



Environmental



Social

ESG



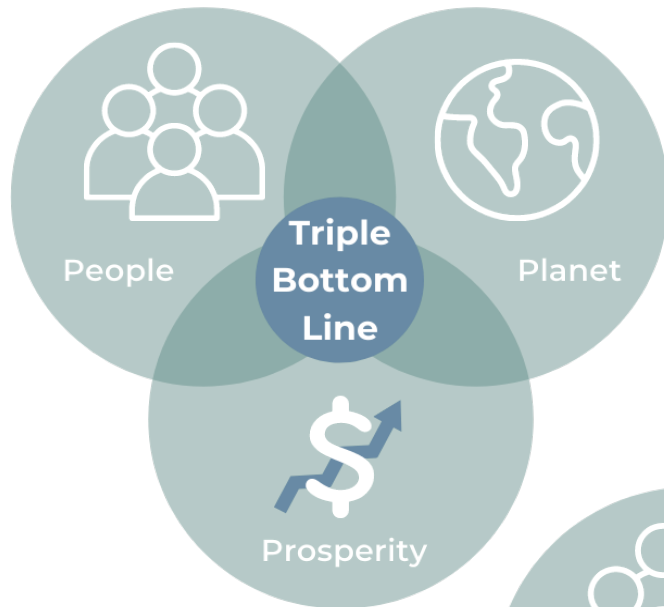
Governance

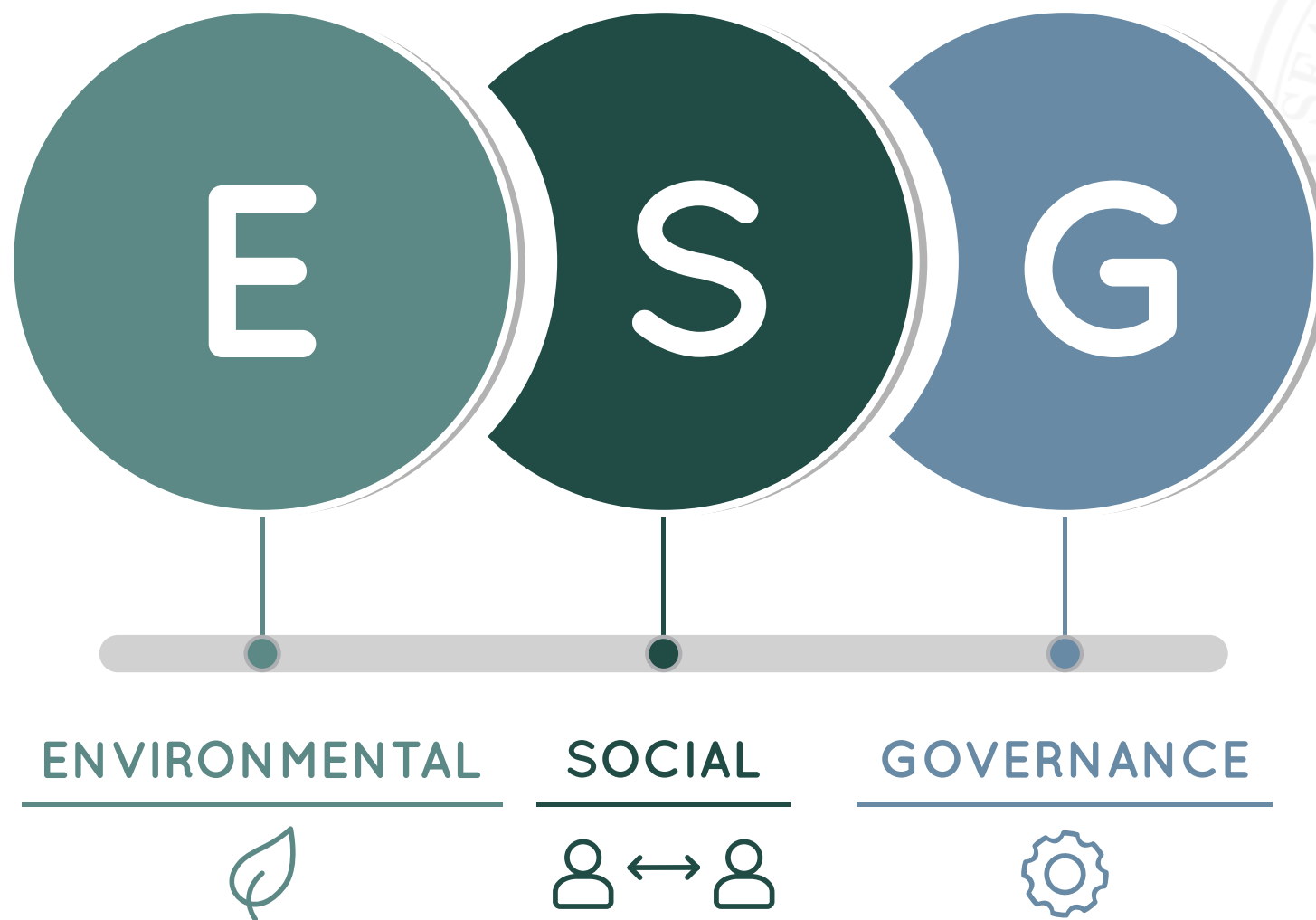
Sowj Chintalapati, Deputy Division Director

September 08, 2022

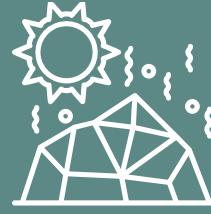
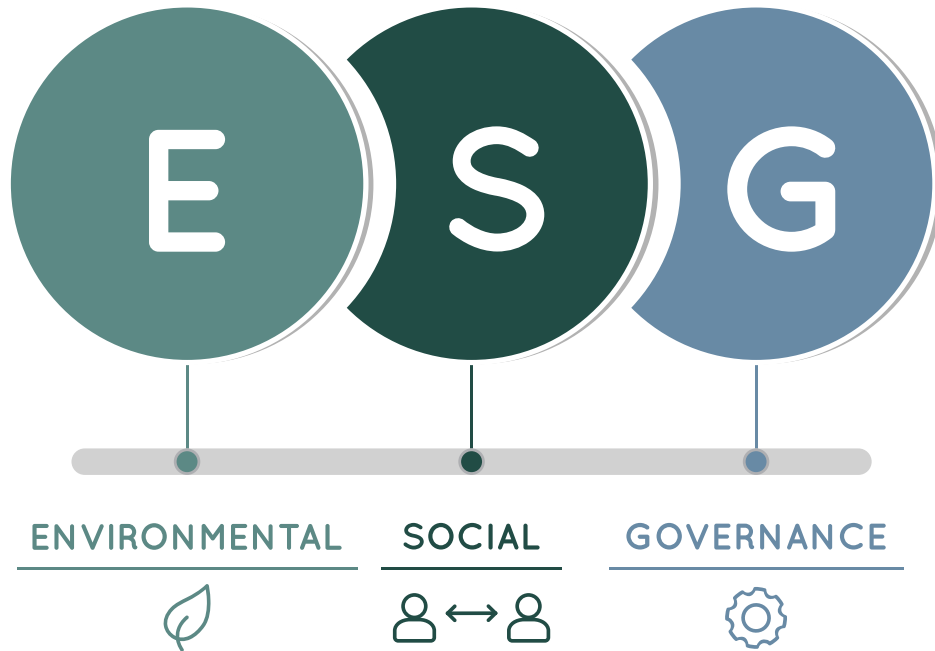


ESG Evolution





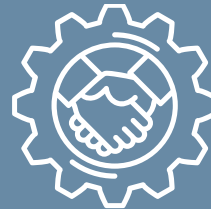
What is ESG?



- Climate change
- Greenhouse gas (GHG) emissions
- Resource depletion, including water
- Waste and pollution
- Deforestation



- Working conditions, including slavery and child labor
- Local communities, including indigenous communities
- Conflict regions
- Health and safety
- Employee relations and diversity



- Executive pay
- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy

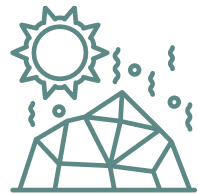


WHY

ESG

MATTERS

Environmental, Social, and Corporate Governance



CLIMATE CHANGE



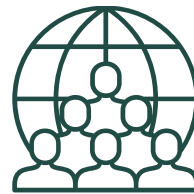
WASTE & POLLUTION



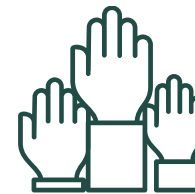
NATURAL CAPITAL



HEALTH & SAFETY



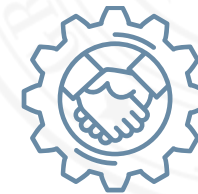
SOCIETY



HUMAN RIGHTS



CORPORATE
GOVERNANCE



STAKEHOLDER
ENGAGEMENT



TRANSPARENCY

ENVIRONMENT

SOCIAL

GOVERNANCE

ESG

How, When, What and Why?

Human Capital

- Traits and skillsets that enable us to perform



Social Capital

- The relationship & networks we build to enable them to get work done

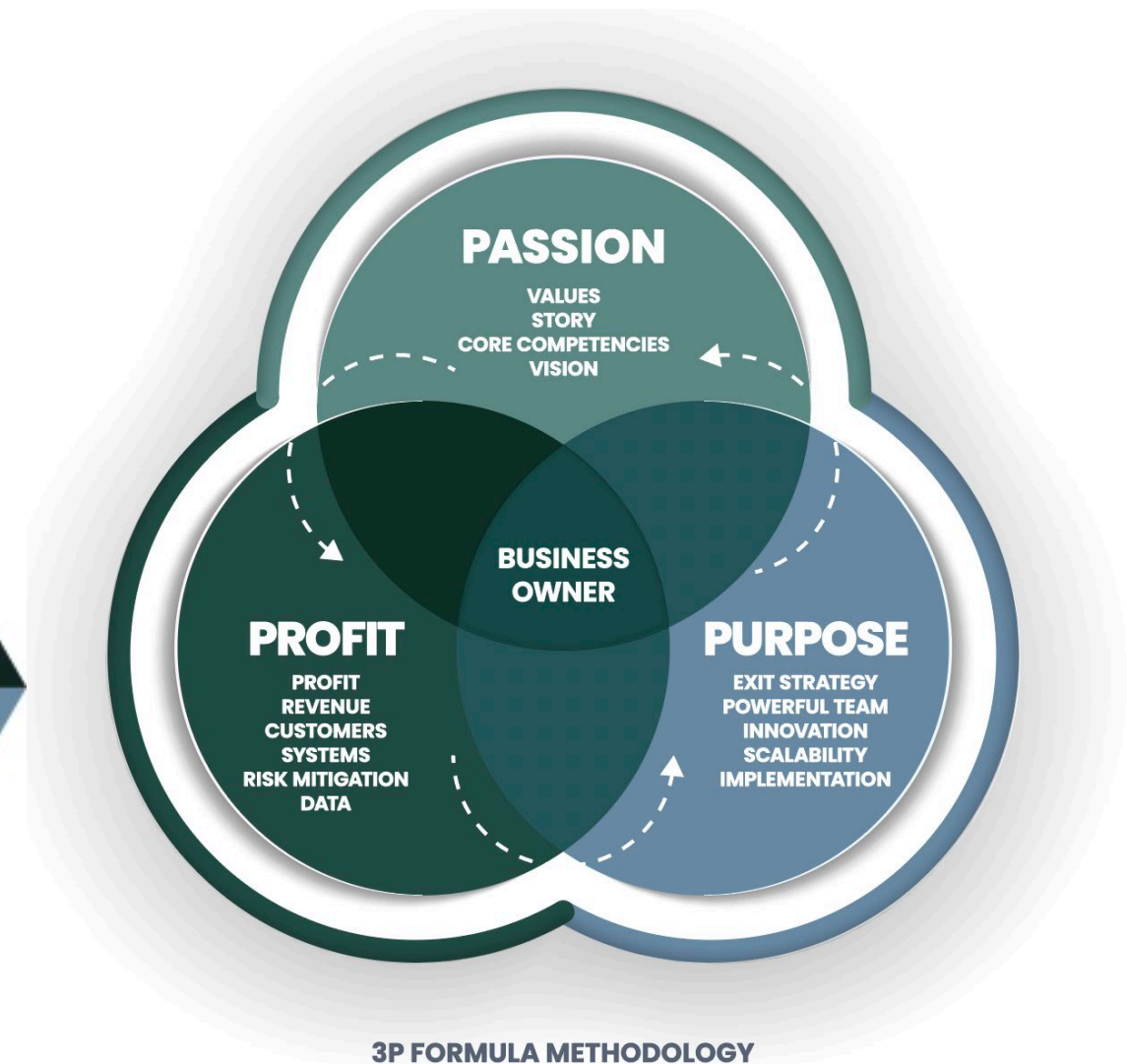
Capability

Connectivity

= Great Leader



ESG related Standards



Why has ESG Risen in Prominence?

Financial Markets Have Fully Embraced ESG Data As A Growth Driver

Forecast of €600bn in sustainable bonds in 2021



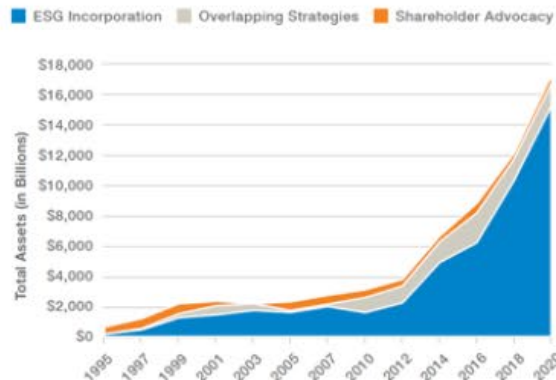
72 ESG ETFs launched in 2020



ESG funds and AUM growth



ESG factors included in 33% of US-domiciled \$51.4 trillion AUM



300% increase in financial ESG team headcount 2017-2020



Slowly increasing pressure from global asset managers



Mistakes to avoid in ESG Strategy and Reporting



1. Thinking that ESG is a passing phenomenon and not linking ESG to organizational Vision/Mission.
2. Quick fix by adding initiatives to the ESG buckets without integrating in business functions.
3. Not knowing what standards and reporting requests to prioritize for the business model.
4. Inconsistent engagement with stakeholders.
5. Marketing without a strategy.
6. Taking it too far and forgetting organization's purpose.
7. Measure both financial and non-financial drivers and evaluate them often.

ESG Investing

1. Rating Agencies

2. Criteria

3. How to Align to your Organization's Purpose



What is the most important Aspect in selections?

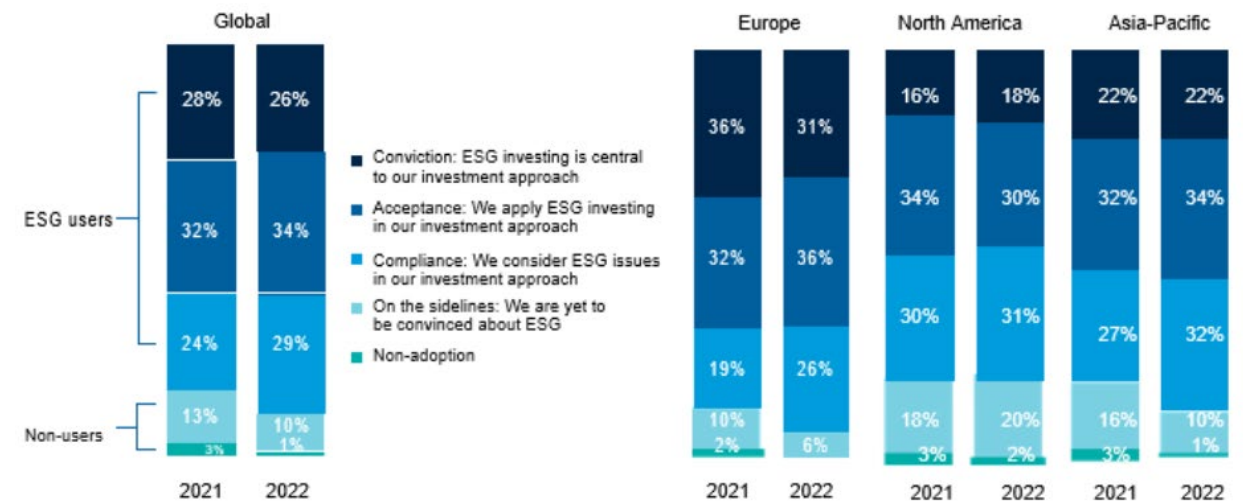
- Rating Scale
- Methodology
- Company Involvement
- Reputation and Usage



Social Returns Integration Risks Decisions
Investment Industries
Future ESG INVESTING
Environmental Governance Business
Different Societal Impact Investors
Sustainability Analysis Stocks
Issues Rankings Reports Profits
Goal Company People Strategy

1. ESG Adoption Levels
2. Momentum Drivers
3. The Climate Change Debate and perspectives
4. ESG Integration and Implementation
5. ESG Challenges
6. Role of Sustainability Officers and Asset Managers
7. What should ESG regulations Prioritize

ESG adoption levels



Which of the following statements best describes your organisation's overall stance on ESG investing? (Select one answer.)
Data may not equal 100% due to rounding.

1. ESG Adoption Levels
2. **Momentum Drivers**
3. The Climate Change Debate and perspectives
4. ESG Integration and Implementation
5. ESG Challenges
6. Role of Sustainability Officers and Asset Managers
7. What should ESG regulations Prioritize

Strong conviction in ESG

ESG is a passing fad that will eventually go out of fashion.



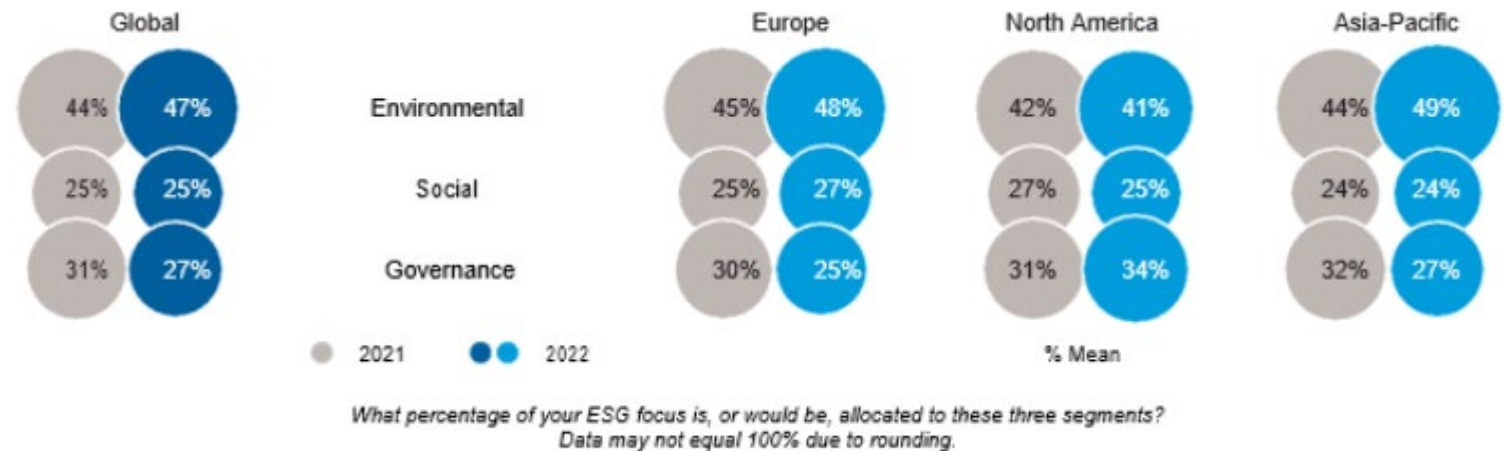
The centrality of client needs

Our approach to ESG is driven by the expectations of clients and reputational concerns rather than deeply-held beliefs.

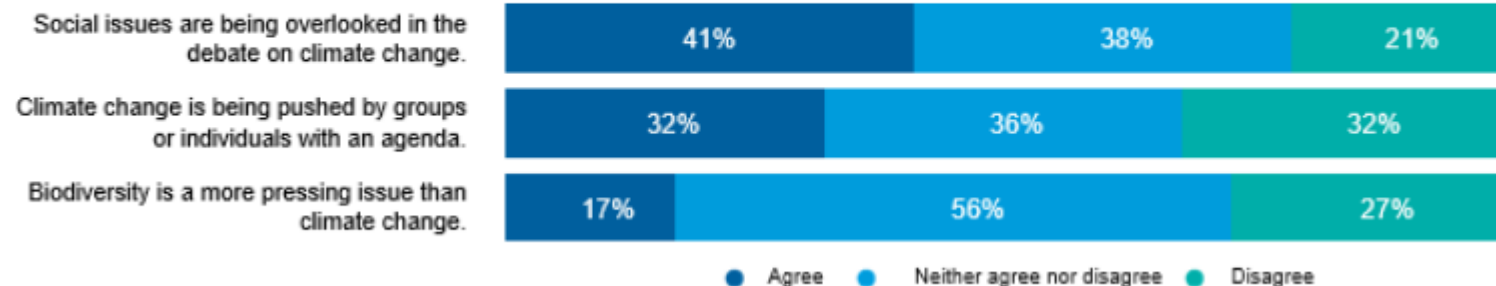


Data may not equal 100% due to rounding.

1. ESG Adoption Levels
2. Momentum Drivers
3. **The Climate Change Debate and perspectives**
4. ESG Integration and Implementation
5. ESG Challenges
6. Role of Sustainability Officers and Asset Managers
7. What should ESG regulations Prioritize

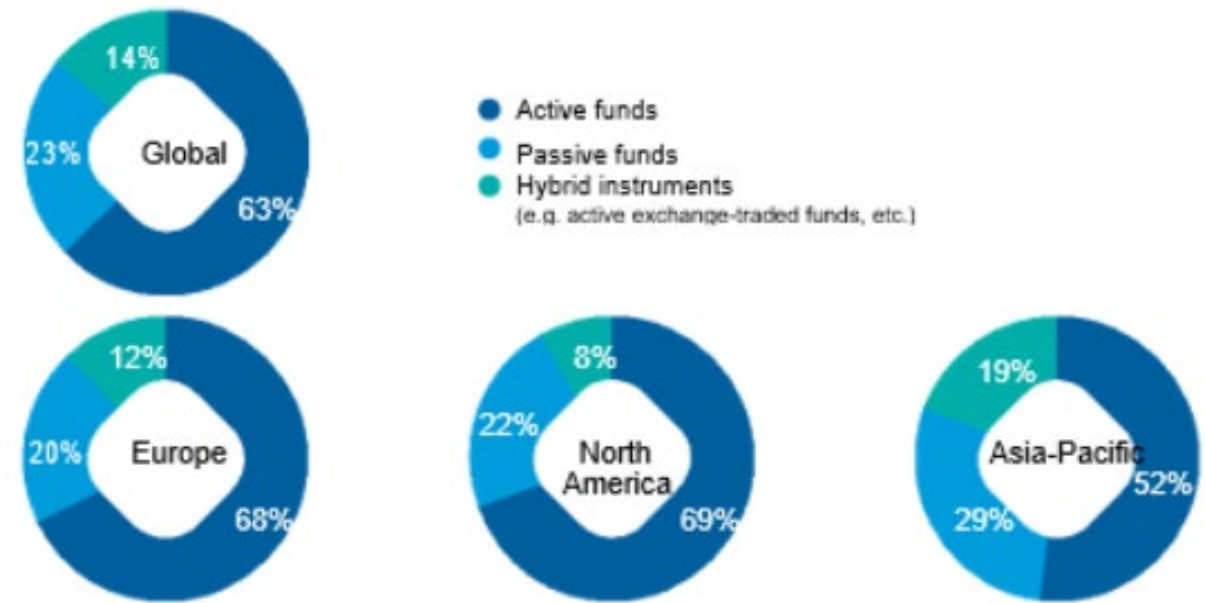


Views on climate change



1. ESG Adoption Levels
2. Momentum Drivers
3. The Climate Change Debate and perspectives
4. **ESG Integration and Implementation**
5. ESG Challenges
6. Role of Sustainability Officers and Asset Managers
7. What should ESG regulations Prioritize

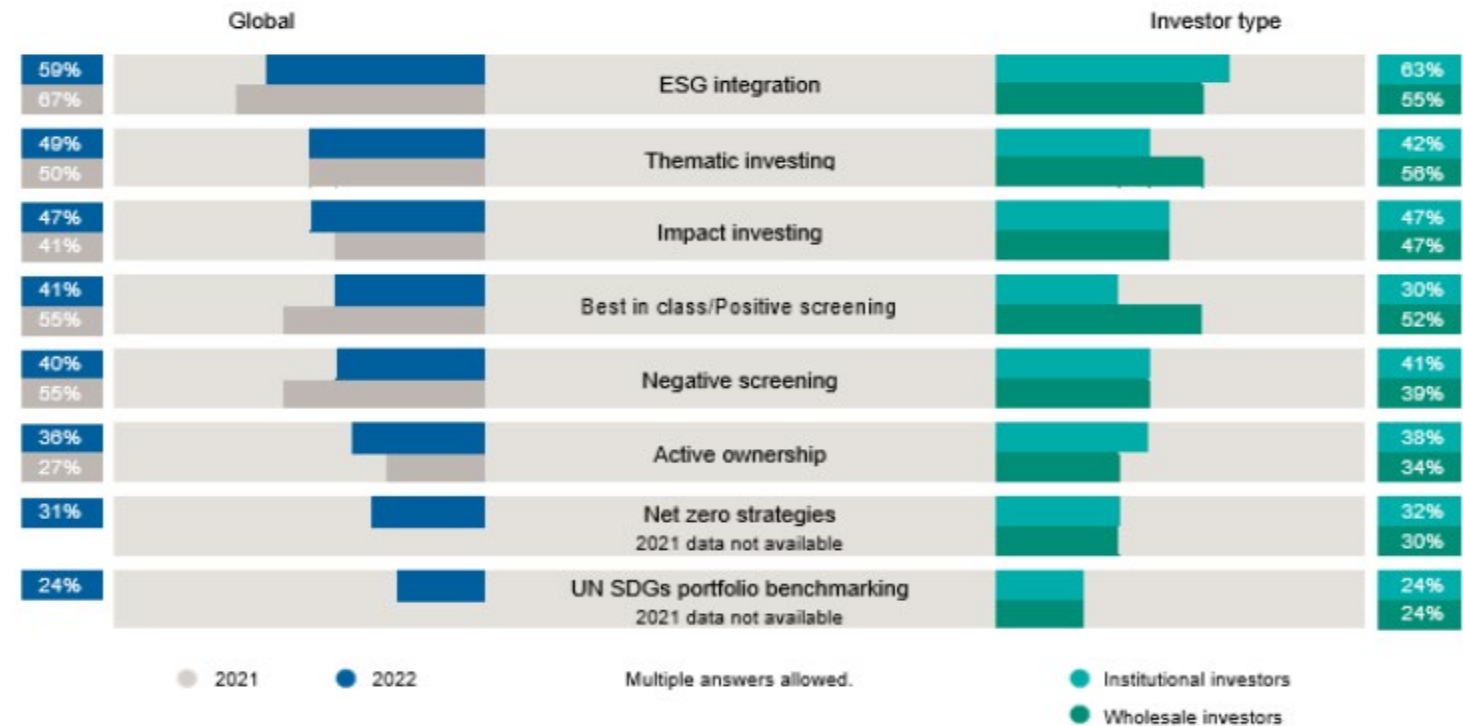
Integrating ESG



*What is your preferred approach to integrating ESG?
Data may not equal 100% due to rounding.*

1. ESG Adoption Levels
2. Momentum Drivers
3. The Climate Change Debate and perspectives
4. **ESG Integration and Implementation**
5. ESG Challenges
6. Role of Sustainability Officers and Asset Managers
7. What should ESG regulations Prioritize

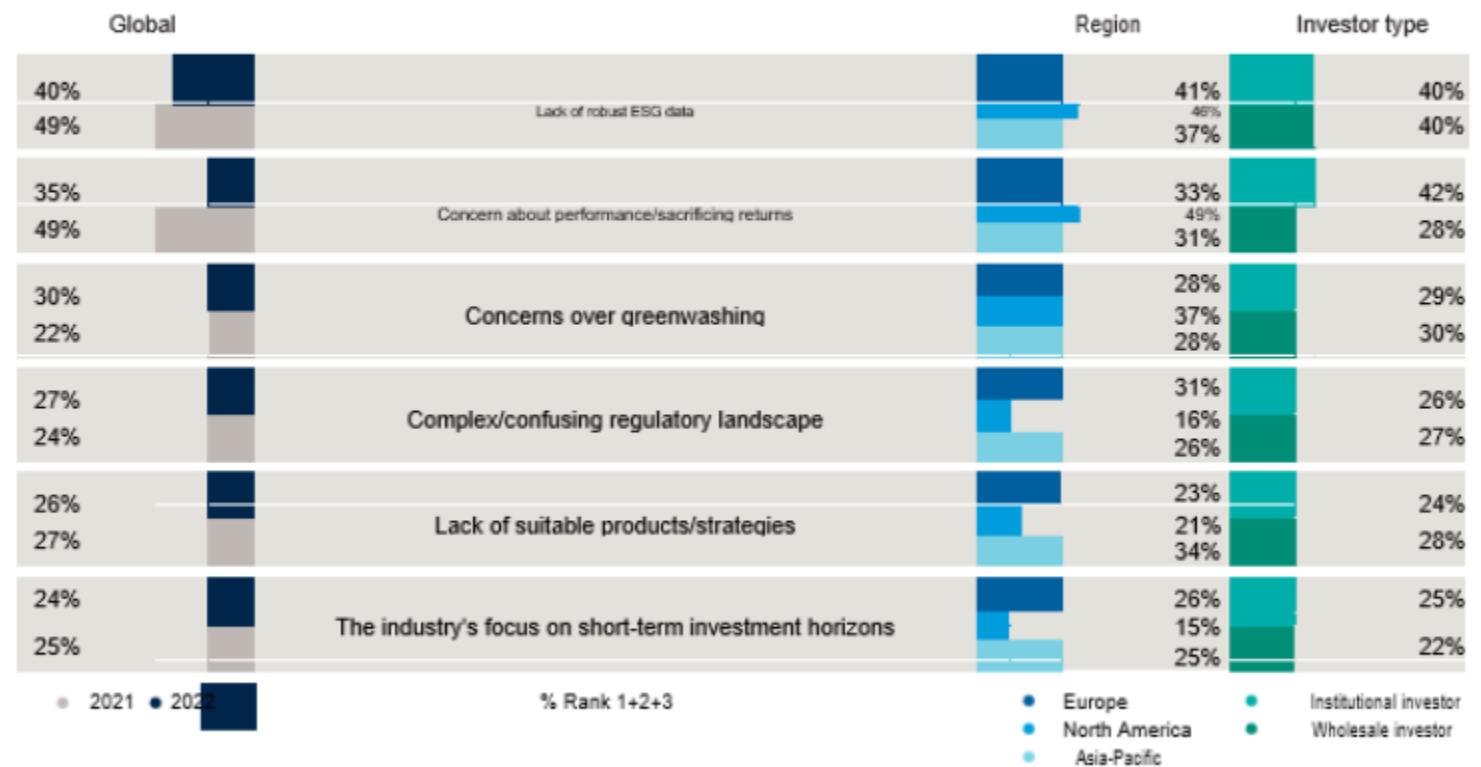
Implementing ESG



What ESG implementation strategies do you use?

1. ESG Adoption Levels
2. Momentum Drivers
3. The Climate Change Debate and perspectives
4. **ESG Integration and Implementation**
5. ESG Challenges
6. Role of Sustainability Officers and Asset Managers
7. What should ESG regulations Prioritize

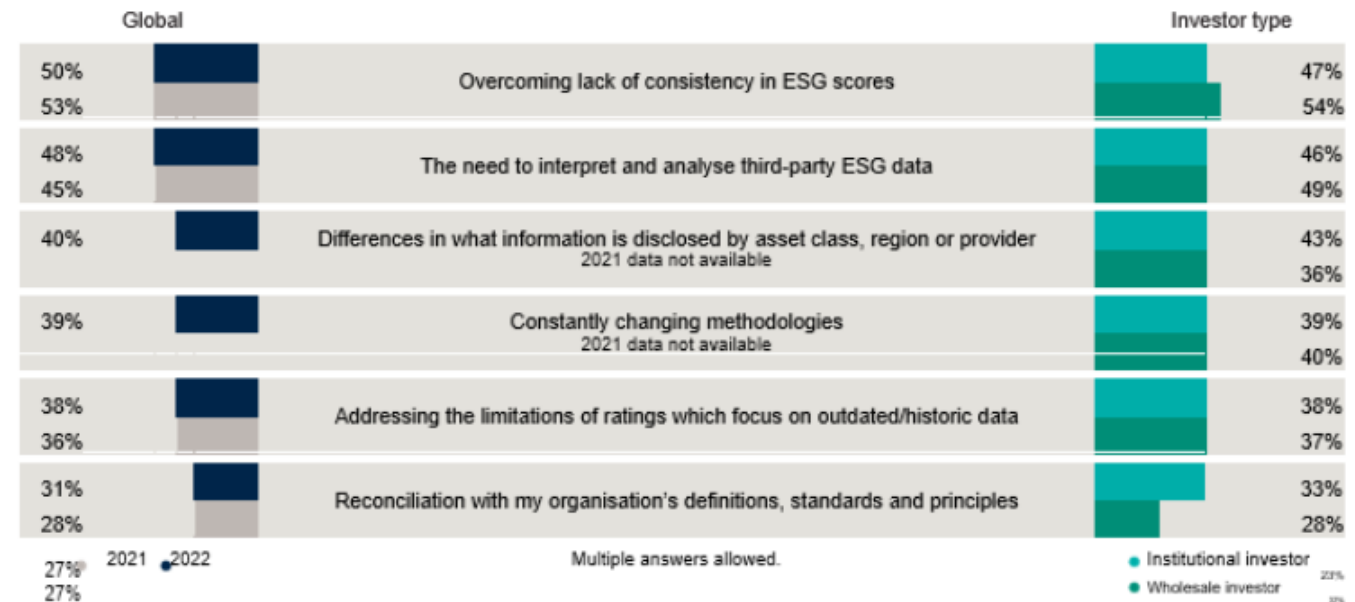
Biggest ESG adoption hurdles



What are the biggest barriers to your organisation's adoption, or greater adoption, of ESG? (Rank top three.)

1. ESG Adoption Levels
2. Momentum Drivers
3. The Climate Change Debate and perspectives
4. ESG Integration and Implementation
5. **ESG Challenges**
6. Role of Sustainability Officers and Asset Managers
7. What should ESG regulations Prioritize

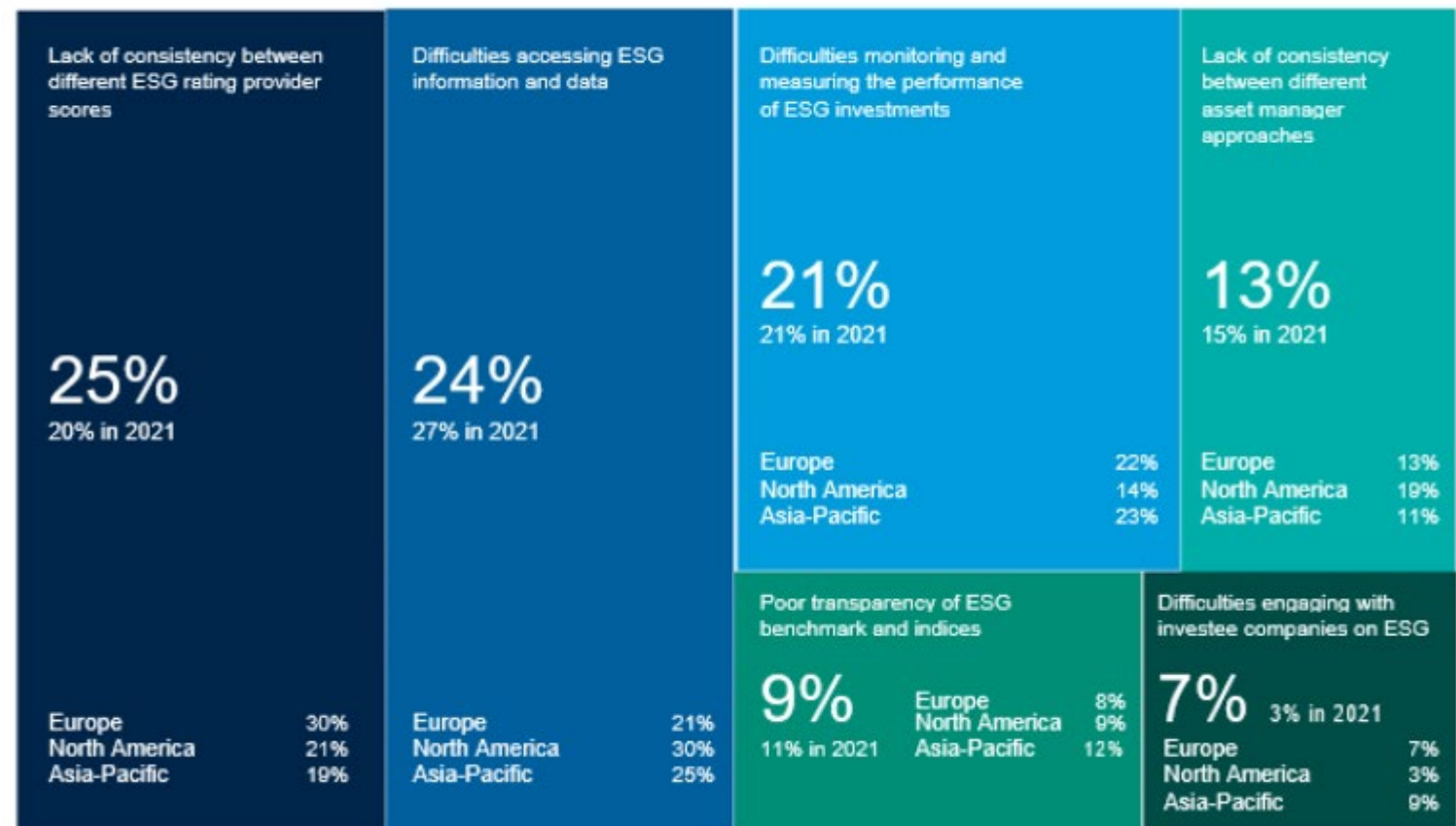
Challenges with incorporating ESG data



What are your greatest challenges when it comes to incorporating ESG data, ratings and research into your organisation's investment decision-making process? (Select up to three answers.)

1. ESG Adoption Levels
2. Momentum Drivers
3. The Climate Change Debate and perspectives
- 4. ESG Integration and Implementation**
5. ESG Challenges
6. Role of Sustainability Officers and Asset Managers
7. What should ESG regulations Prioritize

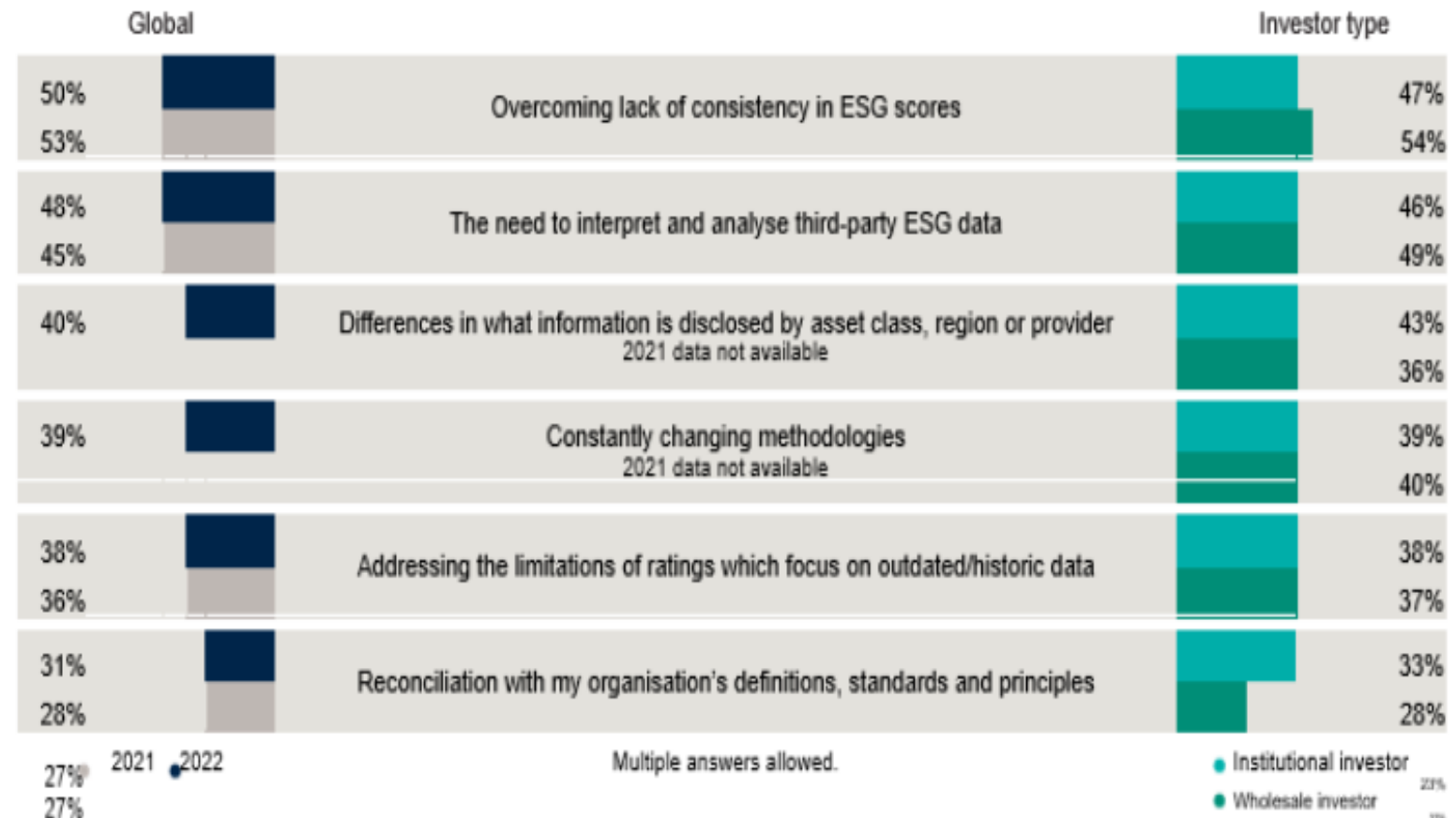
Highest implementation hurdles



What is your number one challenge when implementing ESG investments? (Select one answer only.)

1. ESG Adoption Levels
2. Momentum Drivers
3. The Climate Change Debate and perspectives
4. ESG Integration and Implementation
5. **ESG Challenges**
6. Role of Sustainability Officers and Asset Managers
7. What should ESG regulations Prioritize

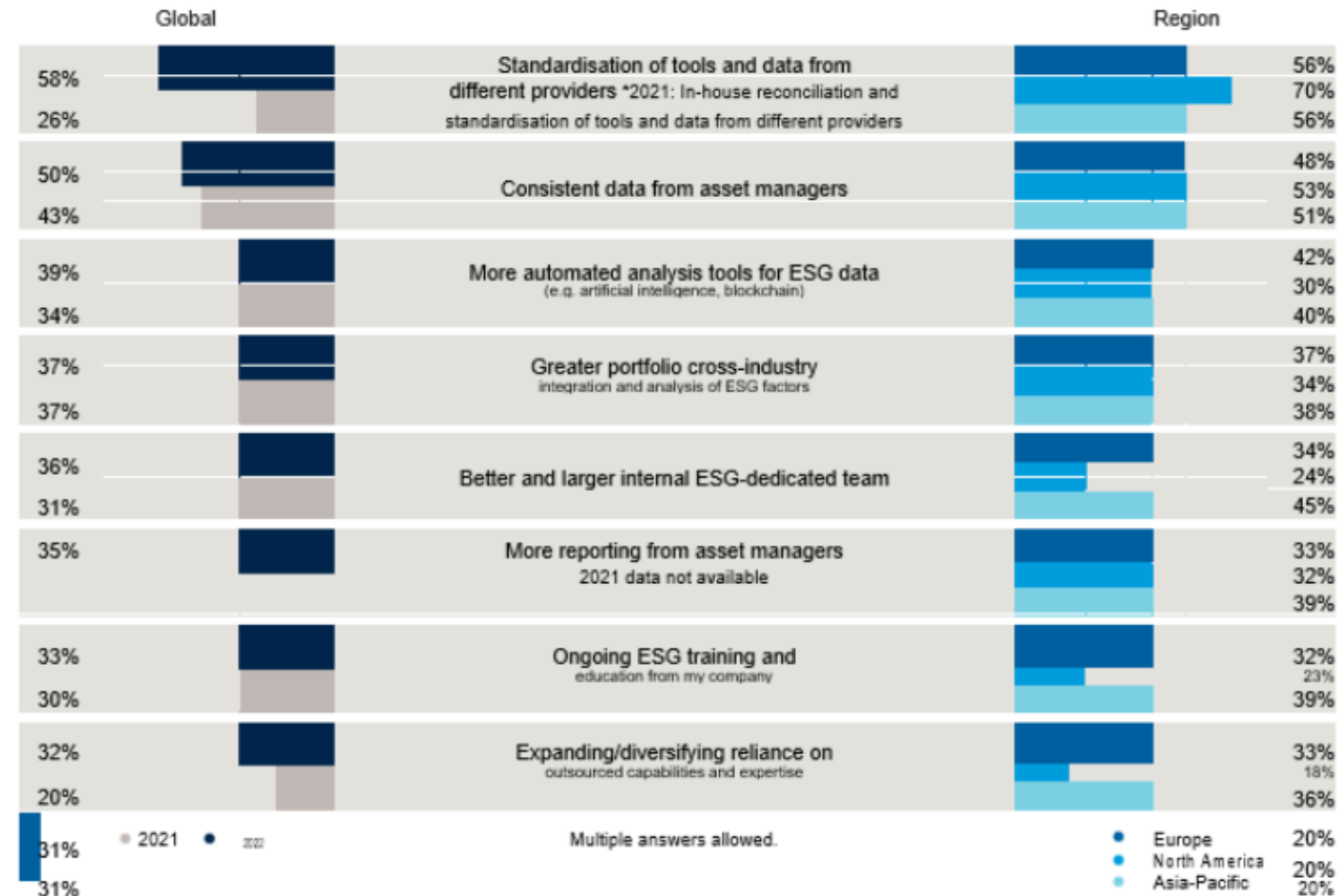
Challenges with incorporating ESG data



What are your greatest challenges when it comes to incorporating ESG data, ratings and research into your organisation's investment decision-making process? (Select up to three answers.)

1. ESG Adoption Levels
2. Momentum Drivers
3. The Climate Change Debate and perspectives
4. ESG Integration and Implementation
5. ESG Challenges
6. **Role of Sustainability Officers and Asset Managers**
7. What should ESG regulations Prioritize

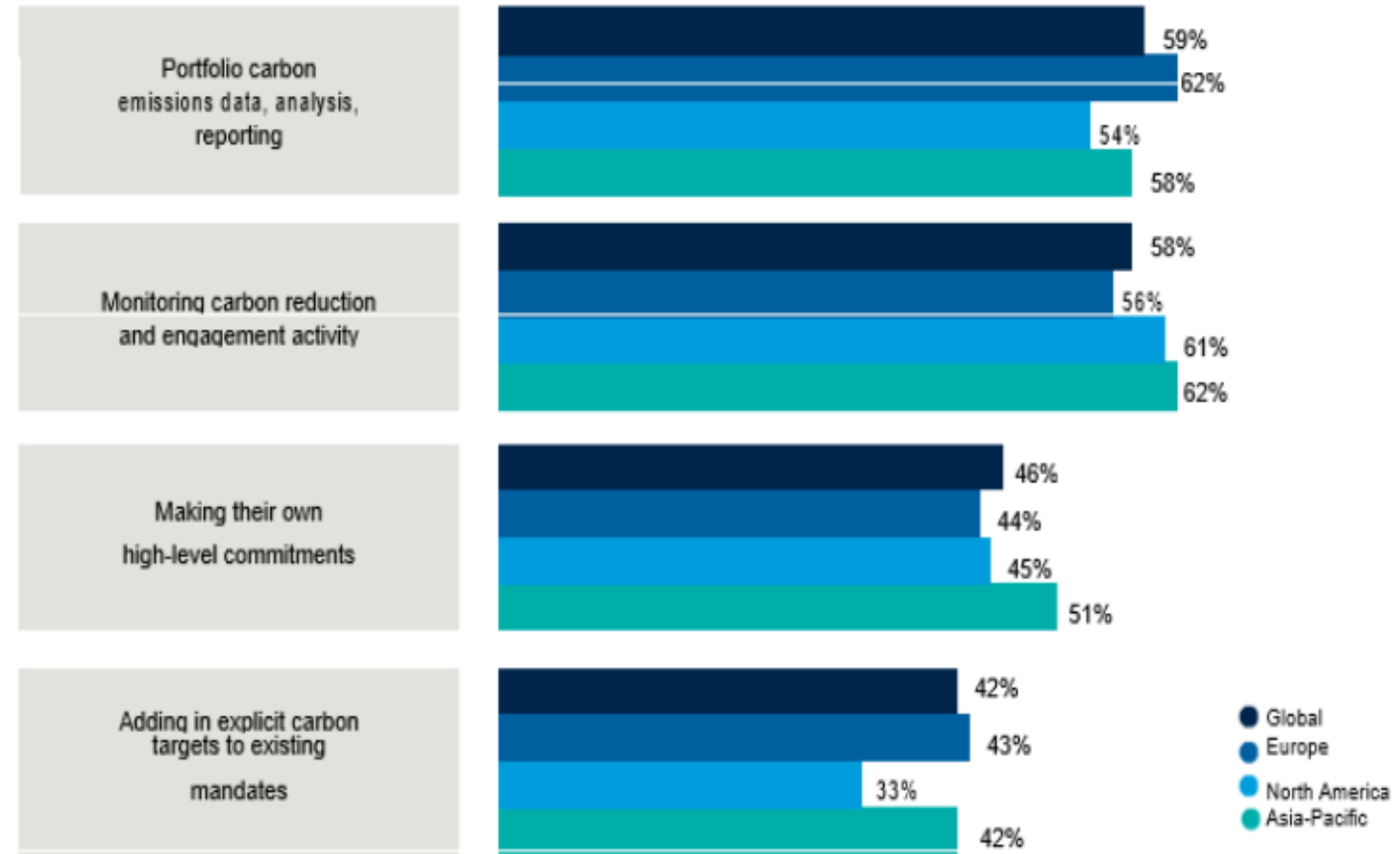
What investors need to better analyse and implement ESG



What would help your organisation better analyse and implement ESG factors? (Select up to five answers.)

How asset managers can help with net zero

1. ESG Adoption Levels
2. Momentum Drivers
3. The Climate Change Debate and perspectives
4. ESG Integration and Implementation
5. ESG Challenges
6. **Role of Sustainability Officers and Asset Managers**
7. What should ESG regulations Prioritize

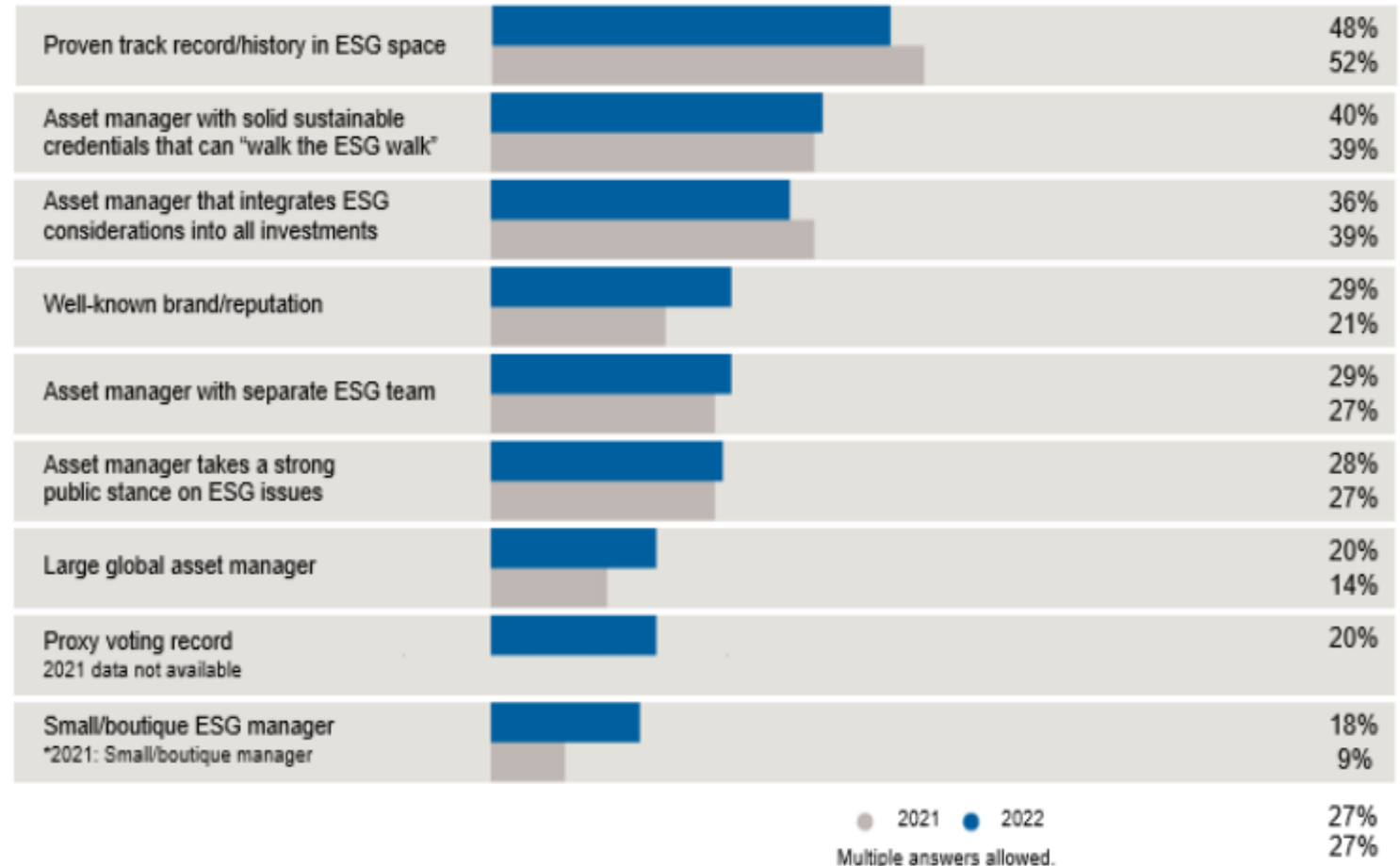


Multiple answers allowed.

How are you looking for your asset manager to help you implement net zero investing?

1. ESG Adoption Levels
2. Momentum Drivers
3. The Climate Change Debate and perspectives
4. ESG Integration and Implementation
5. ESG Challenges
6. **Role of Sustainability Officers and Asset Managers**
7. What should ESG regulations Prioritize

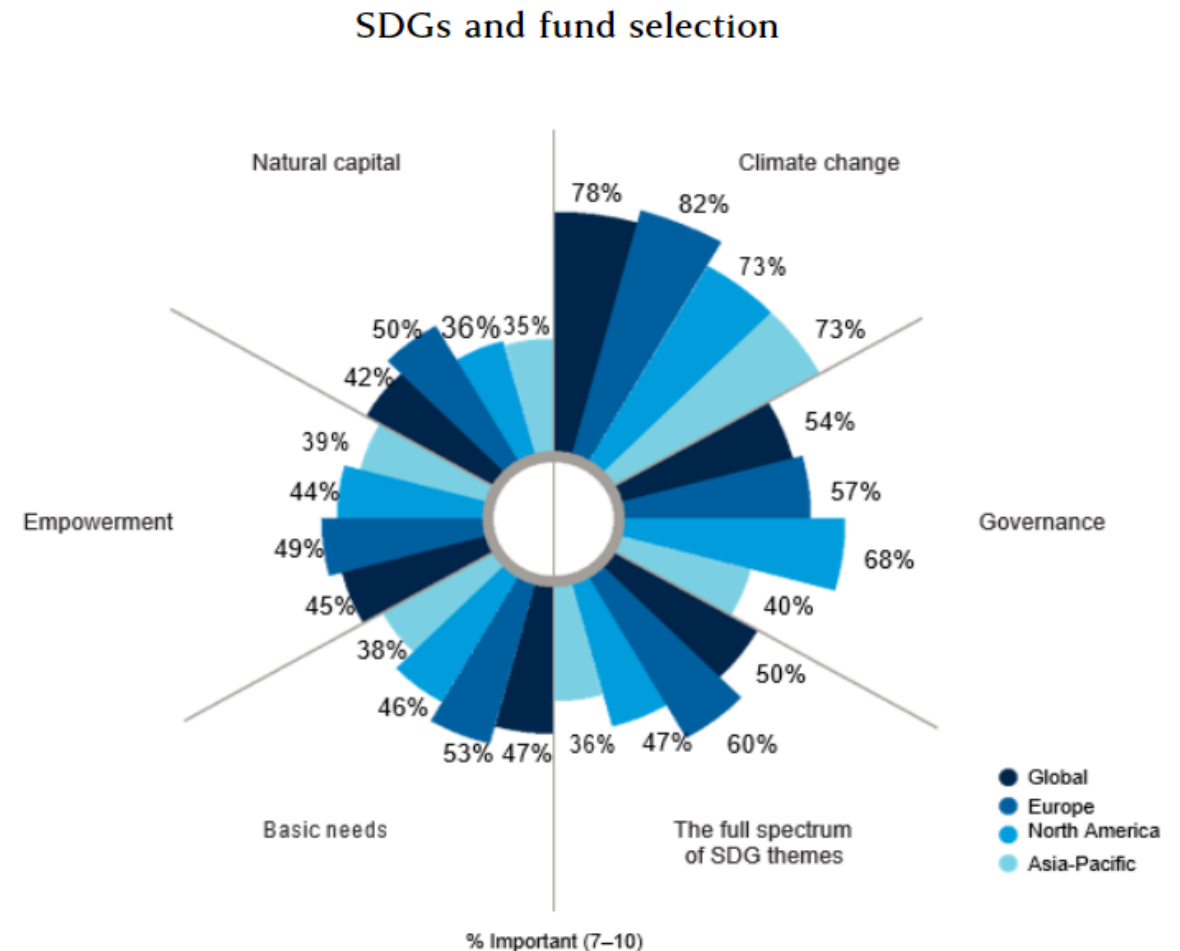
Asset manager ESG attributes



Which of the following asset manager characteristics most inspire trust and confidence when investing in ESG? (Select up to three answers.)

1. ESG Adoption Levels
2. Momentum Drivers
3. The Climate Change Debate and perspectives
4. ESG Integration and Implementation
5. ESG Challenges
6. **Role of Sustainability Officers and Asset Managers**
7. What should ESG regulations Prioritize

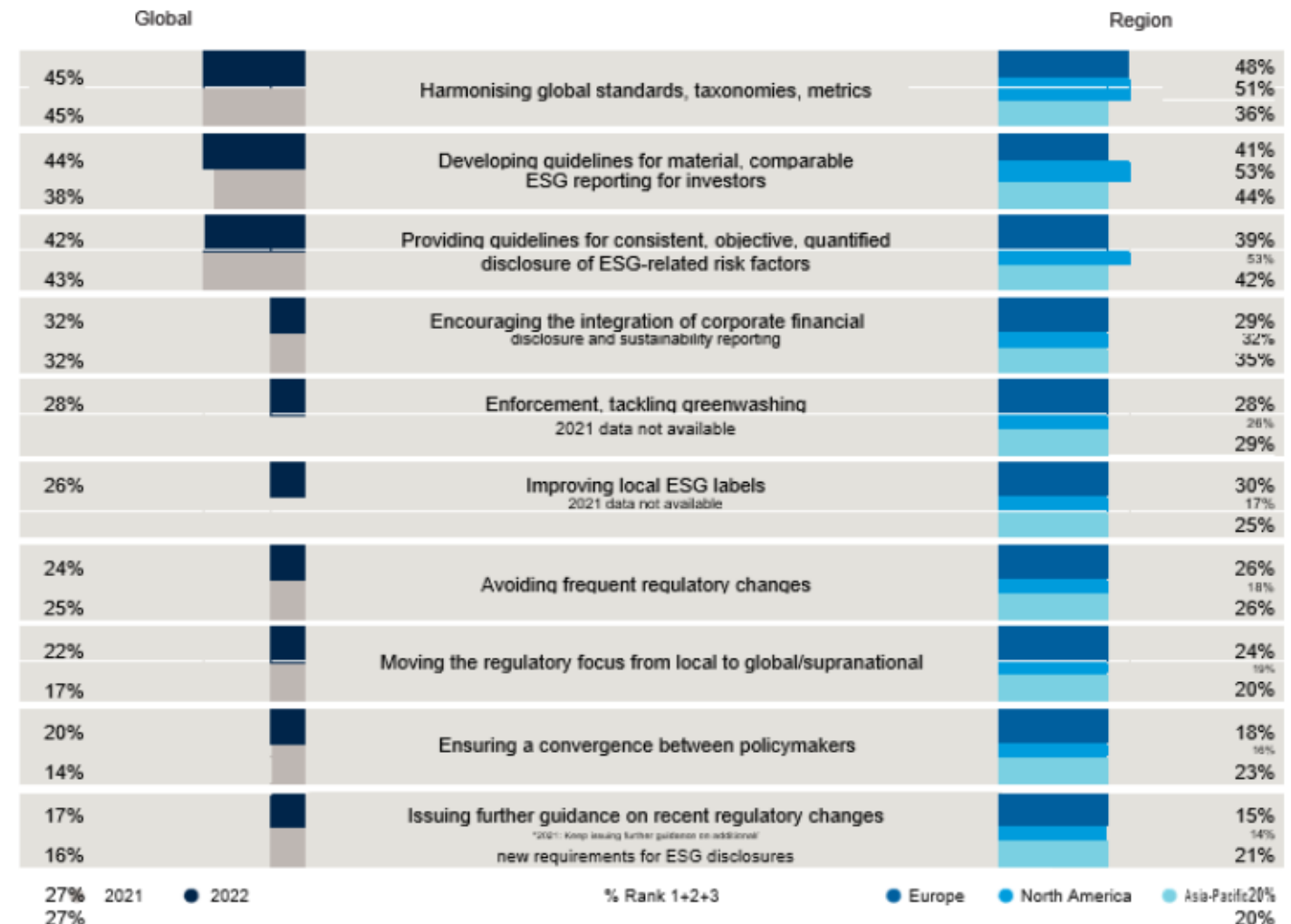
The SDGs also play a pivotal role in the fund selection process. Half (50%) of global investors say the ability to offer the full spectrum of SDG themes is an important consideration when selecting funds. Among European investors, this increases to six in 10 (60%).



When thinking about the UN SDGs, how important do you consider the following when selecting funds? (Rate on a scale of 0-10.)

1. ESG Adoption Levels
2. Momentum Drivers
3. The Climate Change Debate and perspectives
4. ESG Integration and Implementation
5. ESG Challenges
6. Role of Sustainability Officers and Asset Managers
7. What should ESG regulations Prioritize

What should ESG regulations prioritise?



What should the ESG regulatory framework in your country prioritise? (Rank up to five answers.)

Recent SEC Announcements!



U.S. SECURITIES AND
EXCHANGE COMMISSION

Search SEC.gov



COMPANY FILINGS

ABOUT

DIVISIONS & OFFICES

ENFORCEMENT

REGULATION

EDUCATION

FILINGS

NEWS

Newsroom

Press Releases

Speeches and
Statements

Spotlight Topics

Media Kit

Press Contacts

Events

Webcasts

Media Gallery

▶ RSS Feeds

▶ Social Media

Press Release



SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors

Related Materials

- [Proposed Rule](#)
- [Fact Sheet](#)

FOR IMMEDIATE RELEASE 2022-46

Washington D.C., March 21, 2022 — The Securities and Exchange Commission today proposed rule changes that would require registrants to include certain climate-related disclosures in their registration statements and periodic reports, including information about climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition, and certain climate-related financial statement metrics in a note to their audited financial statements. The required information about climate-related risks also would include disclosure of a registrant's greenhouse gas emissions, which have become a commonly used metric to assess a registrant's exposure to such risks.

"I am pleased to support today's proposal because, if adopted, it would provide investors with consistent, comparable, and decision-useful information for making their investment decisions, and it would provide consistent and clear reporting obligations for issuers," said SEC Chair Gary Gensler. "Our core bargain from the 1930s is that investors get to decide which risks to take, as long as public companies provide full and fair disclosure and are truthful in those disclosures. Today, investors representing literally tens of trillions of dollars support climate-related disclosures because they recognize that climate risks can pose significant financial risks to companies, and investors need reliable information about climate risks to make informed investment decisions. Today's proposal would help issuers more efficiently and effectively disclose these risks and meet investor demand, as many issuers already seek to do. Companies and investors alike would benefit from the clear rules of the road proposed in this release. I believe the SEC has a role to play when

Key Takeaways from SEC Proposal



New rules for Sustainability Funds Aimed at Standardizing ESG Disclosures

1. SEC has categorized the 3 funds and proposed a disclosure criteria - ESG Integration Fund, ESG Focused Fund, and an Impact Fund.
2. Every Fund has different goals and disclosure requirements. Evaluate what is right for your organization and execute the processes to achieve the mission outcomes.
3. SEC involvement is a plus. Identify the opportunities, strategize, engage stakeholders early and often, communicate the value using data and process drivers.

Top ESG Tips for success!



1. Establish an ESG Strategy - Leading to policies, goals and impactful metrics in every business function.
2. Evaluate and decide on your reporting framework(s) – Such as Global Reporting Initiative (GRI), International Standards Organization (ISO), United Nation’s Sustainability Development Goals (SDG), Task Force for Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB), Carbon Disclosure Standard Board (CDSB – an initiative of CDP) now part of International Financial Reporting Standard (IFRS), etc.

Top ESG Tips for success!



3. Ensure Data Governance – Always take the holistic approach of entire organizational risks, impacts in this process and focus on actionable data.

4. Evaluate performance metrics - Measure the ESG impact. What get's measured gets managed!

5. Provide transparency in reporting and disclosures for increased shareholder value and stakeholder support through ESG initiatives.

6. Stakeholders including customers and employees are becoming increasingly vocal and conscious about companies' ESG activities. Focus on Inclusiveness is critical.



Questions?

Chintalapati.Sowjanya@azdeq.gov

602-771-6622

azdeq.gov

