ACT ESG Conference 2022

Sponsor and speaker key takeaways and resources

SLAUGHTER AND MAY/

TREASURY EXCELLENCE AS STANDARD

In this document:

ACT TREASURY EXCELLENCE AS STANDARD

Sponsor takeaways and resources

BNP Paribas

Summary

BNP Paribas hosted a practical panel session focussed on the alignment of ESG within finance. The discussion featured experts from BNP Paribas CIB, BNP Paribas Asset Management and Anglo American plc.

Key session takeaways

The session started by profiling key themes from BNP Paribas Exane survey. This inaugural international corporates survey identified ten key ESG challenges for investor relations and how corporates can respond. Constance shared highlights from the survey results, which covered 375 managers at 322 listed companies across Europe, representing more than €6 trillion in market capitalisation. The experts across the panel then delved into how corporates are positioning ESG at the C-Suite level, the importance of KPIs and robust data for investor engagement and translating sustainability commitments into financing strategies.

Additional resources

Find out more about the inaugural International ESG Corporate Survey from BNP Paribas Exane here: Addressing 10 key ESG challenges for investor corporate relations - BNP Paribas CIB

Fitch Ratings

Summary

What goes into ESG ratings and what's being done to improve them?

Net zero is going to trigger the largest reallocation of capital in history, and policy makers recognise capital markets are the oxygen for reaching sustainability goals. The role of fixed income and capital markets going forward will continue to ramp up (expected volumes $5tln a year by 2025). ESG ratings are important for debt investors who are keen on data/ ratings that measure impact, outcomes, and performance at a company level.

ESG Ratings have many different purposes – ask questions and speak to the different providers, make sure you understand what is being assessed and the purpose of the rating. Expect to see intervention in regulation of the ESG Rating/ data providers in 2023 and further consolidation in the market.

Key session takeaways

- What is your company policy on ESG ratings, who is responsible and when was that last reviewed?

- How satisfied are you with the service, engagement, and quality of the ESG ratings on your company?
- How often do you speak with your ESG/Sustainability team? Could/should that frequency increase?

Additional resources

Read Craig Gosnell's article in *The Treasurer* here:

https://www.treasurers.org/hub/treasurer-magazine/bringing-clarity-esg-ratings

Check out https://www.sustainablefitch.com/ for more information.

HSBC

Summary

ESG | Practical tips and considerations for treasurers

The opportunity to play an enabling role in achieving a corporates sustainability objective is broadly understood, but how this role is fulfilled can be less clear.

Data is key to reducing the scope of three emissions from the value chain. Banks are uniquely positioned to with access to data from trade finance, cash pooling, commercial cards, and payments services. As this data becomes more accessible over the medium term, it could be further layered with ESG scores to introduce a sustainable working capital target model, which may include sustainability linked KPIs for suppliers or drive decisions around procurement and distribution of services.

In the meantime, solutions which can be aligned to a firm's corporate sustainability objectives are available today. For example, ESG Money Market Funds are one tool available to corporate treasurers seeking a cash investment solution that retains core treasury management principles, capital preservation and liquidity whilst considering select Environmental, Social and Governance criteria.

Key session takeaways

- Make time to read, discuss and understand your wider corporate sustainability strategy and work with your bank/asset management to identify credible solutions which align to it
- Create an agile plan of action with realistic, achievable targets in your 2023 scorecard and prioritise implementing a process or solution that will establish a basic framework
- The Investment Manager leads classifications under the EU's Sustainable Finance Disclosure Regulation (SDFR). Therefore, investors must undertake full due diligence on a manager's investment strategy to ensure it's a credible approach that achieves a materially different outcome from non-ESG alternatives.

ACT TREASURY EXCELLENCE AS STANDARD

Lloyds Bank

Summary

The session reviewed practical insights into the challenges and opportunities from a strategic approach to sustainability for treasurers and the lessons learned from those in practice.

Key session takeaways

- Consider your business and corporate finance priorities, so that ESG KPIs align with the company's broader strategic direction
- Consult widely with internal stakeholders, including top management and the board, to identify simple and relevant KPIs, and ensure the entire organisation is engaged.
- Implement appropriate systems to capture data that is reliable and transparent, and straightforward to collate and audit.

London Stock Exchange Group (LSEG)

Summary

The London Stock Exchange session covered:

- how companies can leverage the capital markets to enable the low carbon transition
- the ESG-related challenges facing businesses and the support the London Stock Exchange is providing to companies
- the role of fixed income in supporting the low-carbon transition
- the growth of the global voluntary carbon markets and how it can be utilised by corporates as part of their net zero strategies.

Key session takeaways

- Talk to the London Stock Exchange about your sustainability priorities and how the capital markets can support you
- Understand more about the voluntary carbon markets.

Additional resources

Sustainability for Issuers

Low-Carbon Transition & Climate Reporting

Voluntary Carbon Market

Green Economy Mark Report 2022

Sustainable Bond Market

ACT TREASURY EXCELLENCE AS STANDARD

NatWest

Summary

An insider guide | How are your banks approaching ESG in their risk assessment, lending, and participation decisions?

Corporates must understand the ESG priorities of their banks.

'How do ESG market standards, regulations and ESG bank commitments drive the integration of ESG into lending policies and decisions?' and: 'How can corporates leverage their banks' investments in ESG to inform their own ESG activities?' were some of the often-asked questions from corporates that Gustavo Brianza, NatWest's Managing Director – Debt & ESG Advisory, and Dr Arthur Krebbers, NatWest's Head of Corporate Climate & ESG Capital Markets, covered.

Key session takeaways

Corporates need to understand the implications of banks' ESG focus

Alongside regulatory pressures driving their ESG agenda, banks have been formulating their own ESG strategy over the past few years through various public commitments – with the Taskforce on Climate-Related Financial Disclosures (TCFD), the Science Based Target Initiatives (SBTi), the Taskforce on Nature-related Financial Disclosures (TNFD), the UN Principles for Responsible Banking (UN PRB), and The Net Zero Banking Alliance (NZBA) - all crucial drivers of banks' behaviour. And this 'changed behaviour' will have varied implications for borrowers.

Anticipating the ESG integration workstreams of banks

Corporates should now consider the following actions:

- Review TCFD guidelines to understand the impact of their banks' ESG approach on the possible renewals of their lending and other products. 91% of major European and North American banks now report under TCFD
- With c. 47% of banks committed to setting SBTi targets, they will increasingly expect their borrowers to have similar scientifically credible plans and to proactively share their transition plans
- As banks increasingly track, manage, and report their climate exposure risks for specific sectors, corporates need to expect greater scrutiny around their carbon reporting and (relative) emission profile. TFurthermore, it could also be helpful for corporates to request from their key banks their commitments and reduction plans for their specific sector to avoid surprises
- Over time, banks will tighten their exclusionary policies, which means corporates will be under pressure to provide increasingly more detail on their carbon footprint as well as more granular subsidiary revenues, OpEx, and CapEx for banks to determine the quality and credibility of their borrowers' transition plans
- Looking ahead, banks are focusing on supporting the private sector to transition towards nature-positive investments. Companies should anticipate greater engagement on this topic.

Tapping into banks' ESG expertise

ESG presents opportunities too: corporates with strong, quantifiable ESG targets will be able to access multiple new sustainability-linked finance products (such as FX, interest rate swaps, private placements, and supply chain finance); and most of these structures, come with possible pricing benefits.

Equally, firms with a well-defined investment plan to meet their sustainability goals will find it appealing to consider 'use of proceeds' sustainability instruments, which exist across most drawn banking and capital markets products.

Finally, with banks investing considerably in broader ESG support and advisory efforts for their customers, corporates can and should take advantage of the wide-reaching 'centres of excellence', for instance, in areas such as future mobility, the built environment, energy transition, carbon footprint assessment and carbon markets. Such initiatives and know-how can help firms navigate their sustainability journey, and access innovation thought leadership and potential partnerships in impactful areas of ESG.

TREASURY EXCELLENCE AS STANDARD

Slaughter and May

Summary

During the first panel session, chaired by Slaughter and May, panellists from Burberry, BNP Paribas and the LMA explored current trends in the sustainable finance market and practical tips for treasurers approaching the market for the first time. The discussion, which drew on the panel's wealth of experience and generated significant audience engagement, touched on the different sustainable finance products available, the importance of having a well-developed sustainability strategy to underpin any sustainable financing, the increasing focus from lenders on KPIs and targets and their role in challenging them, and the key risks and opportunities for both corporates and lenders.

Key session takeaways

- Spend time selecting appropriate KPIs and build that extra time into the transaction timetable
- The importance of treasurers understanding how their companies are being assessed by ESG rating providers
- The growing role of transition plans and transition finance.

TREASURY EXCELLENCE AS STANDARD

Speaker takeaways and resources

Financial Conduct Authority (FCA)

Summary

The session covered the regulation that is coming in the ESG and sustainability space, how it will affect treasurers and how they can be prepared.

Corporate reporting:

- FCA's TCFD-aligned requirements for listed companies
- future standards of the ISSB standards of the IFRS Foundation (enhancing and expanding existing TCFD-aligned disclosure- and soon covering topics beyond climate)
- future EU sustainability reporting standards (ESRS) to comply with the CSRD (Corporate Sustainability Reporting Directive).

Additional transparency, trust, and sustainable finance instruments:

- FCA's SDR and investment labels
- Transition Pathway Taskforce's (TPT's) plans framework
- taxonomies of sustainable economic activities.

Key session takeaways

- Get familiar with the new regime and understand the new expectations that your stakeholders (not just regulators) will have as a result.
- Anticipate how the treasury function can help with the new regulation and harness it to your advantage to be able to cooperate with other company departments and avoid siloes.
- Engage with the new regulation as it is being shaped and have your voice heard, e.g. be aware of ongoing consultations:
    - CP22/20: Sustainability Disclosure Requirements (SDR) and investment labels | FCA
    - call for evidence | Transition Plan Taskforce (transitiontaskforce.net)
    - in 2023 H1: IFRS - ISSB Consultation on Agenda Priorities.

TREASURY EXCELLENCE AS STANDARD

The International Capital Market Association (ICMA)

Summary

This session provided a brief overview on ICMA which provides the global standards that underpin the sustainable bond markets as well as details on these standards (the 'Principles' as we call them) and related guidance.

Additional resources

Corporates that are already issuing or considering issuance of a green, social, sustainability or sustainability-linked bond, can find all the Principles and related guidance on the ICMA website:
https://www.icmagroup.org/sustainable-finance/