

S&P Global Sustainable1

Investor Client Council

Cycle: 2023 – 2024

Location: Javits Center, NYC

Sponsor: Martina Cheung

Region: North America

Date: September 21, 2023

Chair: Mona Naqvi

Session: H22023

Time: 14.00 – 16.30 ET

Secretariat: Myrna Ghanem

Attendees

Council Members

- Anna Murray, Global Head of Sustainable Finance, **OTPP (v)**
- Andrew Ford, Vice President of Global Sustainable Finance, **Morgan Stanley**
- Bertrand Millot, Head of Sustainability, **CDPQ**
- Christopher Johnson, Chief of Staff to the Chief Investment Officer, **Guggenheim Partners (v)**
- Dave Stangis, Chief Sustainability Officer, **Apollo**
- Derek Rozycki, Head of Responsible Investing, **Mubadala**
- Erin Bigley, Chief Responsibility Officer, **Alliance Bernstein**
- Glen Yelton, Head of ESG Client Strategies, **Invesco**
- Herman Bril, Head of Sustainability & Climate, **Invest PSP**
- Jamie Franco, Global Co-Head of Sustainable Investment, **The TCW Group**
- Kyung-Ah Park, Managing Director of ESG Investment Management, **Temasek**
- Nile Garritson, Associate Portfolio Manager, **CalSTRS (P)**
- Rakhi Kumar, SVP Sustainability Solutions, **Liberty Mutual**
- Roy Appelman, Managing Director, MAS, **Goldman Sachs**
- Dr. Ruben Lubowski, Chief Carbon and Environmental Market Strategist, **Lombard Odier Investment Managers**
- Samantha Hill, Managing Director, Sustainable Investing, **CPP Investments (v)**
- Sarah Friedman Hersh, Head of ESG, **Vanguard**
- Vijay Bains, Chief Sustainability Officer, **Emirates NBD**

S&P Global Attendees

- Mona Naqvi, Chair of the Council, **S&P Global Sustainable1**
- Myrna Ghanem, Secretary of the Council, **S&P Global Sustainable1**
- Martina Cheung, President, **S&P Global Ratings**
- Dan Draper, CEO, **S&P Dow Jones Indices**
- Christopher Heusler, President, **S&P Global Sustainable1**
- Bruce Schachne, Chief Commercial Officer, **S&P Dow Jones Indices**

- Cameron Drinkwater, Chief Product Officer, **S&P Dow Jones Indices**
- Margaret Dorn, Senior Director ESG, **S&P Dow Jones Indices**
- Christa Clapp, Managing Director, Sustainable Finance, **S&P Global Ratings**
- Richard Mattison, Vice Chair of **S&P Global Sustainable1**
- Lauren Smart, Chief Commercial Officer, **S&P Global Sustainable1**
- Thomas Yagel, Chief Operating Officer, **S&P Global Sustainable1**
- Sonia Kim, Managing Director, Head of Product, **S&P Global Sustainable1**
- Abigail Etches, ESG and Climate Index, **S&P Global Ratings**

Apologies

Council Members

- Anne Simson, Global Head of Sustainability, **Franklin Templeton**

Meeting Objective

The Council Meeting serves as the first in person North American **S&P Global Sustainable1 Investor Client Council**. The aim of the Council is to facilitate a community of industry experts who meet regularly to discuss business challenges and opportunities arising from sustainability issues. Its members provide S&P Global with expertise to inform best practices and deepen S&P Global's understanding to serve the evolving needs of the market through relevant products and services.

Agenda & Record of Discussions

1. Welcoming Remarks

- 1.1. **Mona Naqvi** (Chair) invited Martina Cheung and Dan Draper to provide their welcoming remarks.
- 1.2. **Martina Cheung** (S&P) welcomed the ICC members to the first in-person iteration of the North American Council and emphasized the importance of a community fostering a discussion on the relevance of SPOs and investment in sustainability.
- 1.3. **Dan Draper** (S&P) echoed Martina's gratitude and remarks and iterates S&P's position as an index provider having developed the first index and sustainability index through the Dow Jones Sustainability World Index.

2. Purpose & Objectives

- 2.1. Mona Naqvi expressed her gratitude and invited Myrna Ghanem (Secretary) to read out housekeeping rules.
- 2.2. **Myrna Ghanem** (Secretary) provided guidance on safety exits and protocol for providing comments. Ghanem addressed virtual attendees to emphasize inclusivity of in person and virtual members throughout the discussion.

- 2.3. Mona Naqvi read the Council Guidelines and received verbal acknowledgement from all members of their understanding and agreement.
- 2.2. Members introduced themselves and each provided their hopes for the session.

3. Climate & Paris-Aligned Indices

The allocation of capital into adoption through indices

- 3.1. **Mona Naqvi** (Chair) began by recounting how an index provides us with a lens for a broader landscape to view the market.
- 3.2. Mona Naqvi addressed the Council and invited Members to provide their comments on how an index can ensure we are allocation sufficient capital into the strategies and sufficient adoption when it comes to scaling the transition.
- 3.3. On the question of whether we can get a universal standard to move the needle, one member proposed a potential taxonomy.
- 3.4. Members agreed that there are various ways indices are needed for different objectives, such as thematic drivers, decarbonization, or financing the transition.

Beyond the mathematics of an index

- 3.5. **Jamie Franco** (TCW) advised that a taxonomy can be helpful but is insufficient as the language around “the transition” remains vague.
- 3.6. Members agreed that there are numerous taxonomies, but substance is needed beyond a simple arbitrary metric to become Paris-aligned like a 7% reduction in emissions.
- 3.7. Some members highlighted the regional and sector-specific differences when it comes to viewing the transition.
- 3.8. Members discussed how a credible transitioning story can be validated and the gaps of accountability.
- 3.9. All members agreed that there are several standards, but credibility is a challenge.

Flexibility and simplicity are key

- 3.10. **Margaret Dorn** (S&P) explained the 7% reduction is requirement-based and asked the Members what the ideal benchmark is to accomplish climate-related goals.

- 3.11. **Andrew Ford** (Morgan Stanley) discussed the importance of flexibility in the development of indices so investors can decide whether they wish to be thematic, revenue-based, taxonomy-based or have another objective.
- 3.12. Most members were of the opinion that there is a challenge between insufficient and too much flexibility.
- 3.13. Members agreed that beyond hitting carbon targets, thematic objectives are important.

Green or transition index?

- 3.14. **Herman Bril** (PSP) underlined that a straight line is not realistic when looking at index performance. Bril emphasized the importance of cleaning up a portfolio to help the transition as what is green is already green and what is brown requires to be green.
- 3.15. Some members provided additional comments on the need to differentiate between transitioning and green indices or portfolios.
- 3.16. Members admitted that the tracking error remains to be of importance and that, ultimately, they need to focus on performance and provide comments when the benchmark deviates.
- 3.17. Margaret Dorn highlighted various levers that index development would go through and described the dependence of strategies on the markets particularly from a regional perspective.
- 3.18. **Glen Yelton** (Invesco) commented that from an investor point of view, climate opportunities are more interesting because there is alpha in opportunity which is clear and straight-forward to explain.
- 3.19. Ultimately, all members agreed regional considerations can decide what is important. **Vijay Bains** (ENBD) gave the example of physical risk in the Middle East where flooding is less relevant than other countries.
- 3.20. Some members emphasized the importance of risk beyond opportunity to optimize their portfolios.
- 3.21. Members also brought up the role of public vs. private when it comes to the transition and underlined the importance of the private market when it comes to providing climate solutions and aiding the transition whereas public companies see less pure green and more need to transition to green.
- 3.22. Some members brought up the Sustainable Development Goals (SDGs) as something worth exploring.

Aligning indices by use case

- 3.23. **Roy Appelman** (Goldman Sachs) prompted a discussion around the importance of aligning indices by use case.
- 3.24. One member gave the example of needing to short in unfavorable conditions given the importance of liquidity beyond the sustainability requirements of a client.
- 3.25. Other members highlighted simplicity as a critical point when working with retail investors as an index fund needs to be understandable which is why the Paris-aligned or transition indices are more easily understood but potentially less complex.

4. Break

- 4.1. The Council adjourned for a 15-minute break.

5. SPOs, Shades of Green, and Green Equity

- 5.1. **Mona Naqvi** (Chair) reconvened the meeting and invited members who arrived later to introduce themselves.
- 5.2. **Christa Clapp** (S&P) set the scene on Second Party Opinions and Shades of Green to differentiate types of green activities. Clapp asked members how to move beyond “shiny dark green” and beyond use of proceeds labelling to move capital markets in the green direction.

Beyond dark green investments

- 5.3. **Vijay Bains** (ENBD) brought attention to the importance of being aligned to a framework like ICMA to help companies navigate what is a sustainable instrument and what is not. Bains emphasized we cannot flip to green overnight.
- 5.4. One challenge cited was the need for everyone to move and the narrative around making dark green the standard which will disincentivize issuance.
- 5.5. Beyond companies, **Jamie Franco** (TCW) discussed data being a challenge when it comes to other assets and sovereigns.
- 5.6. Some members requested more guidance from S&P with regards to transparency and improvements in the data particularly when different data providers have strikingly different values for the same companies.
- 5.7. **Bertrand Millot** (CDPQ) underlined the importance of a certification like the Science-Based Target Initiative (SBTI) which provides companies with a gold medal. Millot highlighted that beyond the gold medal, investors also need to know “who is silver, who is bronze, who goes to the gym, and who is doping”.

- 5.8. All members provided positive feedback on the shading system, and some recounted their own internal systems or local examples of shading which help produce a strategy to move in the right direction.

Impact reports and auditing of investment

- 5.9. Members put a spotlight on the need for assurance and tracking the projects to ensure these meet their objectives.
- 5.10. **Christopher Heusler** (S&P) described the duality in SPOs as the core of the project as a long-term project and the point-in-time aspect of it.
- 5.11. Members agreed that surveillance is critical as sustainability instruments are more prone to greenwashing and that impact reports are needed.
- 5.12. S&P members highlighted the need for demand from investors and that while transparency is at the core of S&P's business, client and investor demand is what will push it forward.
- 5.13. Few members expressed time as a constraint for why analysts analyzing bonds cannot spend time going back and forth on issued bonds when there are new ones coming out, but that there is value add in surveilling them.

Double materiality: outcome vs. impact

- 5.14. One member highlighted how this links back to double materiality when it comes to impact and why outcomes are easier to report on as a first step which is process driven and produces numbers that can help produce impact.
- 5.15. Another member questioned the development of Shades of Green to go beyond green and cover water, social, and nature-related metrics.
- 5.16. Christa Clapp explained the team is redefining the social as it goes beyond the shading system. Blue and nature are similarly still a work in progress as details that are more solidified for the environmental and climate are already in existence.

Green equity listings

- 5.17. Mona Naqvi asked the members about green equity and if members had any additional comments on it.
- 5.18. Christa Clapp provided the example of Nasdaq which has developed green equity listings but has yet to add any companies on their green transition list.
- 5.19. Members did not provide further comments on green equity.

6. COP28 and Other Discussion Points

- 6.1. **Mona Naqvi** (Chair) asked members if they are attending COP28 in Dubai in December and what their hopes are for the event.
- 6.2. **Lauren Smart** (S&P) mentioned S&P will be in attendance and invited attendees to make themselves known to invite them to our hosted event.
- 6.3. Members of the APAC & Middle East Council in attendance discussed their participation as sponsors or attendees and highlighted the importance of progress that needs to come out of COP, but may take a few years to be visible.
- 6.4. **Derek Rozycki** (Mubadala) underlined the requirement of real outcomes to move with integrity and find tools for innovation to take steps forward quickly.
- 6.5. Other members including **Kyung-Ah Park** (Temasek) and **Dr. Ruben Lubowski** (Lombard Odier) described their optimism and the urgency for governments to get serious.
- 6.6. **Myrna Ghanem** (Secretary) asked for a show of hands and made notes of members attending or having a presence at the event.

7. Concluding Remarks and Next Steps

- 7.1. Mona Naqvi thanked the Council members and virtual members for attending and providing their candid comments.
- 7.2. The S&P Council members welcome any 1:1 follow ups or discussions.
- 7.3. Members will receive access to a webpage for all Council documentation.
- 7.4. The North American Council will resume for the H1 2024 session in Spring 2024.

8. Council adjourns

- 8.1. **Mona Naqvi** (Chair) recounts next steps and adjourns Council.

S&P Global Sustainable1

Investor Client Council

Cycle: 2023 – 2024

Location: Virtual

Sponsor: Chris Heusler

Region: Europe

Date: September 27, 2023

Chair: Mona Naqvi

Session: H22023

Time: 14.00 – 17.00 CET

Secretariat: Myrna Ghanem

Attendees

Council Members

- Eric de Tessières, Chief Operating Officer at the Sustainability Center, **BNP Paribas**
- Eva Cairns, Head of Sustainability Insights and Climate Strategy, **abrdn**
- Florian Sommer, Head of ESG Strategy, **Union Investment**
- Gemma Corrigan, Head of Policy & ESG Integration, **Federated Hermes (p)**
- Kristiina Ruuska, Acting Head of ESG, **OP Financial (p)**
- Ophelie Mortier, Chief Sustainable Investment Officer, **Degroof Petercam (DPAM)**
- Rachel Whittaker, Head of Sustainable Investing Research, **Robeco**

S&P Global Attendees

- Mona Naqvi, Chair of the Council, **S&P Global Sustainable1**
- Myrna Ghanem, Secretary of the Council, **S&P Global Sustainable1**
- Christopher Heusler, President, **S&P Global Sustainable1**
- Margaret Dorn, Senior Director ESG, **S&P Dow Jones Indices**
- Christa Clapp, Managing Director, Sustainable Finance, **S&P Global Ratings**
- Lauren Smart, Chief Commercial Officer, **S&P Global Sustainable1**

Apologies

Council Members

- Filip Ferrante, Director of Corporate Sustainability, **KBC**
- Robert Campbell, Responsible Investment Senior Financial Analyst, **Universities Superannuation Scheme (USS)**
- Samira Boussem, Head of ESG, **Natixis Investment Managers**

Meeting Objective

The Council Meeting serves as the second European **S&P Global Sustainable1 Investor Client Council**. The aim of the Council is to facilitate a community of industry experts who meet regularly to discuss business challenges and opportunities arising from sustainability issues. Its members provide S&P Global with expertise to inform best practices and deepen S&P Global's understanding to serve the evolving needs of the market through relevant products and services.

Agenda & Record of Discussions

1. Welcoming Remarks

- 1.1. **Mona Naqvi** (Chair) welcomed members to the second Investor Council Meeting for the European region.
- 1.2. **Lauren Smart** (S&P) provided welcoming remarks and emphasized on the growing numbers of assets being represented in the Council at about 25% of global AUM.
- 1.3. Members and S&P attendees reintroduced themselves, what they have been focusing on, what they hope to achieve from the meeting and their current priorities and developments.

2. Purpose & Objectives

- 2.1. Mona Naqvi read the Council Guidelines and received acknowledgement from all members of their understanding and agreement.

3. Climate & Paris-Aligned Indices

Net zero products have low demand

- 3.1. **Mona Naqvi** (Chair) asks the Council if there is a common denominator for a net zero index or Paris alignment.
- 3.2. **Margaret Dorn** (S&P) presents findings from previous Council sessions and internal discussion on the lack of common consensus on what should be in a net zero index particularly given the gap between what is committed and what has capital flowing into it.
- 3.3. Members agreed that there is no single approach to net zero benchmarking as many focus on carbon when there are other more meaningful metrics.

- 3.4. One member described the importance of what the index aims to achieve, highlighting that it also depends on how transition is described and whether that entails climate solutions or a simple decrease in carbon.
- 3.5. Many members mentioned their membership of the Net Zero Asset Management Initiative (NZAMI) as an aid to their approach in how consistent their benchmarks are as opposed to others who struggle with it.
- 3.6. All but one member confirmed they offer a net zero product, whether on the active or passive side.
- 3.7. Emphasis was made (similarly to the other two meetings) on the importance of the regional dimension, but members agreed this would improve.
- 3.8. Mona Naqvi asked members to discuss any challenges in adopting the net zero offerings particularly on the demand side.
- 3.9. A few members focused on the difference between institutional and retail investors and how this produces only a minority of clients interested in investing in net zero products.
- 3.10. Consistently with the other two Council meetings, members brought up the tracking error that was a major hindrance in how they were integrating a climate angle to their benchmarks.

Underperformance and regulation of ESG and climate benchmarks

- 3.11. Members brought up the underperformance of ESG and climate indices compared to other benchmarks given the state of the economy and political tension in Europe and the US.
- 3.12. One member discussed reluctance of adoption of net zero as regulations are always in the pipeline on greenwashing which could change the ways in which net zero metrics operate.
- 3.13. Some members underlined the ultimate importance of the client and how much can be achieved for them through the different considerations of climate metrics.
- 3.14. **Eva Cairns** (abrdn) warned that data needs to be taken with a pinch of salt as simple numbers are helpful but may not be robust enough to help the transition.
- 3.15. **Margaret Dorn** (S&P) posed the question; is there a way we can use levers for clients to use their own tools.
- 3.16. A challenge cited was that data providers provide outputs which are assumption-based, leaving no power to clients on the input.
- 3.17. Members briefly touched upon biodiversity and stressed the challenge of quantifying nature into an index.

How S&P can support with index creation for net zero objectives

- 3.18. Some members requested taxonomy aligned indices given the European focus on European Commission regulations.
- 3.19. Members nodded in agreement with the statement.
- 3.20. **Florian Sommer** (Union) emphasized the need for forward-looking data to help understand companies' positions and what progress they have made to drive the transition.
- 3.21. Data quality was mentioned with approval from the Council as a major challenge particularly around frequency of data updates, and discrepancies between published and estimated data.

4. Break

- 4.1. The Council adjourned for a 15-minute break.

5. SPOs, Shades of Green, and Green Equity

- 5.1. **Chris Heusler** (S&P) set the scene for Shades of Green and walked the members of the Council through the shading system and background of the acquisition of CICERO.
- 5.2. **Mona Naqvi** (S&P) addressed the Council to understand their use of SPOs and if there were challenges in the space.
- 5.3. **Christa Clapp** (S&P) walked members through the Shades of Green methodology and updates and improvements made in the market to produce it as an established space.
- 5.4. Members proposed a discussion with the relevant teams in their fixed income departments, and the importance of credibility and alignment with the ICMA Guidelines.

The potential Conflict of interest as SPO and ratings provider

- 5.5. One member questioned the potential conflict of interest regarding S&P as a 3rd party verifier and SPO provider given the importance of the “G” of ESG.
- 5.6. Chris Heusler and Christa Clapp described the internal structure of S&P and the compliance walls in place to account for any COIs.
- 5.7. Mention was also made of the “associated”, “commercial”, and “analytical” distinction required internally.

Exposure of assets to shades beyond green

- 5.8. **Mona Naqvi** (Chair) spoke to the members of the North American comments on investing or divesting when it comes to assets that sit beyond “shiny green” or the darkest shade of green.
- 5.9. Members did not provide comments.

Green equity and best practices

- 5.10. **Christa Clapp** (S&P) provided an overview of green equity and an example of LSE’s and Nasdaq’s listings of companies that are considered green or transitory based on their green revenues.
- 5.11. One member made a link to the SDGs as the thematic way they are looking at revenue contribution, and underlined OPEX and CAPEX as being the best picture to understand where a company is heading.
- 5.12. The definition of what is green is a challenge to members particularly with the EU Taxonomy changing the definitions as the regulation is fully formed.
- 5.13. Other members did not provide comments.
- 5.14. **Mona Naqvi** (Chair) drew a parallel with the demand to produce taxonomy-aligned indices in the first session to help with alignment of revenue or other metrics.
- 5.15. Mona Naqvi asked the Council member if this is adding more to the noise given the many definitions, and if an exchange would be useful to provide more detail on the definition.
- 5.16. **Myrna Ghanem** (Secretary) made note to follow up with the appropriate teams on the topic.

6. COP28 and Other Discussion Points

- 6.1. **Mona Naqvi** (Chair) asked members if they are attending COP28 in Dubai in December and what their hopes are for the event.
- 6.2. Some members are not represented at COP, but follow closely the actions and feedback received to ensure they are actioning what comes out of it.
- 6.3. Members agreed that COP is important and that there are designated teams to go over what happens at the event.
- 6.4. One consideration mentioned by several members is whether or not it makes sense to attend in person given the mode of travel and that most important events are made available online.

- 6.5. **Eva Cairns** (abrdn) confirmed her attendance and S&P will follow up with an invitation to the event.
- 6.6. On the question of hopes for the event, one member highlighted the importance was action beyond the ambitions and targets being set.
- 6.7. Feedback was provided by **Ophelie Mortier** (DPAM) to assist in data on green bonds and green financing as well as sovereign data, and a focus on best practices of companies that are Paris-aligned with transparency on their actual actions.
- 6.8. Mona Naqvi agreed there is a financing gap and that collaboration is critical.

Feedback for the H1 2024 meeting agenda

- 6.9. Feedback included how to scale up capital flows and go from developed markets to emerging markets.
- 6.10. Members agreed that a focus on sovereign targets and transition trajectories is also required.
- 6.11. Some members discussed the SDGs as a big focus beyond the topics discussed in the meeting for the next meeting.
- 6.12. **Rachel Whittaker** (Robeco) underlined that country-level SDG commitments are easier to track than company-level which is required.
- 6.13. Members were in agreement that more is needed on climate transition for sovereign and SDG alignment for companies.
- 6.14. **Kristiina Ruuska** (OP) provided comments on the EU Sustainable Finance Act and how it can be aligned with different regions to get a view of the global picture as an interesting topic for the next session.

7. Concluding Remarks and Next Steps

- 7.1. Mona Naqvi thanked the Council members for their insightful thoughts
- 7.2. The S&P Council members welcome any 1:1 follow ups or discussions.
- 7.3. Members will receive access to a webpage for all Council documentation.
- 7.4. The European Investor Council will resume for the H1 2024 session in Spring 2024.

8. Council adjourns

- 8.1. Council is adjourned

S&P Global Sustainable1

Investor Client Council

Cycle: 2023 – 2024

Location: Virtual

Sponsor: Chris Heusler

Region: APAC & Middle East

Date: October 3, 2023

Chair: Mona Naqvi

Session: H22023

Time: 18.00 – 20.00 CST

Secretariat: Myrna Ghanem

Attendees

Council Members

- Jinsuk Choi, Head of Sustainable Investment, **KIC**
- Niels Stenbaek, SVP and Head of ESG Risk, **PIF**
- Monte Mu, Associate Director of ESG, **E Fund Management**

S&P Global Attendees

- Mona Naqvi, Chair of the Council, **S&P Global Sustainable1**
- Myrna Ghanem, Secretary of the Council, **S&P Global Sustainable1**
- Christopher Heusler, President, **S&P Global Sustainable1**
- Margaret Dorn, Senior Director ESG, **S&P Dow Jones Indices**
- Christa Clapp, Managing Director, Sustainable Finance, **S&P Global Ratings**
- Lauren Smart, Chief Commercial Officer, **S&P Global Sustainable1**

Apologies

Council Members

- De Rui Wong, VP of the Sustainability Office, **GIC**
- Natalia Rajewska, Global Head of Sustainable Investment, **Nikko Asset Management**

Meeting Objective

The Council Meeting serves as the second APAC & Middle East **S&P Global Sustainable1 Investor Client Council**. The aim of the Council is to facilitate a community of industry experts who meet regularly to discuss business challenges and opportunities arising from sustainability issues. Its members provide S&P Global with expertise to inform best practices and deepen S&P Global's understanding to serve the evolving needs of the market through relevant products and services.

Agenda & Record of Discussions

1. Welcoming Remarks

- 1.1. **Mona Naqvi** (Chair) welcomed members to the second Investor Council Meeting for the APAC and Middle East region. Naqvi explained some members attended in person at the NA iteration in New York City and the meeting would therefore likely be shorter than usual.
- 1.2. Chris Heusler (S&P) provided welcoming remarks and emphasized that feedback is key for the S&P team to connect with thought leadership and product teams to incorporate it into our solutions.
- 1.3. Members and S&P attendees introduced themselves, their roles within their organizations and what they hope to achieve from the meeting.

2. Purpose & Objectives

- 2.1. Mona Naqvi read the Council Guidelines and received acknowledgement from all members of their understanding and agreement.

3. Climate & Paris-Aligned Indices

Slow adoption of climate-related indices

- 3.1. **Mona Naqvi** (Chair) set the scene by describing the discussions in the North America and Europe meetings where we questioned what is causing the slow adoption of Paris-aligned and climate indices.
- 3.2. Members recounted their own experiences particularly focused on the country-specific mandates and requirements.
- 3.3. **Monte Mu** (E Fund) underlined the ultimate importance of understanding what net zero means and the difficulty of language for retail investors in China.
- 3.4. Emphasis was made on the critical difference between adoption in more advanced regions as compared with APAC and the Middle East.
- 3.5. One member mentioned there is some expertise in the region, but the process is slow but gradual.
- 3.6. Mona Naqvi drew parallels with some of the North American discussions on the importance of non-sustainability related considerations.

- 3.7. Most members agreed that in the region sacrifices will not be made for good will where there is alpha to be generated.
- 3.8. One member highlighted that standard metrics and universal standards are welcome but that room is needed for bespoke solutions as solutions tend to be biased towards the more advanced economies.

Complexity or simplicity for index creation

- 3.9. **Maragaret Dorn** (S&P) walked clients through the different levers considered when developing such indices. Dorn posed the question of whether a sophisticated approach is more favorable even if it is more difficult to understand.
- 3.10. Most members agreed the story needs to be simplified for the retail and institutional investors, but that the institutions require some complexity for the more advanced clients.
- 3.11. One member emphasized that the story being easy to understand does not mean the story will sell, and that is the challenge.

Regional considerations and challenges

- 3.12. Some members mentioned the regions in question also have major “brown” sectors and therefore require alternatives to divesting.
- 3.13. All members agreed that regulations and policies need to be followed to help move the transition forward, but it is still early stages.
- 3.14. **Niels Stenbaek** (PIF) emphasized the difference between where Europe is as compared to regions still looking to become more proactive as they await regulations.
- 3.15. All members agreed that there is a conversation around divestment, but that it is not an option when stewardship and engagement are much needed.

4. Break

- 4.1. The Council adjourned for a 15-minute break.

5. SPOs, Shades of Green, and Green Equity

- 5.1. **Mona Naqvi** (Chair) reconvened the meeting and invited Christ Clapp (S&P) to introduce herself.
- 5.2. **Christa Clapp** (S&P) set the scene on Second Party Opinions and Shades of Green to differentiate types of green activities. Clapp recounted the story of how a conversation with the World Bank led to the creation of SPOs with the shading system.

Engagement versus divestment as a challenge

- 5.3. Christa Clapp (S&P) asked members of the Council to provide their thoughts on how to move to dark green and beyond the use of proceeds model.
- 5.4. **Mona Naqvi** (S&P) mentioned the previously mentioned challenge of engagement versus divestment in the regions and how the shift to green helps foster engagement.
- 5.5. Members described their current challenges and how in their countries they are still looking into their investments in the “brown” industries, but that differentiated greens are helpful.
- 5.6. One challenge mentioned is the struggle of identifying whether something is green, so it is still early stages to go one step further and look at shades of green.
- 5.7. Some members discussed the complicated nature of shades of green when in the current economies in the regions in question, they are still taking the first step.

SPO issuance and the green bond market

- 5.8. Mona Naqvi (Chair) invited members to share their experience with issuance of Second-Party Opinions (SPOs).
- 5.9. **Jinsuk Choi** (KIC) recounted the process and challenges with regulators and the central bank when it came to evidence the use of proceeds and characterization of the issuance as green.
- 5.10. Members agreed that too much regulation can weaken the voluntary character of the ecosystem related to green bonds and therefore the creative character of the green bond market.
- 5.11. **Christa Clapp** (S&P) asked members if they had comments on surveillance and impact reports.
- 5.12. Few members expressed their concern when it came to who is in charge of the surveillance part and the resourcing required for it.
- 5.13. All members agreed that monitoring makes sense and is also echoed by investors in the region interested in the green bond market.

6. COP28 and Other Discussion Points

- 6.1. **Mona Naqvi** (Chair) asked members if they are attending COP28 in Dubai in December and what their hopes are for the event.
- 6.2. One member brought up carbon credits and the importance given the challenge of reducing emissions drastically which is insufficient in economies still working on transitioning.
- 6.3. Members echoed their agreement that while historical COPs had helped entities set targets, these are insufficient, and that credibility is a challenge.

7. Concluding Remarks and Next Steps

- 7.1. Mona Naqvi thanked the Council members for their insightful thoughts
- 7.2. The S&P Council members welcome any 1:1 follow ups or discussions.
- 7.3. Members will receive access to a webpage for all Council documentation.
- 7.4. The APAC & Middle East Council will resume for the H1 2024 session in Spring 2024.

8. Council adjourns

- 8.1. Council is adjourned.

