

Environmental, Social and Governance (ESG)

Relevance in Banking



ESG acronym stands for Environmental, Social and Governance

ESG is a framework, that provides a lens to help assess the extent to which business organizations work towards creating a positive impact on an Environmental, Social and Governance level



Environmental

How do organizations manage... energy, waste, pollution, climate change, etc.



Social

How are organizations dealing with... health and safety, equal opportunities, values & partnerships, etc.



Governance

How do organizations incorporate... business ethics, compliance, board independence, shareholders' democracy, etc.



There are several reasons why banks focus on ESG



Business Potential

Increased Revenues and reduced Costs



Improved Access to Capital

Improved Capital Market Prospects



Increasing Regulatory Requirements

Reduced Risks and improved Compliance

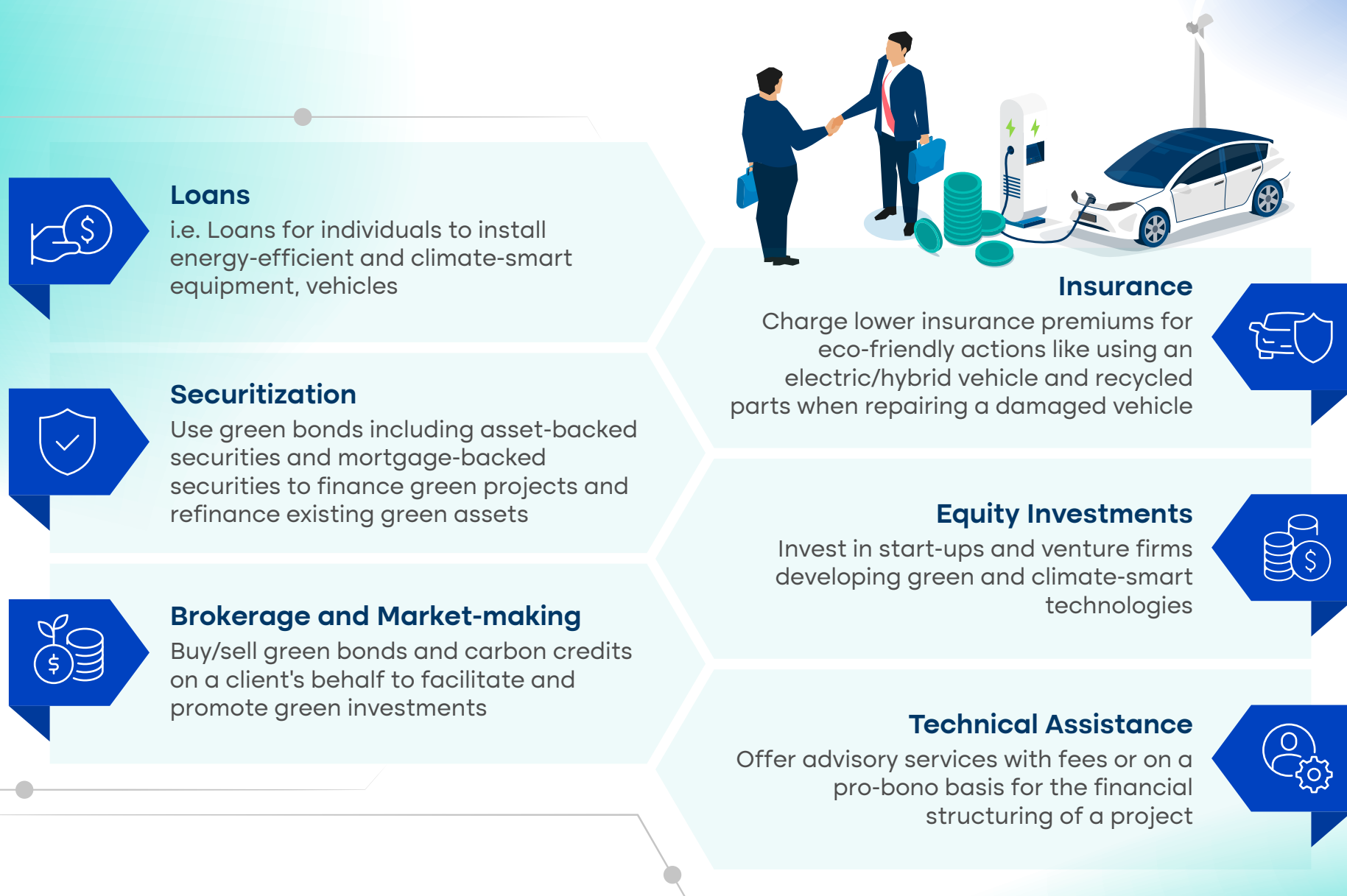


Emboldening Brand Value and Ethics

Non-financial aspects

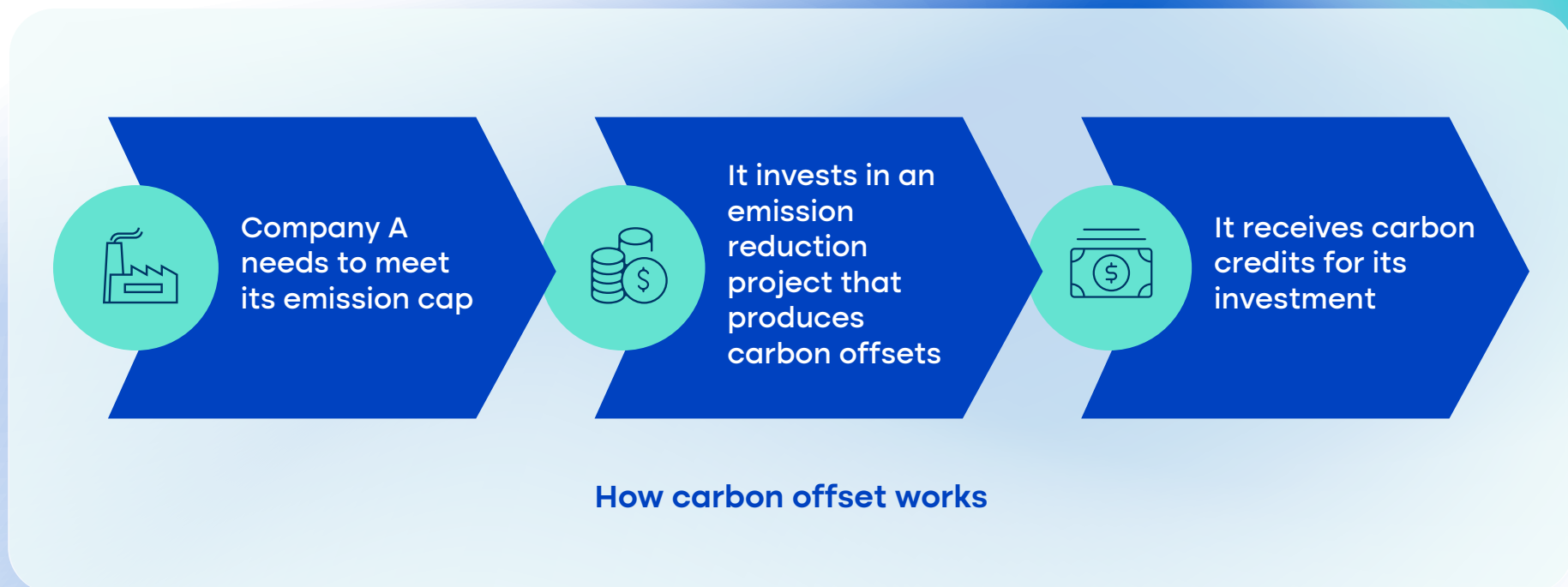
Source - Forbes article 'Why ESG Should Be Embedded In Banks', Nov 2021 ; Arthur D Little 'Value drivers for green banking', Sep 2021 ; Asian Journal of Sustainability and Social Responsibility Report, 'Transition towards green banking', Mar 2020

They even market sustainable products and services



An emerging funding tool is Carbon Financing

Carbon financing is a funding tool that places a financial value on carbon emissions and allows organizations wishing to offset their emissions to buy carbon credits earned from sustainable projects



Source - The board of IOSCO Report 'Voluntary Carbon Markets', Nov 2022 ; Mintz Report 'Carbon Credit and Carbon Offset Fundamentals', Nov 2022 ; Climate Change Committee (CCC) website ; MeetGreen website

Implementing ESG entails tough challenges

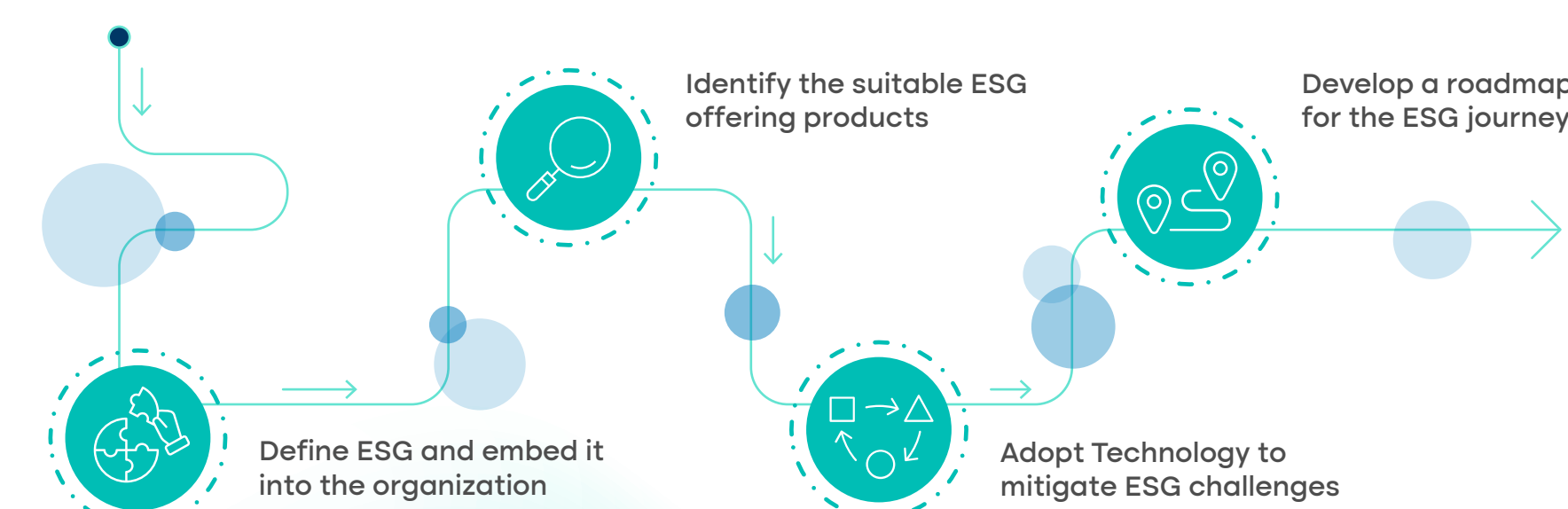
Risks & Challenges



Source - Thomson Reuters 'ESG: Fast-emerging challenges for financial institutions, Sep 2021 ; Asian Development Bank Report, 'ESG Opportunities and Risks in Asia', 2020

Thus, a proper roadmap needs to be followed

The ESG Roadmap



Source - Capgemini Insights 'ESG for banks – how to elevate the game to achieve key goals', May 2022 ; GlobalData Report 'ESG in Financial Services', July 2021