

21st ISSA Symposium - Context Document

Breakout Session 4: ESG and Securities Services

HYPOTHESIS

The topic of ESG (Environment, Social and Governance) continues to resonate across financial services. Both institutional and retail investors are looking to direct their investments into assets that meet their sustainability values.

Whilst the investment decision and the direction of ESG investment flows lies outside of Securities Services, there are operational areas where ESG is a key component of the service offering. These areas include:

- ESG related due diligence
- ESG Securities Services regulations
- Compliance monitoring
- Asset Servicing (class actions and proxy voting)

However, the provision of services in these areas is often problematic due to the manual and complex nature of the service offering. There could therefore be opportunities, through having a good understanding of ESG and sustainability concepts, for organizations to standardize and automate processes to improve ESG service provision.

ISSA already has two Working Groups (WG) that are looking at the theme of ESG. These are:

- The Asset Servicing WG which has a subgroup focused on Corporate Governance (Class Actions and Proxy Voting)
- The Standardization WG which has a subgroup focused on ESG Standards in Securities Services

The objective of the Breakout Session will therefore be to debate this theme, consider if there are areas that the ISSA membership feel resonate and, where that is the case, agree whether this is something further that should be taken forward by ISSA in some way.

PRE-READING

Breakout Session participants should read the following collateral to familiarize themselves with the hypothesis prior to the Symposium:

[AFME Due Diligence Questionnaire 2023](#)

[Climate-Related Financial Risk: FMI Perspective | DTCC](#)

[WEF IBC Measuring Stakeholder Capitalism Report 2020.pdf \(weforum.org\)](#)

[FRC Good Practice Guidance for Company Meetings July 2022](#)

IDEAS FOR CONSIDERATION

Below is a list of ideas that the Breakout Session participants may wish to consider during their discussions:

The Securities Services angle

- ESG as part of Securities Services
- The overall value chain and the links both upstream and downstream

Understanding the current challenges for Securities Services

- ESG related due diligence
 - Understanding the questions that should be asked
 - Recognizing the context of the information received
- ESG Securities Services regulation
 - Considering the use of prescriptive versus framework approaches
 - Lack of standardization and consistency in application of regulations
- Compliance Monitoring
 - Teams need accurate and complete data to be able to provide reporting, which is not always readily available
 - Greenwashing – the need to be to trust the data
- Asset Servicing
 - Class Actions are becoming increasingly prevalent, not just in the US, and other markets have less developed solutions
 - The Proxy Voting service offering continues to be a predominantly manual process

Securities Services solutions

- Ideas for how Securities Services organizations can best devise and/or support ESG solutions
- Any actions that ISSA may consider, for example in providing best practice guidance
- Other industry types that could also provide solutions