A white speech bubble with a red and blue x

Description automatically generated

**ISSA Sustainability Working Group**

**ValueExchange research suggestions**

**Objectives**

* Is there a meaningful space that the ISSA working group should take forward?
* To quantify:
  + The workload that ESG-related tasks are creating in the Securities Services industry (across the production / product cycle)
  + The impact that ESG-related tasks are having on how we make decisions every day
  + The money being spent on improving these processes today
  + The key dependencies that the market needs – in order to drive further improvement

**Proposed areas of focus**

1. **As a provider**
2. Where are ESG factors impacting the trade cycle:

|  |  |  |
| --- | --- | --- |
| **Area** | **How are they driving costs? (Volume change in…)** | **How are they driving revenues? (Volume change in…)** |
| Clearing | Increased volumes  Increased exceptions  Increased resourcing  Increased costs (new data, etc.) | Increased volumes  Increased client activity (RFPs) |
| Settlement |
| Sanctions Screening |
| Corporate actions |
| Proxy voting |
| Class actions |
| Valuations |
| Client disclosures and reporting |

1. How many of your Top 10 investment projects for 2025 / 2026 have ESG as part of the business case?
   1. What weighting?
   2. Provide details of the type of project?
2. **As a counterparty**

* Where is ESG having an impact on your counterparty relationships (i.e. on you as a provider and on you as a client)?
  + Due diligence / Onboarding
  + Credit
  + Contracts / Legal

1. **Due diligence**
2. Costs
   * Additional time spent providing / receiving DD information of ESG criteria
   * Degree of consistency of information by requestor / source?
   * Drivers: why are you / others sourcing this data (external regs, internal compliance, etc.)
3. Outcomes
   * Role of information in decision making (selections)
   * Competency in understanding the information
4. Enablers
   * Who is spending money on improving this today? What solutions and with what levels of benefit?
   * Value of standards, training, data provision and other measures in (a) reducing costs; and (b) increasing impact
5. **Credit provision**
6. Costs
   * Additional time spent providing / receiving DD information of ESG criteria
   * Degree of consistency of information by requestor / source?
   * Drivers: why are you / others sourcing this data (external regs, internal compliance, etc.)
7. Outcomes
   * Credit exposures being impacted (i.e. custody credit lines)
8. Enablers
   * Who is spending money on improving this today? What solutions and with what levels of benefit?
   * Value of standards, training, data provision and other measures in (a) reducing costs; and (b) increasing impact
9. **Contracts / Legal**
10. Costs
    * Amount of change to existing agreements / time spent on revisions (for which profile of clients – e.g. SWFs, etc.)
    * What is the driver for these changes? (Clients, regs, etc.)
11. Outcomes
    * Availability of supporting information (risk indicators) to manage those contractual commitments
    * Volume of enforcement actions/follow ups due to ESG-related clauses in contracts