

Put the Pedal to the Metal – An Enterprise Perspective of ESG in Banking

October 2022: Complimentary Abstract / Table of Contents



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Background of the research

Demand for ESG compliance and business services is expected to rise exponentially as regulators tighten their grip on BFS players and consumer advocacy for sustainability

- ESG responsibility and the need to integrate sustainability principles in business models have gained momentum across geographies – starting from Europe and spreading fast in the US, Singapore, and even in developing countries of APAC
- Several countries are favoring standardization of ESG reporting framework globally, which is also evident from the recent activity by international entities such as ISSB, ISO, and UN
- Regulators, both at national and international level, have stepped on the accelerator to widen the purview of regulatory oversight – European regulators plan to include participants in the broader value chain beyond big banks/FIs including SMEs and market rating agencies in upcoming regulations. Large banks may likely push suppliers to be included in ESG accountability
- There is a heightened scrutiny from clients, employees, investors, and other market participants on environmental and social sustainability considerations by BFS firms, providing an elevated focus on sustainable finance – approximately three-quarters of professional investors are now implementing some form of ESG strategies
- Enterprises are expected to bear the brunt of non-compliance with increase in penalties imposed, decline in sustainability ratings, and legal action taken for greenwashing allegations
- The majority of enterprises, especially small and mid-tier organizations, have not full-proofed their ESG strategy or assessed the risk impact yet but may be expected to do so in the near term. Moreover, the immediate operational expenses and gaps in in-house capabilities associated with the planning are an ongoing challenge that strengthen the business case for service providers

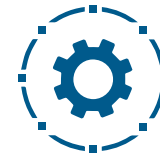
Scope of this report



Geography
Global



Industry
BFS



Services
ESG in BFS BPS

Overview and abbreviated summary of key messages

This report tracks the changing regulatory dynamics in ESG across key regions translating to an immediate call for action in banking sector. It probes into a wide spectrum of plausible implications the growing ESG focus can have across different buyer segments, while providing a toolkit for enterprises to avoid the clutter in implementing ESG-focused strategy

Some of the findings in this report, among others, are:

ESG risk integration has become non-negotiable for most banking entities

- The sophistication, scope, and implementation timelines of mandatory ESG regulations vary across regions with Europe outpacing other geographies in terms of overall maturity. However, majority of the countries have introduced some form of regulations which are expected to gain momentum in next couple of years
- Stakeholders (regulators, investors, and consumers) are headstrong to hold FIs accountable for sustainability impact and initiatives

The impact of sustainability is multifold, with nuances across BFS buyer segments

- Enterprises are struggling to keep pace with the dynamic regulatory landscape (most banks/FinTechs are not prepared for regulations if they come into effect in the next couple of years), data gaps and inconsistencies, operational cost heads, and strategy planning
- From operational standpoint, several new processes (e.g., ESG data standardization and mapping) will be introduced while several others will be restructured (e.g., screening and due diligence). This will require collaboration across BFS ecosystem – internal cross-functional synergies across enterprises, third party providers, regulators, and other market participants (such as FinTechs)

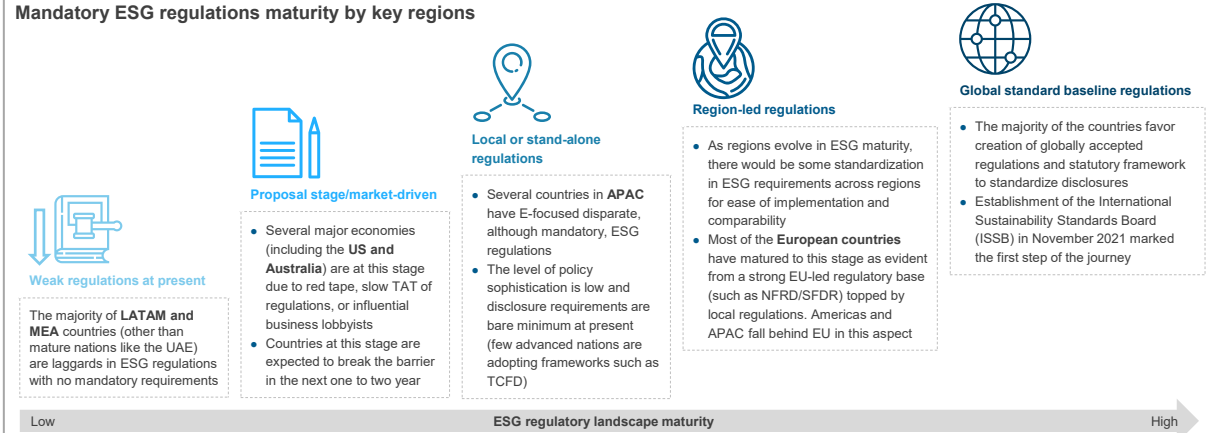
FIs need a roadmap to trudge against ESG complications

- Enterprises need to devise a multi-year roadmap to effectively implement their ESG strategy across different timeframes. To this end, we have provided a step-wise toolkit to help enterprises convert ESG literature to practice
- FIs need to assess the impact of sustainability risks on different segments of business and align resources (internal and third-party) accordingly, with focus on all aspects of E,S, and G. Move gradually from a defensive approach to an opportunistic approach to ESG

This study offers four distinct chapters providing a deep dive into key aspects of evolving ESG landscape in BFS BPS; below are four charts to illustrate the depth of the report

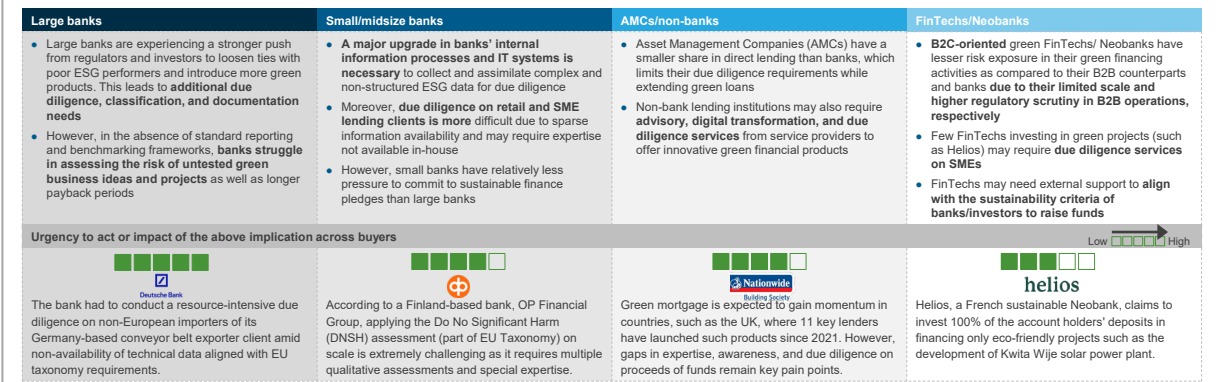
ESG Disclosure comparison and outlook by regions

Mandatory ESG regulations maturity by key regions

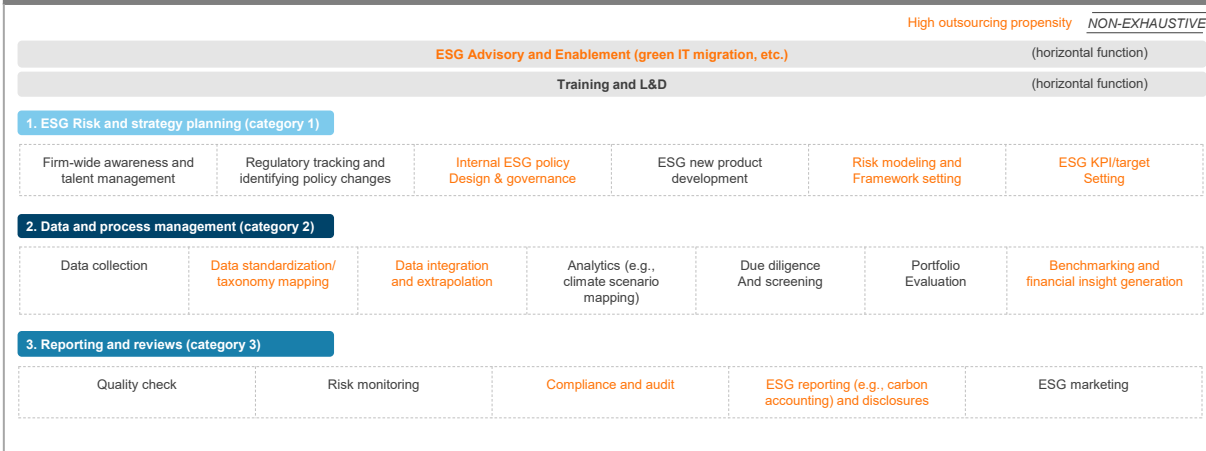


ESG implications in BFS | deep dive by stakeholder type

Due diligence for green lending

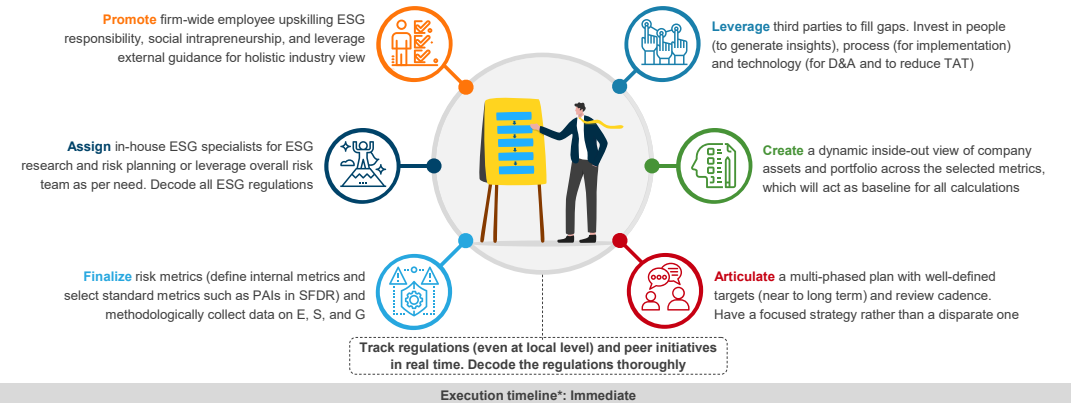


ESG BPS Process Map



Future ESG roadmap for BFS enterprises | toolkit for enterprises to up the ESG game

Step 1 – Define ESG strategy and align internal resources



Research calendar

Banking and Financial Services Business Process

Published Planned Current release

Reports title	Release date
Capital Markets Operations – Service Provider Compendium 2021	Q3 2021
Banking Operations – Services PEAK Matrix® Assessment 2022	Q4 2021
Mortgage Operations PEAK Matrix® Assessment 2022	Q1 2022
Banking Operations – Service Provider Compendium 2022	Q1 2022
Mortgage Operations - Service Provider Compendium 2022	Q2 2022
BPS Top 50 – 2022	Q2 2022
Financial Crime and Compliance (FCC) Operations – Services PEAK Matrix® Assessment 2022	Q3 2022
How to Trot When Others Trudge – Recession Forecast for Providers in Banking and Financial Services	Q4 2022
Put the Pedal to the Metal – An Enterprise Perspective of ESG in Banking	October 2022
Financial Crime and Compliance (FCC) Operations Provider Compendium 2022	Q4 2022
Specialized Needs of Emerging Geographies in Banking, Mortgage, and Risk and Compliance	Q4 2022
A New Hope Arises: Navigating the Risk and Regulatory Tightrope	Q4 2022
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