

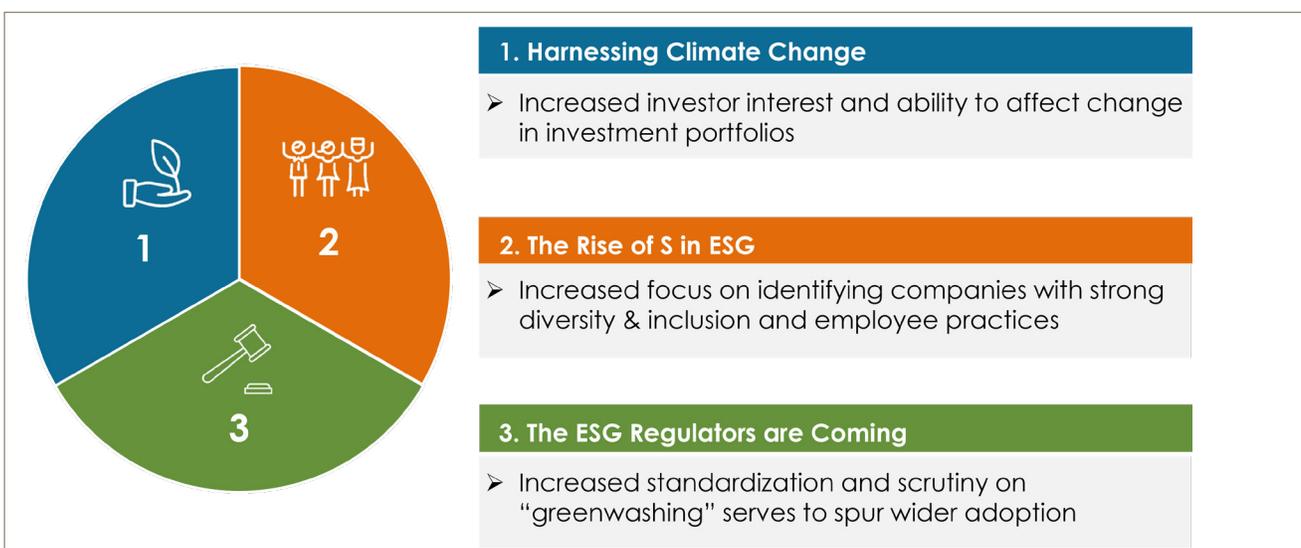
Biden's Boost to Sustainable and Impact Investing

June 2021

Several months into the Biden administration, we recognize greater clarity surrounding President Biden's ability to execute on campaign promises, including those related to sustainable and impact investing. After more than a year of continued growth in investor interest and allocation,¹ we expect this outcome to potentially positively influence our three key 2021 sustainable and impact themes:

	Harnessing Climate Change	The Rise of S in ESG	The ESG Regulators Are Coming
Legislation	<ul style="list-style-type: none"> \$2 trillion climate change plan for infrastructure investment w/\$174 billion for electric vehicles 	<ul style="list-style-type: none"> Affordable housing spend, inequitable lending policies, public/private funding for diverse businesses 	<ul style="list-style-type: none"> New Dept. of Labor guidance on ESG issued in May; SEC notes ESG as top priority in 2021
Leadership	<ul style="list-style-type: none"> Key Cabinet appointments for Depts. of Energy and Transportation, EPA, NEC, and first-ever "climate czar" 	<ul style="list-style-type: none"> Most diverse Cabinet to date, including the first Native American Cabinet nominee and several Latinx representatives 	<ul style="list-style-type: none"> Marty Walsh appointed as DOL head (strong focus on ESG); left-leaning SEC chairman
Executive Orders	<ul style="list-style-type: none"> Rejoining the Paris Climate Accord, Required climate disclosures for public U.S. companies 	<ul style="list-style-type: none"> Required data disclosure for diversity & inclusion for public U.S. companies 	<ul style="list-style-type: none"> Requirements on broader disclosures for climate + diversity & inclusion

Even with compromises in play, we believe a Democratic-controlled Congress for the first time in 10 years offers enormous potential to carry out Biden's agenda, via legislation, leadership appointments and executive orders.



¹ U.S. SIF Foundation. Report on US Sustainable and Impact Investing Trends 2020. <https://www.ussif.org/files/US%20SIF%20Trends%20Report%202020%20Executive%20Summary.pdf>

Key observations

Harnessing climate change

While much of the world's attention was consumed by COVID-19 in 2020, the California wildfires served as a reminder that aggressive action is needed to curb the most damaging aspects of global temperature rises (see our September 2020 "[Climate Change: Harnessing the Power of Public Capital Markets](#)"). Biden's prioritization of climate issues is clear, as indicated by his \$2 trillion infrastructure proposal, which calls for, among other things, \$174 billion for electric vehicle infrastructure, in addition to his 2022 budget, which calls for a \$14 billion increase in climate-related spending compared to 2021 levels. Further, Biden's Cabinet appointees suggest a commitment to environmentally friendly appointments to the U.S. Department of Energy, the Environmental Protection Agency, the National Economic Council and the first Cabinet-level "climate czar." Finally, he issued a slew of executive orders in early 2021, including one to rejoin the Paris Accord and another to require calling for pension trustees to consider climate as a key financial material risk. These moves collectively benefit companies operating in green sectors, further increasing investor interest, while improving the data available to do so in practice.

The rise of "S" in ESG

During a year defined by a pandemic, a recession and protests for racial equality, corporations were expected to brandish their commitment to stakeholder capitalism² through policies and actions supporting sick leave, severance pay and diversity and inclusion programs. In line with the growing prominence of the "S," or social pillar of environmental, social and governance investing, the Biden administration has committed to a robust racial equity plan and broad levers to facilitate equitable economic growth. Specifically, the Biden team hopes to spur public-private investment into small business opportunities, establishing a housing plan that promotes homeownership for Black, Brown and Native families.³ Finally, as part of a broader push for increased data disclosure, we expect the Biden administration to advocate for companies to issue more granular data around gender and racial representation, as well as on pay equity, promotion and retention rates,⁴ which would further enrich data availability (see our October 2020 white paper "[Gender Lens Investing in Public Markets: It's More Than Women at the Top](#)").

The ESG regulators are coming

While sustainable and impact investing has seen significant growth over the past several years, "greenwashing" by companies and investment managers, as well as confusion over various terminologies and lack of clarity on fiduciary fit, have prevented investors from committing even more capital.⁵ The Biden administration has thus far advocated strongly for increased standardization and

² Goodman, Peter S. "Stakeholder Capitalism Gets a Report Card: It's Not Good." *The New York Times*, September 22, 2020. <https://www.nytimes.com/2020/09/22/business/business-roundtable-stakeholder-capitalism.html>

³ "With Historic Picks, Biden Puts Environmental Justice Front and Center." *The Washington Post*, December 17, 2020. <https://www.washingtonpost.com/climate-environment/2020/12/17/deb-haaland-interior-secretary-biden/>

⁴ "Why Pay Data Matter in the Fight for Equal Pay." *Center for American Progress*, March 2, 2020. <https://www.americanprogress.org/issues/women/reports/2020/03/02/480920/pay-data-matter-fight-equal-pay/>

⁵ Segal, Mark. "CFA Institute Study: ESG Interest Growing, but Improved Standards Needed; Client Demand a Major ESG Driver." *ESG Today*, December 2, 2020. <https://www.esgtoday.com/cfa-institute-study-esg-interest-growing-but-improved-standards-needed-client-demand-a-major-esg-driver/>

regulation, including a May Executive Order that called to rescind the recently enacted Department of Labor guidance that prohibits inclusion of ESG strategies in 401(k) plans, as well as signaling that a refreshed ESG Disclosure Simplification bill (the prior version failed to pass in 2019) may be on the horizon. The Securities and Exchange Commission has made ESG a top priority in 2021 and issued a Risk Notice to asset managers in May citing a lack of consistent documentation in ESG application from their findings thus far, which will continue throughout the year. In aggregate, these actions may address key challenges holding some asset owners back from this space.

We will be issuing additional analysis on how the administration's actions are playing out. In the meantime, please [reach out](#) to us to learn more about our capabilities.



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