17Communications

The 17 Best Reads on Sustainable Finance Published in 2021

It's no easy task to keep up with the fast-moving and constantly evolving world of sustainable finance. Every week there is a new piece of academic or third-party research that introduces new concepts, challenges existing beliefs or reaffirms market assumptions—occasionally all at the same time. The 17 Communications team has been diligently collecting and cataloguing these research papers since 2020, keeping ourselves and our clients up-to-date on the pulse of an ever-expanding field.

When we published our [inaugural 2020 list] of "The 17 Best Reads," we highlighted the "frequent and often contentious debates about the best ways to use capital to help address some of the world's most urgent sustainability challenges." These debates continued into 2021, with a variety of sustainability issues gaining more prominence and consideration among a wider range of stakeholders, including regulators, businesses, investors, and civil society. Many of the research pieces published in 2021 brought these issues to the forefront—organizations increasingly incorporated ESG factors into their business and investment practices, standard-setters made progress on harmonizing the many different measurement and disclosure frameworks, regulators stepped up their scrutiny of greenwashing, and diversity, equity, and inclusion (DEI) moved up the agenda for businesses and governments alike.

The 2021 edition of "The 17 Best Reads" sheds more light on these themes and advances the important debates on the current and future state of the sustainable finance space. While this is by no means an extensive list of industry research, we believe that it provides a valuable overview of the key trends and developments that anyone working in sustainable finance should be aware of.

As we did in last year's research round-up, we have also included a 'BONUS' section of research reports that 17 Communications was directly involved with via the writing, editing, dissemination and/or promotion.

Finally, while this list is primarily focused on academic or third-party research, we would be remiss if we didn't give a special shout-out to the many writers who helped advance the conversation on sustainable finance through their personal essays, opinion pieces or blog posts. These writers include r3.0's Ralph Thurm and Bill Baue, former BlackRock "sustainable investor" Tariq Fancy, and independent sustainability expert Duncan Austin. While there is no shortage of debate what should or shouldn't be considered sustainable in an investment context, what united these writers is a 'no-holds-barred' approach to reflecting on the many missteps and misdirections of the ESG movement. Such honest criticism and self-reflection offer an important reminder of the north star that we should all be striving for over the long-term.

The 17 Best Reads in 2021*
*Research reports are listed in chronological order

1. NYU Stern School of Business: U.S. Corporate Boards Suffer from Inadequate Expertise in Financially Material ESG Matters
   Published 11 January 2021 by Tensie Whelan (Professor & Director, NYU Stern Center for Sustainable Business)

   Corporate sustainability and ESG investing are increasingly front and center for U.S. companies as issues such as climate change, health care and inequity have more and more impact on the bottomline. The authors of the report reviewed 1188 individual Fortune 100 board member credentials to determine whether companies with material ESG risks and opportunities had relevant expertise on their boards. The report found that very few sectors and very few companies were adequately prepared at the board level for issues that were already affecting their performance […] On another issue of growing materiality, cyber/telecom security, just eight directors of 1188 had expertise. The report also examines COVID-19 and #blacklives matter as related to board credentials and makes recommendations on how to improve board ESG governance.
   READ MORE: Bloomberg, Corporate Secretary, Financial Times

2. Network for Greening the Financial System: Adapting central bank operations to a hotter world: Reviewing some options
   Published March 2021

   This report examines the implications of climate change for central banks' operational frameworks and for the implementation of monetary policy in practical terms. Building on a common understanding among NGFS members that climate change has implications for the conduct of monetary policy, this report offers the most comprehensive analysis to date […] The report does not prescribe a particular course of action. Regardless of their specific roles and mandates, central banks ought to be aware of climate risks that could threaten the integrity of their balance sheets. However, each central bank needs to decide for itself the best way to reflect climate risks in its operational framework.
   READ MORE: Bloomberg, Financial Times

3. Rainforest Action Network (RAN): Banking on Climate Chaos 2021
   Published March 2021

   This report analyzes fossil fuel financing from the world's 60 largest commercial and investment banks — aggregating their leading roles in lending and underwriting of debt and equity issuances — and finds that these banks poured a total of $3.8 trillion into fossil fuels from 2016–2020 […] The report also assesses bank financing for and policies regarding top companies in key fossil fuel sectors, and details case studies where this financing has resulted in harmful impacts on communities around the world. It also assesses the current wave of bank commitments to reduce their financed emissions to "net zero by 2050," as well as related policies like measuring and disclosing financed emissions, and emphasizes

that no bank making a climate commitment for 2050 should be taken seriously unless it also acts on fossil fuels in 2021.
READ MORE: [Forbes]

4. Calvert Impact Capital and NYU ITC: Gender Lens Investing: Legal Perspectives
Published 25 March 2021 by Professor Deborah Burand, Julia Chen, Elizabeth Damaskos, Himani Singh (New York University School of Law International Transactions Clinic)

   The report explores how investors incorporate gender considerations into the legal documentation and terms of their debt financing, summarizing the results of a survey of 20 investors. As the report details, this is still a relatively nascent practice. Most investors are not using strong legal mechanisms to enforce gender considerations and there are a variety of approaches taken to incorporate gender into documentation. However, all investors surveyed shared their desire to learn from their peers. Investors were clear that greater information exchange – sharing templates, sample language, and clauses, etc. –could make the practice of incorporating gender into deal documentation more robust. They emphasized that it could also encourage the development and standardization of best practices, which are critical to enabling greater collaboration and shared understanding amongst investors and portfolio partners.

5. Impact Capital Managers & Morrison Foerster: Legal Innovation in Impact Investing
Published April 2021

   This report contributes to the field of impact investing by sharing examples and best practices from venture capital ("VC") and private equity ("PE") investors currently active in the field […] The report also contains a discussion, informed by experts in the field, of the distinguishing features of various "alternative corporate forms," such as benefit corporations, public benefit corporations, low-profit limited liability companies ("L3Cs"), and others and when impact funds might want to use them. The headline takeaway of this report is that impact investors are pursuing a wide variety of strategies to substantiate their impact goals and using a wide variety of impact provisions to support these goals.
READ MORE: Responsible Investor

6. International Energy Agency (IEA): Net Zero by 2050: A Roadmap for the Global Energy Sector
Published May 2021 by Stéphanie Bouckaert, Araceli Fernandez Pales, Uwe Remme et al.

   This special report is the world's first comprehensive study of how to transition to a net zero energy system by 2050 while ensuring stable and affordable energy supplies, providing universal energy access, and enabling robust economic growth. It sets out a cost-effective and economically productive pathway, resulting in a clean, dynamic and resilient energy economy dominated by renewables like solar and wind instead of fossil fuels. The report also examines key uncertainties, such as the roles of bioenergy, carbon capture and behavioural changes in reaching net zero.

READ MORE: [Bloomberg](), [Financial Times](), [Forbes](), [ImpactAlpha](), [Responsible Investor](), [Reuters](), [The Guardian](), [The New York Times](), [The Washington Post]()

7. **Thomson Reuters Foundation:** [Amplifying the "S" in ESG: Investor Myth Buster]()
   Published 27 May 2021

   The white paper, Amplifying the "S" in ESG: Investor Myth Buster is the result of a collaborative effort by the ESG Working Group, Refinitiv, International Sustainable Finance Centre (ISFC), White & Case, Eco-Age, The Mekong Club, and the Principles for Responsible Investment (PRI), convened by the Thomson Reuters Foundation. The paper aims to promote meaningful discussions on the need to prioritise social considerations in investment decisions and encourage investors to take immediate steps towards integration of those considerations. The paper reflects months of high-level consultation with key stakeholders and experts from finance, business, law, and civil society.

8. **Global Reporting Initiative (GRI):** [The double-materiality concept: application and issues]()
   Published 31 May 2021 by Professor Carol A. Adams, Abdullah Alhamood, Xinwu He et al.

   This paper considers the appropriateness of the EU's double-materiality concept and how it can be used with the GRI approach to materiality. It draws on academic research that investigates how double-materiality and materiality in sustainability reporting are implemented and the benefits and challenges of doing so.

9. **Global Sustainable Investment Alliance:** [Global Sustainable Investment Review 2020]()
   Published 19 July 2021

   In its fifth edition, the biennial Global Sustainable Investment Review 2020 maps the state of sustainable and responsible investment of major financial markets globally, combining regional data from the United States, Canada, Japan, Australasia and Europe.
   This year's report shows the continuing prevalence of sustainable investment across the global investment industry, with assets under management reaching US$35.3 trillion, a growth of 15% in two years, and in total equating to 36% of all professionally managed assets across regions covered in this report.
   READ MORE: [Bloomberg](), [Bloomberg](), [Edie](), [Forbes](), [ImpactAlpha](), [Responsible Investor](), [Reuters]()

10. **UN PRI and Freshfields Bruckhaus Deringer:** [A legal framework for impact: Sustainability impact in investor decision-making]()
    Published 21 July 2021

    It is crucial that assessing and accounting for sustainability impact becomes a core part of investment activity. That's why PRI, UNEP FI and The Generation Foundation are leading our work programme "A Legal Framework for Impact" […] The report found that while there are differences across jurisdictions and investor groups, where investing for sustainability impact approaches can be effective in achieving an investor's financial goals, the investor

will likely be required to consider using them and act accordingly. It also provides an extensive suite of options for policymakers wishing to facilitate investing for sustainability impact, including changing investors' legal duties and discretions, such as allowing the pursuit of sustainability goals as long as financial return goals are prioritised, and a presumption in favour of investor collaboration in tackling sustainability challenges.
READ MORE: Responsible Investor, Top1000funds.com

11. SSRN: Will Corporations Deliver Value to All Stakeholders?
Published 5 August 2021 by Lucian A. Bebchuk (Harvard Law School; European Corporate Governance Institute; National Bureau of Economic Research) and Roberto Tallarita (Harvard Law School)

This paper investigates whether the BRT Statement represented a meaningful commitment or was mostly for show. The authors review a wide array of hand-collected corporate documents of the 128 U.S. public companies that joined the BRT Statement (the "BRT Companies") and present six findings. Overall, the findings support the view that the BRT Statement was mostly for show and that BRT Companies joining it did not intend or expect it to bring about any material changes in how they treat stakeholders. These findings support the view that pledges by corporate leaders to serve stakeholders would not materially benefit stakeholders, and that their main effect could be to insulate corporate leaders from shareholder oversight and deflect pressures for stakeholder-protecting regulation. Stakeholder governance that relies on the discretion of corporate leaders would not represent an effective way to address growing concerns about the effects corporations have on stakeholders.
READ MORE: The Wall Street Journal

12. Clean Creatives: The F-List 2021: 90 Ad And PR Companies Working For The Fossil Fuel Industry
Published 21 September 2021 in collaboration with CommsDeclare

This report documents 90 Ad and PR agencies working with fossil fuel corporations that are responsible for climate change and compares holding company pledges for climate action with their work to greenwash their clients' image and spread climate misinformation. The F-List 2021 Report calls out some of the world's largest and best-known PR and advertising agencies for working with fossil fuel clients to spread climate misinformation.

13. Majority Action: Climate in the Boardroom: How Asset Manager Voting Shaped Corporate Climate Action in 2021
Published October 2021

Despite the escalating climate crisis, systemically important U.S. companies continue to invest in the expansion and continued use of fossil fuels, further accelerating global warming. The systemic and unhedgeable risks posed by climate change to long-term asset values and the stability of the financial system itself requires bold and ambitious action by investors to avert further global economic and financial catastrophe. Through their

shareholder voting, large asset managers have both the power and fiduciary responsibility to hold corporate directors accountable to clear standards of net-zero alignment across climate-critical sectors. However, in 2021, proxy voting by asset managers with over $1 trillion in AUM remained insufficient to the scale and urgency of the climate crisis. Without additional board-level accountability from these largest and most influential shareholders to transition to net-zero pathways, companies in climate-critical industries such as oil and gas, electricity production, and financial services will continue to drive warming beyond 1.5°C—threatening the lives and livelihood of millions and placing trillions of dollars of shareholder value and financial system stability at increasing risk.
READ MORE: Responsible Investor

14. **Universal Owner:** Missing The Target Why Asset Managers Have Not Committed to Net Zero
Published November 2021

The Net Zero Asset Managers Initiative (NZAMI) has brought together asset managers with combined holdings worth $57tn under a framework for achieving net zero by 2050. En route to 2050, members are required to adopt interim decarbonization targets to set them on pace with net zero, beginning with a 2030 target. On November 1st, the opening day of COP26 in Glasgow, the initiative released a report announcing the 2030 targets of 43 of its members. In this briefing, Universal Owner breaks down how these targets are both unambitious and gameable. At best, they put asset managers on track to achieve 40% of the emissions reductions which are necessary by 2030 to keep the world on track with the Paris Climate Agreement. At worst, the initiative allows most asset managers to achieve their 2030 targets by cutting just a few percent of their emissions, while focusing on their portfolio's exposure to emissions, instead of their impact on emissions in the real world. The report makes four key arguments.
READ MORE: Bloomberg, CityWire Selector

15. **SSRN:** ESG: Hyperboles and Reality
Published 24 November 2021 by George Serafeim (Harvard Business School)

ESG has rapidly become a household name leading to both confusion about what it means and creating unrealistic expectations about its effects. In this paper, George Serafeim draws on more than a decade of research to dispel several myths about ESG and provides answers to important questions around theories of influence, the relation between ESG and corporate value, and the usefulness of ESG assessments and ratings.

16. **Impact Taskforce:** Time to deliver: mobilising private capital at scale for people and planet
Published December 2021

This report provides the summary conclusions of the Impact Taskforce (ITF). It presents the case for urgent action, provides actionable recommendations and sets out a clear pathway as to how private capital can be mobilised at scale in support of key global sustainable development targets.

Workstream A: Financing a better world requires impact transparency, integrity and harmonisation

Workstream A focuses on accelerating impact transparency, harmonisation and integrity of all capital flows in order to achieve the Sustainable Development Goals (SDGs) and a just transition.

Workstream B: Mobilising institutional capital towards the SDGs and a Just Transition

Workstream B focuses on outlining actionable pathways to mobilise greater amounts of capital to invest in solutions that contribute to meeting the long-term and inextricably linked environmental and social needs of people and the planet.

17. Global Impact Investing Network (GIIN)

The GIIN regularly publishes research about key trends and challenges in the impact investing field. The 17C team has picked out several of those pieces of research below, each of which builds on each other to establish a foundation for strong impact investing practices.

a. Impact Investing Decision-making: Insights on Financial Performance
Published 14 January 2021 by Dean Hand, Sophia Sunderji, Noshin Nova, Indrani De

This report uncovers insights into financial performance and explores the increasing sophistication with which impact investors are approaching decision-making. Specifically, it finds that impact investors are applying a multi-dimensional approach to decision-making, considering impact objectives and impact risks alongside traditional factors such as financial return, financial risk, resource capacity, and liquidity constraints.
READ MORE: Pensions & Investments

b. Impact Investing in Listed Equities I Strategies for Pursuing Impact
Published 4 June 2021 by Sean Gilbert, Pete Murphy, Katharine Zafiris

This paper provides a summary of the activity of the GIIN's Listed Equities Working Group and represents a snapshot of how investors and fund managers are approaching impact in listed equities. The paper draws on the findings and observations of the GIIN's Listed Equities Working Group, which convened in 2020 to pool the global experience of its membership to tackle this question of how to differentiate sustainable investing strategies within listed equities. The group specifically explores how the practices that best define impact investing could be applied in the context of listed equities investing.

c. Institutional Asset Owners: Approaches to setting social and environmental goals
Published 13 July 2021 by Dean Hand, Sophia Sunderji, Uma Kommineni

Institutional asset owners are increasingly interested in incorporating social and environmental factors into their portfolios and investments strategies […] They have an immense opportunity to generate change, as they possess both the capital and scale to address the world's most pressing social and environmental challenges while meeting their fiduciary duty. In order to achieve this potential, institutional asset owners must set impact priorities and targets; however, many face challenges doing so. This research brief is the first in a series, focused on helping such asset owners do this work more efficiently and effectively.
READ MORE: Pensions & Investments

d. Understanding Impact Performance: Climate Change Mitigation Investments and Quality Jobs Investments
Published 8 December 2021 by Dean Hand, Rachel Bass, Sophia Sunderji, Ben Ringel

To accelerate progress towards global goals such as mitigating climate change and improving the quality of jobs amongst the global workforce, investors need a way to understand how to optimize for impact at each stage of the investment process – ultimately, to drive toward more effective and efficient impact results. This third couplet of impact performance studies builds upon the impact performance series to offer insight into impact performance and to demonstrate how investors can utilize the COMPASS Methodology to not only compare investments based on impact performance, but also to compare impact performance relative to what is needed to address global challenges.

BONUS RESEARCH

The 17C team was directly involved in the writing and promotion of several research reports in 2021, covering topics ranging from impact investing and community development to beta stewardship and system-level investing.

1. Beyond Alpha: We Need to Talk: Why It's Time for Institutional Investors to Embrace SDG-Aligned Investing
   Published January 2021 by Mirtha Kastrapeli, Luciana Aquino-Hagedorn, Scott Mills, CFA

   In this 12-month research, the authors explore the shortcomings of current approaches to sustainable investing and explain why the lack of progress in people and planet outcomes, as outlined by the UN SDGs, should be very concerning for all institutional investors. Instead, they propose the widespread adoption of a niche but emerging approach they call SDG-Aligned Investing […] This study explains the basis for SDG-Aligned Investing (3'C of Conviction, Clarity, and Consensus) and offers a toolbox to help investors mobilize specific investment strategies to achieve the SDGs.
   READ MORE: IP&E

2. Jensen Partners: The Alternative Investment Industry Must Make Diversity, Equity and Inclusion a Core Business Objective - Improving workforce diversity requires a systematic, data-driven approach
   Published Spring 2021

   Jensen Partners, an executive search and corporate advisory service provider for the alternative assets industry, has developed a new data platform to help firms monitor and improve their diversity efforts and report progress to investors

3. The Predistribution Initiative: ESG 2.0: Measuring & Managing Investor Risks Beyond the Enterprise-level
   Published 6 April 2021 by Delilah Rothenberg, Raphaele Chappe, and Amanda Feldman

   In this paper, the Predistribution Initiative (PDI) explores how the growth of institutional investors (asset owners and allocators) and certain asset allocation strategies can be in conflict with ESG objectives. The conflict materializes in various interconnected ways, particularly from institutional investors' role in increasing global debt levels and fund manager and corporate consolidation, which in turn can create barriers for diverse fund managers and entrepreneurs, jeopardize quality jobs, erode the quality and affordability of goods and services, increase asset class correlations, reduce diversification opportunities, and ultimately fuel economic inequality and market instability. For long-term, diversified institutional investors, or "Universal Owners" of the market, these dynamics eventually translate into lower financial returns. For workers and communities, these dynamics translate into greater precarity and inequality. This paper encourages such investors to consider how their activities may contribute to these issues and how they can improve their own practices

to better manage systemic and systematic risks. PDI reviews the issues and then proposes several preliminary paths toward solutions that they intend to workshop and fine-tune with investors and other stakeholders. Potential solutions focus on diversifying asset allocation to more regenerative investment structures and asset classes, building an enabling environment through adjustments to team incentive structures, performance reviews, benchmarking and valuation methodologies, and field-building.
READ MORE: ImpactAlpha, ImpactAlpha, Institutional Investor, New Private Markets, Responsible Investor

4. **BlueMark:** Making the Mark: The Benchmark for Impact Investing Practice
Published 10 May 2021 by Christina Leijonhufvud, Sarah Gelfand, and Teo Lamiot

BlueMark, a leading provider of independent impact verification services for investors and companies, announced the creation of a first-of its-kind benchmark for tracking best practices in impact management. Designed to root out impact-washing, BlueMark's benchmark allows market participants to readily differentiate between impact leaders and learners. The benchmark is based on aggregated data and insights from 30 impact verifications for investors with a combined $99 billion in impact assets under management on their alignment with the Operating Principles for Impact Management ("Impact Principles"), the leading market standard for impact management practices […] The benchmark includes three distinct categories that define the practices of leading, median and learning impact investors, providing a dynamic understanding of what it means to rigorously manage for impact. While the research sample analyzed by BlueMark reflects impact investors that have committed to pursue alignment with the Impact Principles, thereby embracing industry best practices, there are still revealing differences in how different investors approach impact management.
READ MORE: Devex, Forbes, ImpactAlpha, IPE, New Private Markets, Pensions & Investments, Pioneers Post

5. **Preventable Surprises:** How can investors help prevent corporate policy capture?
Published 24 May 2021 by Hamish Stewart and Jerome Tagger

This report presents key findings from the 2020-21 Corporate Lobbying Alignment Project (CLAP), as well as a report card assessing the world's top 50 global asset managers on their approach to corporate policy capture. The report card is designed to engage the global asset management community and its stakeholders in a constructive dialogue on the changes required to better address negative lobbying and policy capture risk across sectors and geographies.
READ MORE: ImpactAlpha, Responsible Investor

6. **U.S. Impact Investing Alliance and the Federal Reserve Bank of New York:** Impact in Place: Emerging Sources of Community Investment Capital and Strategies to Direct it at Scale
Published 3 June 2021

This report explores the current landscape of capital flowing to local economic development, including how emerging sources and strategies could help shape the future of the community investing field. The report provides recommendations to investors and others who seek to increase the flow and efficiency of investment capital to underserved communities.
READ MORE: Barron's, ImpactAlpha, Pensions & Investments, Pioneers Post

7. Tideline: Truth in Impact: A Tideline Guide to Using the Impact Investment Label
Published 3 August 2021 by Jane Bieneman, Ben Cooper, Serena Fu, and Ben Thornley

This guide is designed as a practical resource for investors exploring how they should define their approach to sustainable investing. It specifically focus on the What, Who, Why and How of using the impact investment label. In the absence of universal standards for product and fund labeling, the authors believe accurate self-classification backed up by robust evidence and independent verification is a critical part of any sustainable investment journey and essential to growing the sustainable investing space with integrity.
READ MORE: New Private Markets, Pensions & Investments

8. The Shareholder Commons (TSC): The Beta Steward Proxy Review 2021: Progressing Toward Authentic Value Creation
Published 16 August 2021

In this report, The Shareholder Commons (TSC) share the results of its first proxy season campaign engaging with companies on a systems-first basis […] In total, TSC supported 24 shareholder resolutions at 23 companies during the 2021 proxy season, with targets ranging from tech companies such as Alphabet, Facebook, and Yelp to financial institutions such as BlackRock, Goldman Sachs, JPMorgan Chase, and State Street. Of the resolutions, one was withdrawn after company management took up the proposal (YUM! Brands), 17 went to a vote, and eight were excluded by the SEC. Of the 17 proposals that went to a vote, 11 met the 3% vote percentage required for provisional resubmission and three exceeded the 10% vote threshold.
READ MORE: Financial Times, Forbes, ImpactAlpha, IPE, Pensions & Investments, Responsible Investor

9. BlueMark and Morgan, Lewis & Bockius LLP: Making Sense of Sustainable Investing: How Asset Managers Can Comply with Financial Regulations and Align with Industry Standards
Published 15 December 2021

Asset managers face a long and growing list of questions, demands, and expectations from investors, financial regulators, and other stakeholders about their approach to sustainable investing. This report by BlueMark and Morgan Lewis shows that there are several areas of alignment between financial regulations and voluntary standards, which provide a basis for how asset managers should evaluate and refine their sustainable investing practices.
READ MORE: New Private Markets