Thanks to the efforts of Finpublica's fabulous interns, we invite you to follow Finpublica on your favorite social medial platforms, including **Linkedin, Instagram**, **X (formerly Twitter)**, **Threads**, and **TikTok**.

***