Money Goes Greener

The Importance of Environmental, Social, and Governance (ESG) in Corporate Finance & Banking
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Prior to joining CFI, Kyle Peterdy worked both in financial services and in education. Most recently he spent six years with RBC managing Canadian-based commercial borrowers across a variety of sectors including technology, retail & hospitality, and manufacturing & wholesale. Aside from his client-facing responsibilities, Kyle also regularly served as a mentor for new hires to support their training and development in role.

Derek Young joined CBL in 2023 as Vice President - ESG. Prior to joining CBL, he served as Managing Director of ESG Consulting Services at Summit Strategy Group, a boutique consulting company where he was responsible for developing, building, and leading the ESG consulting practice. Throughout his career he has helped to start and lead CSR and Sustainability programs at several corporations and has provided consulting support to numerous other brands across a wide range of sectors and industries.
POLL

On a scale of 1-5, how familiar are you with, or how well do you understand ESG?
What ESG Is (and what it is not)
ESG Investing is:
Based on an assessment of a company’s environmental and social risk

Impact Investing is:
An investment focused on achieving an environmental or social outcome

Commonalities:
- Both focus on environmental and social issues
- Both can be applied to companies actively working on ESG and/or sustainability
ESG & Business Impacts

**Environmental Responsibility**
- Climate
- Water
- Waste
- Packaging
- Pollution
- Deforestation
- Biodiversity
- Land Management

**Social Responsibility**
- Human Rights
- Diversity & Inclusion
- Labor Practices
- Human Capital Development
- Product Safety
- Community Impact
- Occupational Safety

**Governance & Ethics**
- Board Diversity
- Executive Compensation
- Customer Satisfaction
- Data Security
- Risk Management
- Code of Conduct
- Tax Strategy
- Supply Chain
The ESG Culture Wars
ESG

SO HOT RIGHT NOW
POLL

Which headline is fake?

#1 New York Bans Fossil Fuels in New Buildings Starting 2026

#2 DeSantis Signs Sweeping Anti-ESG Legislation in Florida

#3 New EU Regulations Require Companies to Hire Psychic Mediums
Culture Wars: Political, Socioeconomic, Performance

DeSantis signs bill targeting ‘discriminatory ESG’ in Florida

Report: ESG Is a Threat to Individual Liberty, Free Markets, and the U.S. Economy

System change investing is the next evolution of ESG

ESG Is Digging a Deeper and Deeper Hole for Itself

Shifting into action: How CFOs can play a larger role with ESG

ESG could have saved Silicon Valley Bank

ESG is Bad for a Company’s Share Value

Society first. ESG investing is here to stay

Updated: April 27, 2023 at 09:33 PM.

Despite the criticism, ESG investing with a long-term sustainable strategy is beneficial to society

Expert: Rise of green finance creating big need for ESG investing talent
The Changing Regulatory Landscape
# Major Regulatory Developments

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<th>EU Taxonomy</th>
<th>CSRD</th>
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<td>EU Taxonomy for sustainable activities classifies which investments are considered sustainable, relative to the European Green Deal. Purpose of the taxonomy is to prevent greenwashing and improve investment decisions. Published in June of 2020.</td>
<td>Stands for Corporate Sustainability Reporting Directive. Requires large companies and public interest entities operating in the EU to disclose on their ESG performance annually. Effective as of 2025. Will impact as many as 10,000 US companies.</td>
<td>Draft Climate Rule released in March of 2022. Rule would mandate climate disclosure, including Scope 3 emissions, for public companies in the US. Rule was opened for public comment period, which closed at end of 22. SEC is expected to release the revised and final rule in May or June of 23.</td>
<td>Finalized rule in November of 22 that would allow, but not require, retirement plan fiduciaries to consider ESG factors when selecting investment fund and exercising shareholder rights. Rule has been under fire from conservatives at National and State level.</td>
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Q&A
Key Takeaways

1. ESG is a method for measuring environmental and social risk and leveraging that risk analysis to drive performance improvement and increased valuation and reputation.

2. The “anti-ESG” movement is actually several different perspectives, not one consolidated voice.

3. ESG is still a nascent field, but despite opposition, it continues to establish itself as an important and value-added vehicle for investors, businesses and employees.

4. The regulatory environment around the world is reinforcing the financially material nature of ESG and is moving to consolidate the approach to disclosure to ensure accuracy and consistency.

5. Analysts need to understand this landscape to make informed assessments of companies when considering ESG-related factors.
Thank you for attending!

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Additional Resources

- **Specialization:** Environmental, Social and Governance Specialization
- **Free Course:** Introduction to Climate Risk Management
- **Article:** Pros and Cons of Solar Energy
- **Article:** Corporate Social Responsibility
- **Article:** ESG Disclosure for Funds Regulation
- **Article:** Human Capital Disclosure Rules
- **Article:** SEC Climate Risk Disclosure Regulations

**Reporting Frameworks**

- Global Reporting Initiative
- Sustainable Accounting Standards Board
- Task Force on Climate Related Financial Disclosure

**Current ESG Regulations**

- SEC Climate Rule
- CSRD