



ESG MANAGING RISK AND ENSURING COMPLIANCE

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BUILDING A CASE FOR ESG

REGULATION

Organisations must demonstrate their ability to manage and/or consider ESG risks

INVESTORS

Request business to report on financial prospects, but also on Environmental, Socio and Corporate Governance

CONSUMERS

Selection of more sustainable products and services

IMPACT

Increased need to manage ESG- related risks to meet consumer needs and regulatory requirements



ENVIRONMENTAL

- Climate Change
- Pollution
- Deforestation
- Biodiversity loss

TRANSITION RISK

- New Technologies
- Low-carbon economy

IMPACT

- Investment portfolios (Banks, Pension Funds, Insurers)
- Stranded Assets

SOCIAL

- Impact on employees, consumers, contactors
- Diversity, inclusion, working conditions
- Risks and opportunities presented by new and emerging technologies (e.g. AI)

GOVERNANCE

- Key functions, roles and responsibilities
- Policies and procedures
- Accountability
- Decision making

REGULATORY DISCLOSURES

THE IMPORTANCE OF BEING TRANSPARENT

“85% of the institutions disclose at least minimal information about their processes for **identifying, assessing** and managing climate related and/or environmental risks”

56% of banks do not disclose which **Key Risk Indicators** are used for monitoring and managing C&E risks. Those that do describe which tools they use to manage climate-related risks – e.g., stress testing, ESG assessment, specific policies

Risk identification process is somewhat underdeveloped, without a **clear connection** between financial and non-financial risks and climate-related risks.

Significant gaps remain in the disclosure of banks' **portfolio exposures** to other environmental risks and their exposures to sectors perceived as contributing to climate change.



MANAGING GREENWASHING RISK

A Greenwashing Lawsuit Against Delta Aims to Set a Precedent

A class-action lawsuit targets the airline's claim to carbon-neutrality, which has in the past rested in part on its use of carbon offsets.

UK watchdog bans Anglian Water advert over sewage spill record

Ryanair accused of greenwash over carbon emissions claim

UK watchdog bans advert claiming lowest CO2 pollution of any major airline

HSBC faces greenwashing accusations from UK advertising watchdog

Draft conclusions find two of bank's adverts misled customers by selectively promoting its green initiatives



ENHANCING FRAMEWORKS FOR BETTER ESG RISK MANAGEMENT

GOVERNANCE

- Business Strategy
- Policies
- Accountability

RISK IDENTIFICATION AND MANAGEMENT

- Relevance
- Proportionality

DATA

- Structure
- Accuracy
- Completeness

TECHNOLOGIES

- Enhance data collection and analysis
- reporting

The image shows a vast agricultural landscape. In the foreground, there are lush green fields, possibly wheat or barley, with a path or furrow cutting through them. The middle ground features a mix of green and golden-yellow fields, suggesting a transition in crop maturity or type. The background is a flat horizon line under a sky filled with soft, grey clouds. A bright green rectangular border frames the central text.

MANAGING ESG RISK IS A
CONTINUOUS JOURNEY