

Environmental, social and governance (ESG) factors in money markets

Money Market Contact Group ESG

March 2025 • Document for professional investors only

ESG-labelled money market products

A growing market with an issuance capacity of **EUR 300 billion**¹, but significantly smaller than the GSS bond market in Europe, which stands at **EUR 1.8 trillion**².

Two Main Structures

1. Use of Proceeds CP

Similar to GSS bonds, funds are allocated to green, social or sustainable projects.

2. Sustainability-Linked CP

Tied to the issuer's ESG performance*

**KPIs: Carbon emissions reduction, renewable energy use, waste management, EU taxonomy alignment, diversity targets and ESG rating.*



Inherent Limitations & Difficulties

Need to have Sustainable Activities

ST nature of CP vs LT nature of SI

Track CP allocations accurately

Ambition of targets & alignment with issuer's activities

KPI not commonly used in LT debt (Taxonomy & ESG ratings)

Penalties : adequate penalty for failing to hit KPI ?



Transparency initiatives in documentation :

- **Model transaction documentation** with the support of the **Banque de France** released in 2022, explicitly referencing the Principles.
- **ESG Commercial Paper Transparency Monitor** (June 2024). The ESG Commercial Paper Transparency Monitor is a central information hub for ESG-related information in the short-term market. The monitor focuses on information relating to ESG features in European short-term programs (ECP, Neu-CP, etc.). The monitor is fed with information provided by the issuers to the **EMMI** ESG Secretariat and sourced from the information Memorandum accompanying the program.

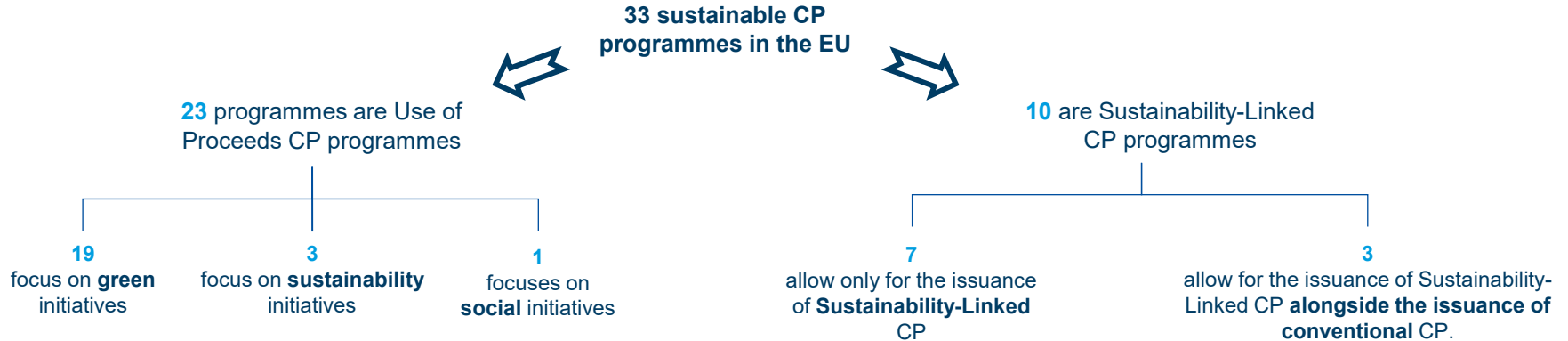
¹Source: ICMA

²Source: Amundi, Bloomberg as of December 2024.

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⚠ Most Commercial Papers are **not referenced in Bloomberg**. Increased and centralized publication of issuers' outstanding volumes remains necessary (as for all other “conventional” CP).

According to ICMA's analysis, there are :



To come soon at Banque de France :

- 1 Program identification on the public portal via an “ESG” filter
- 2 Dedicated statistics in weekly and monthly publications (outstandings and issues only)
- 3 New monthly note with dedicated section

Does the Shift in Attitude Towards ESG Investment in the US Impact the European ESG Markets?

Projections indicate a 50% chance of reaching +2.9°C by 2100 under current policies, an alarming reality driving continued ESG investments.



US Administration agenda put existing and future regulation on RI at risk

DOGE's Deregulatory Focus – Musk-led DOGE promotes a business-friendly environment, further empowering Trump administration to reverse and halt regulations

Corporate Responsibility Uncertainty – Companies face challenges in RI disclosures without clear guidance, but business requirements in Europe and RI-focused US states is expected to force action in this area



Companies are increasingly aware of the effects of climate change and slow energy transition, with negative impacts expected to escalate over time

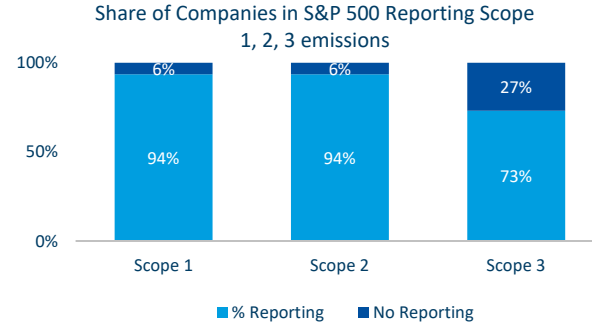


CSRD development, requiring additional due diligence from corporates affecting 50k companies of which 10k outside Europe

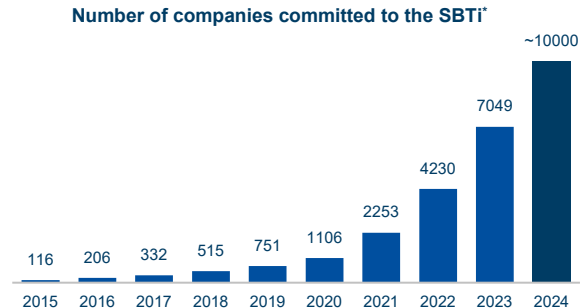


Inclusion of biodiversity and deforestation within regulation and reporting with EU deforestation policy in 2023 and development of TNFD with 502 organisations committed

*Science-Based Target initiative. Source: SBTi website; TNFD; EU commission



Despite no requirements, large portion of S&P companies are already disclosing emissions



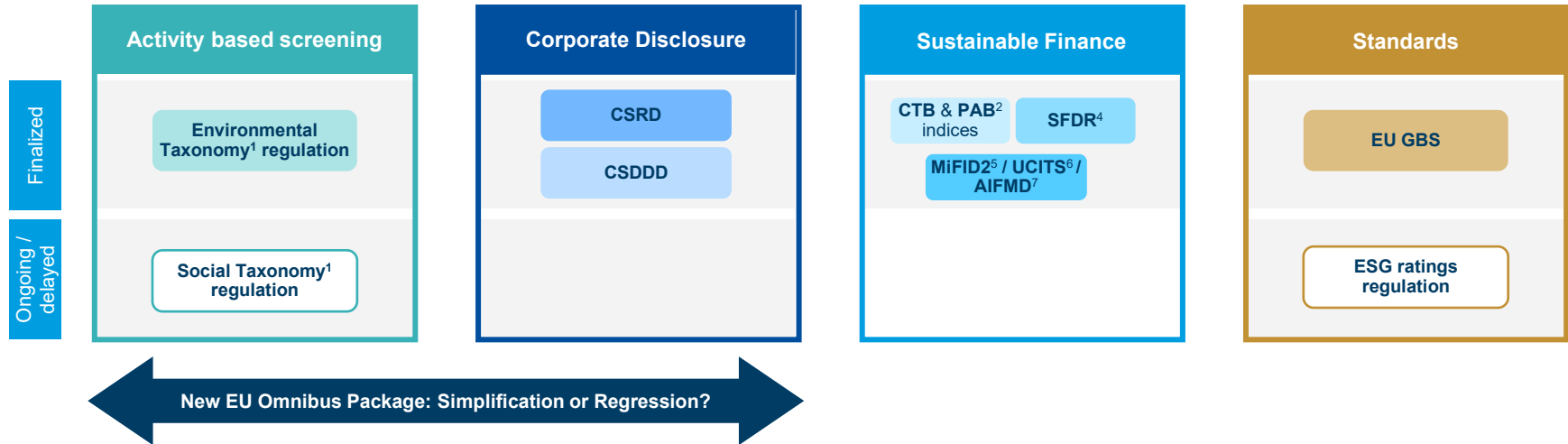
Solid EU regulatory framework to foster sustainability

3 objectives of the Action Plan following the Paris Agreement

Rechannel capital inflows towards sustainable investments

Systematically integrate sustainability to risk management

Promote transparency into financial and economic activities



1. Taxonomy regulations: "Regulation on the establishment of a framework to facilitate sustainable investments" - 2020/852/UE. 2. BMR: regulation on reference indices 2016/1011/UE 3. CTBs: Climate Transition Benchmarks - PABs: EU Paris-Aligned Benchmarks. 4. SFDR: "Regulation on the publication of information on sustainable finance" - 2019/2088/UE. 5. MiFID2: "Markets in Financial Instruments Directive" - 2014/65/UE. 6. UCITS: "Undertaking for Collective Investment in Transferable Securities" - European Directive 2014/91/UE. 7. AIFMD: "Alternative Investment Fund Manager Directive" - 2011/61/UE.

IMPORTANT INFORMATION

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