

ISSA

ACG October 2023

Who ISSA Is

**Leading Global
Trade Association**

**Dedicated to
supporting the
Securities Services
Industry**

**Zürich,
Switzerland,
domiciled and
based**

**Members include
Custodians, CSDs,
technology and
other related firms**

What ISSA Does

Connect	Collaborate	Change
<p>Facilitate global interaction across different markets, regions and industry segments</p> <p>Bring together key industry stakeholders in Working Groups and the Symposium</p> <p>Connect with members and other industry bodies through webinars and conferences</p>	<p>Offer the opportunity for members and industry experts to come together to at our biennial Symposium</p> <p>Manage Working Groups to tackle key issues effecting the industry</p> <p>Listen to our members – we are a member led organisation</p>	<p>Create a unique opportunity for debate of the key factors effecting the industry today in order to shape the future</p> <p>Provide best practice guidance through the publishing of papers, articles, surveys, videos and podcasts</p> <p>Offer education for all market participants</p>

Benefits of Joining ISSA

Key Topics

Benefit from understanding key topics affecting the industry

Best Practice Guidance

Be part of creating best practice guidance to the industry

Exchange of Ideas

Gain from debating and collaborating on areas of common interest

Influence

Influence and impact industry and regulatory decisions

Networking

Benefit from the great platform our structure offers to connect

Training and Education

Make the most of the opportunity to expand knowledge and experience

ISSA Board Member Firms



Sustainability & ESG – background and role of financial industry

ESG and Sustainable Finance

ESG is a set of standards focusing on three central factors - environment, social and governance - to measure the sustainability of investments.

The three dimensions of sustainability:

E - measures how a company performs with regard to the environment

S – reflects company's relationship towards employees, customers and communities

G – assesses the company's leadership, audits, internal controls and shareholder rights

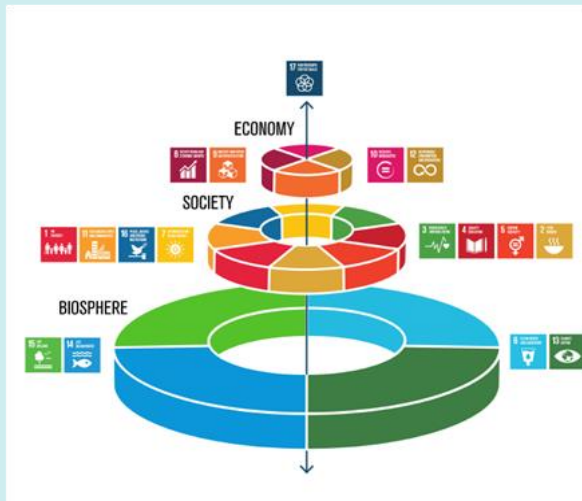


Sustainable finance is the provision of finance to investments taking into account environmental, social and governance considerations

Sustainability, ESG and Green

UN Sustainable Development Goals (SDG)

- 17 global goals , signed in 2015 to be achieved by 2030,
adopted by all countries

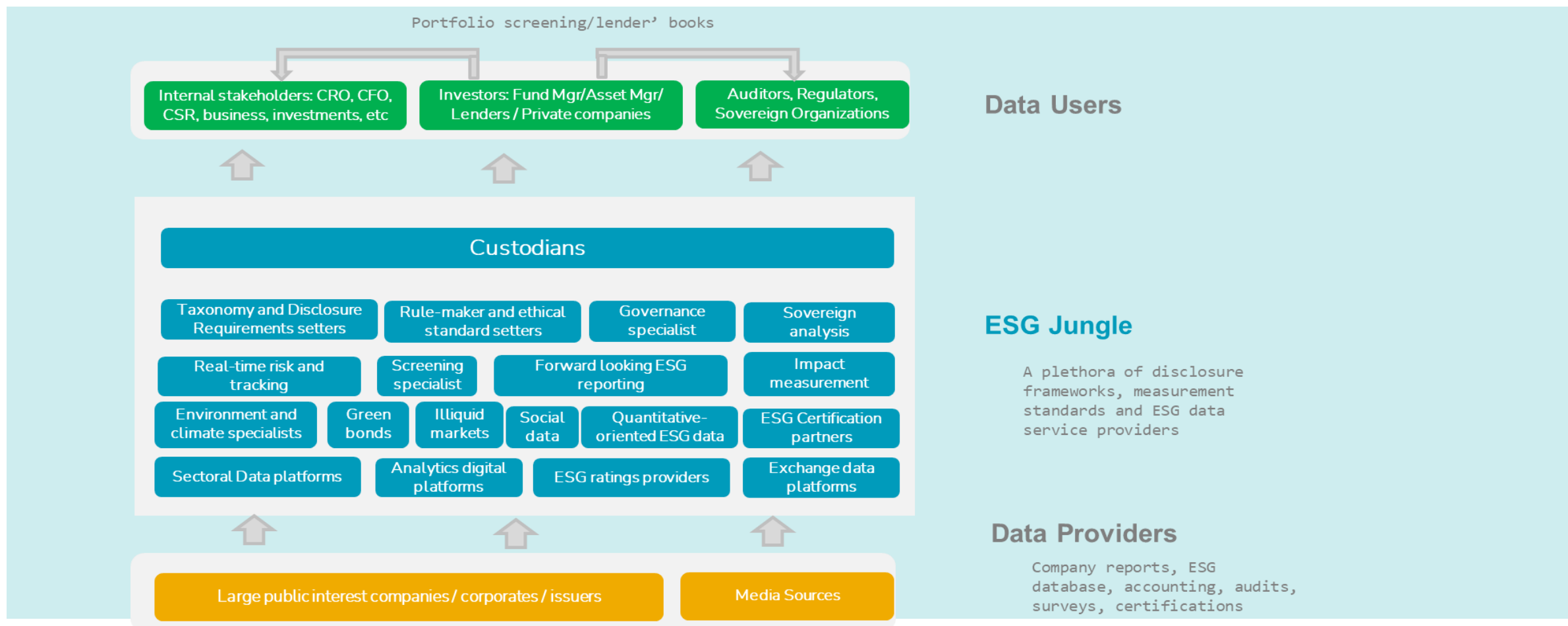


Green refers to any individual product or
processes that promote environmental wellbeing



"**ESG integration** is a strategic approach where in corporations embed environmental, social and governance considerations into their **business strategy**. It is understood to have a positive influence on the shareholder value when you showcase how you drive business value with ESG & sustainability."

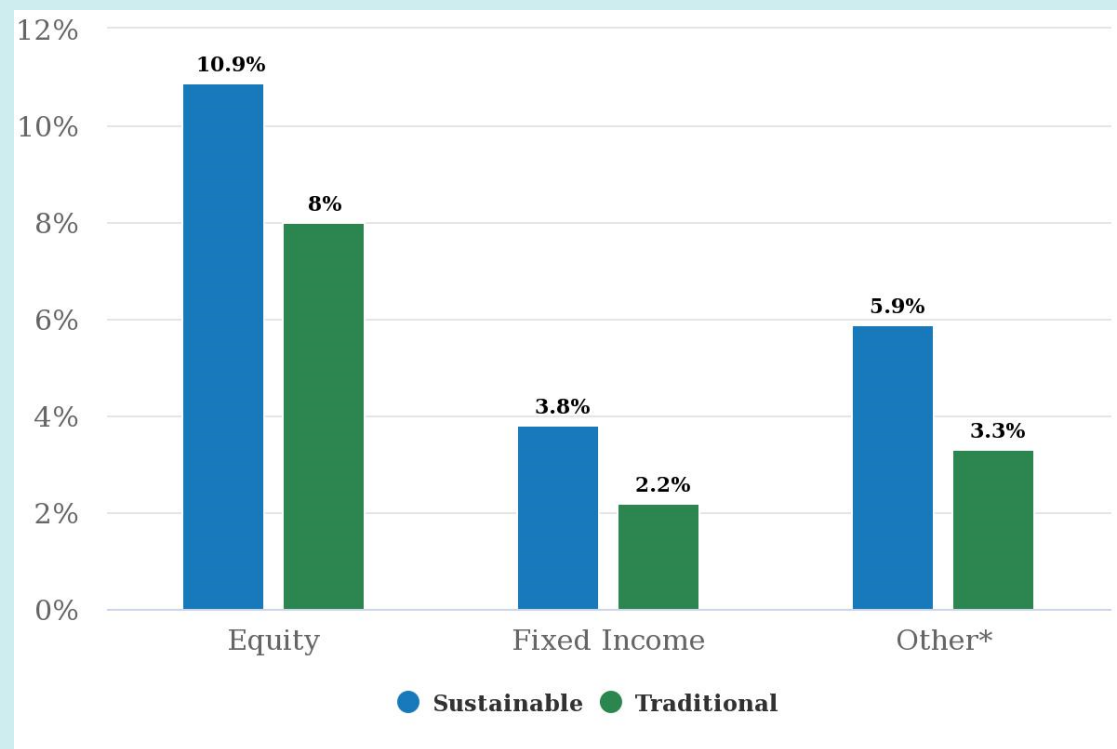
The sustainable financial eco-system



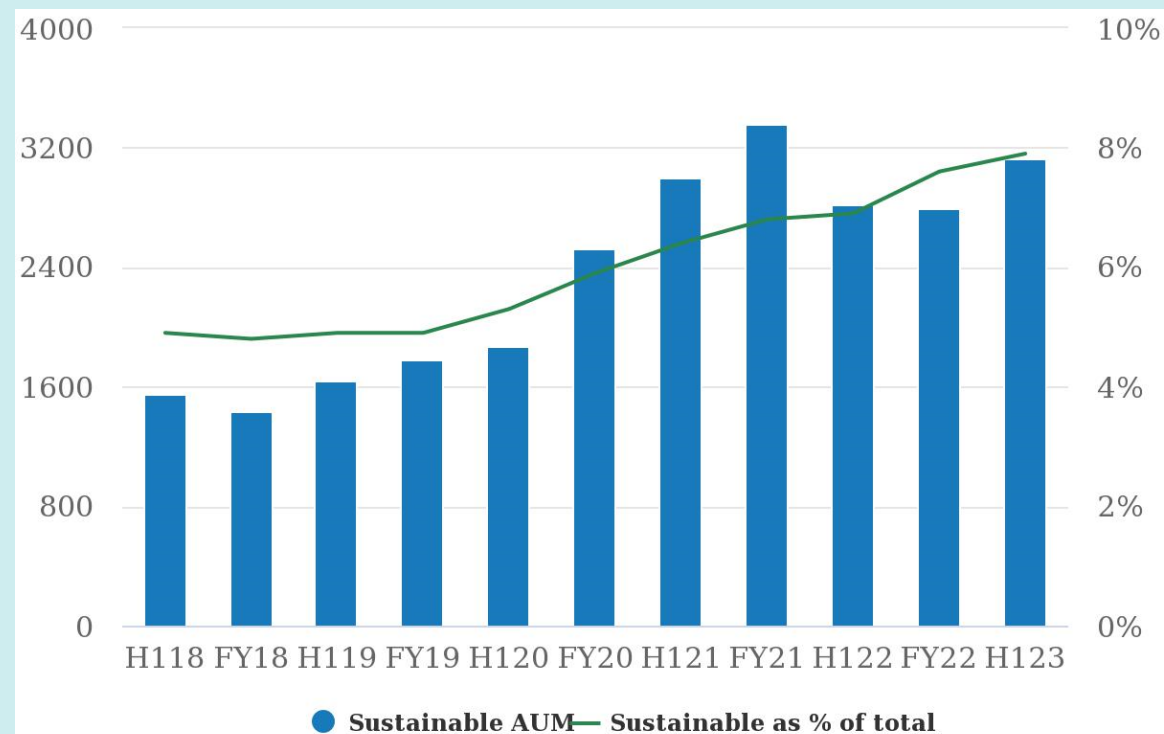
Why does Securities Services care

Morgan Stanley Research – better returns, increased allocation

Sustainable funds Returns are higher in 2023



Sustainable Funds' AUM In U.S. Dollar Billions



Source: Morgan Stanley Institute for Sustainable Investing analysis of Morningstar data.

*"Other" includes multi-asset, property, commodities, and alternative fund types

Morgan Stanley Research – Screening Restrictions increasing

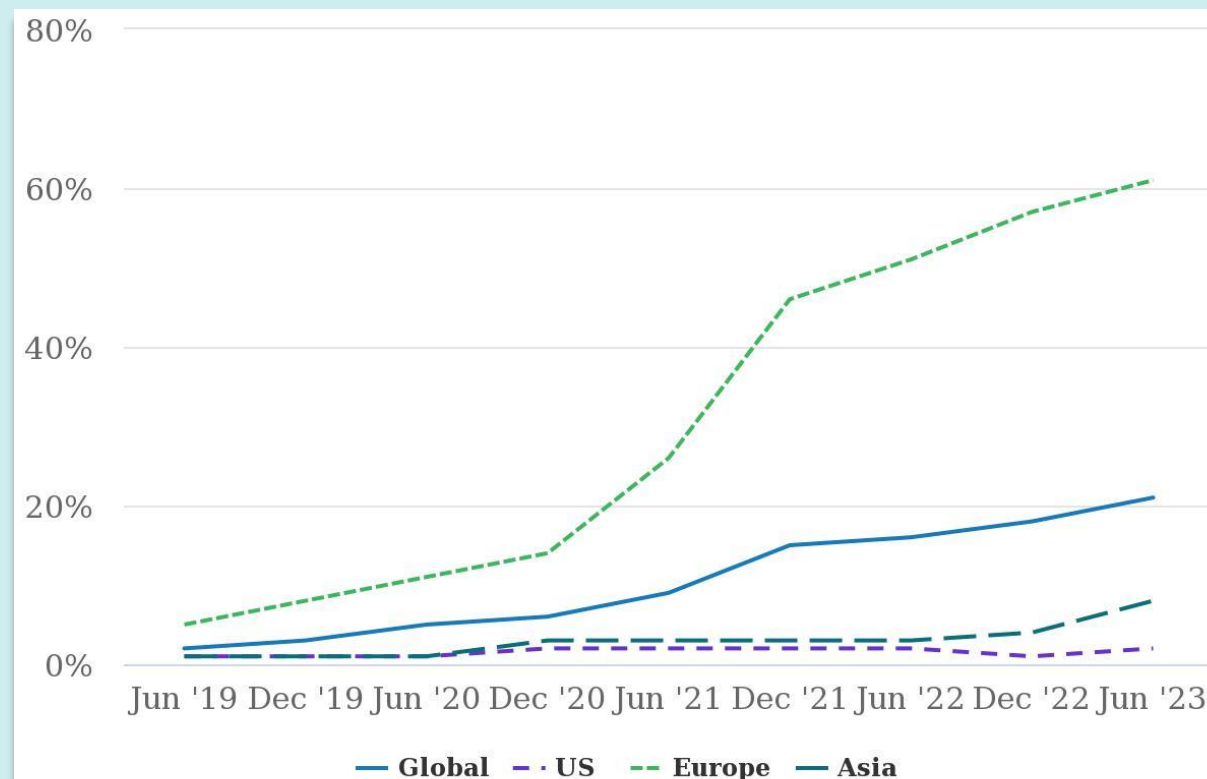
Regionally, Europe has more sustainable AUM and fund counts.

- 89% of total sustainable funds are based in Europe, 10% in North America and <2% in all other regions.
- By fund count, Europe >66% world's sustainable funds, North America (12%) and Asia (7%).

KPMG - Three-quarters of companies globally are not ready to have their environmental, social and governance (ESG) data audited externally.

Regulators say external auditing of sustainability-related data – while not as extensive as financial auditing – is crucial for giving investors information free of misleading environmental claims, known as greenwashing.

Rates of Restriction Screening Rose in Europe After SFDR
Any Exclusion, as % of AUM



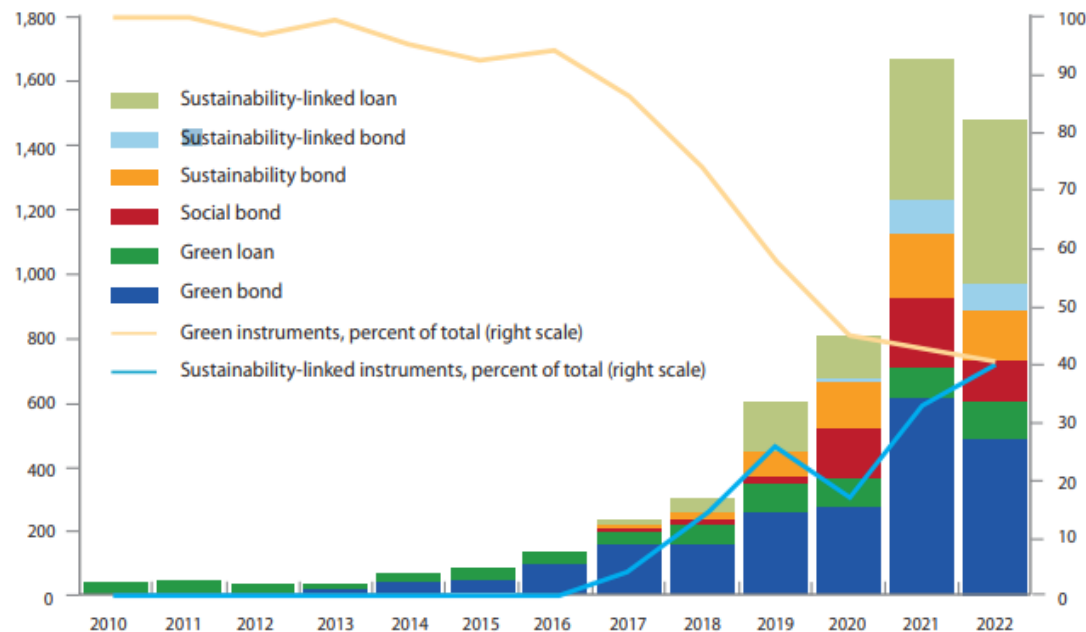
Green Finance - growing

IMF

Figure III.B.6

Global sustainable debt issuance by instrument (as of 31 December 2022)

(Billions of United States dollars)

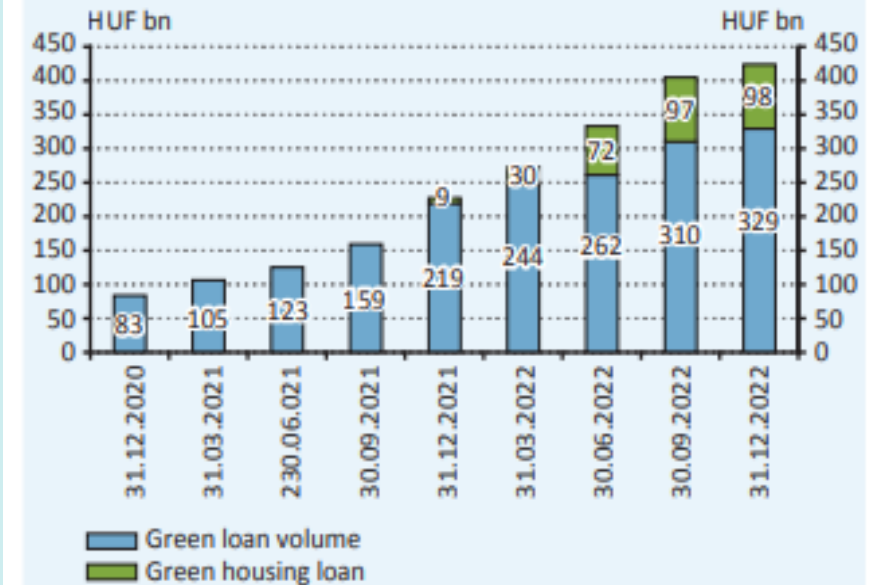


Source: IMF, Climate Finance Monitor, Q4 2022.

Hungary Central Bank

Chart 3.1

Evolution of the green loan portfolio of credit institutions participating in the Programme



Source: MNB

What does Securities Services need to do?

What does Securities Services need to do to enable sustainability?

ESG due diligence	ESG Securities Services regulation	Compliance Monitoring	Asset Servicing
<p>Understanding the questions that need to be asked</p> <p>Understanding the questions that need to be answered as a CSD</p> <p>Recognizing the context of the information received</p>	<p>Influencing the regulation – what are the right expectations of the CSDs</p> <p>Push for standardisation</p> <p>International standards help maintain capital inflows</p> <p>Offer education for all market participants</p>	<p>Opportunity to build further data businesses?</p> <p>Post trade portfolio assessment and monitoring?</p> <p>Are the constituent parts of a portfolio ESG compliant?</p> <p>Offer certification of ESG quality?</p>	<p>Issuer to investor communication</p> <p>Proxy</p> <p>Class Actions facilitation</p> <p>Corporate Actions</p>