



Sustainability, Financial Services & the Regulatory Agenda

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Why sustainability is relevant to financial services.

“Sustainable finance generally refers to the process of taking due account of environmental, social and governance (ESG) considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects.”

“Sustainable finance regulation is progressing at a remarkable pace, especially in Europe.”

“Your bank account has a carbon footprint, and it’s big.”

“..technology in the financial sector could play a serious role in mitigating the worst of climate change.”

“The financial sector holds enormous power in funding as well as the potential to bring awareness to people influencing the climate.”

How is the financial sector responding?

Pfizer launches US\$1 billion sustainability bond

State Street Global Advisors launches three ESG ETFs

AIB buys 50% stake in Autolease Fleet Management to boost drive to sustainability

Regulators Could Crack Down on Sustainable Investment Claims

Irish banks not managing climate and environmental risks, says ECB

The Regulatory Agenda

The Primary EU legislation

C20 EU regulatory frameworks impacted by these changes!

- SFDR – applies to investment managers, investment product producers, investment advisory – intended to cover the full lifecycle of an investment
- EU Taxonomy – sits in the middle – intended to create a common understanding of sustainability terms and risks
- CSRD – applies to listed entities and corporates over a certain size – intended to require corporates to disclose certain information, in line with the EU taxonomy, so that those regulated under SFDR can make more informed investment decisions. These disclosures will require independent assurance.

Other rules coming into play for banks will require them to include climate risk in their financial risk models, and regulation is evolving on social disclosures and reporting.

Challenges

Its not as simple as it sounds.

- Timing
- Complexity
- Data quality
- EU vs rest of the world
- Derivatives, OTC investments, unlisted companies – not properly catered for

Key Takeaways



The financial sector has a huge role to play - the actions and decisions of financial institutions could impact all sectors of society.

Transparency is key to facilitating informed choices. Regulators will not tolerate greenwashing.

There is no guarantee this will work – as it is still about choice – can policy makers mandate green investments?

We are all in this together – there is no room for vigilantes or ignorance.

Collaboration is key – between public and private sectors, between banks and their customers, between investors and investees.



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