

# ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE (ESG)

Banks must be prepared to act as environmental, social, and corporate governance (ESG) issues rise rapidly. The array of potential economic, financial, and regulatory impacts has intensified, and although financial institutions may have started to realign portfolios or assess the impact of climate change on their lending and asset pools, there has been little impetus beyond market drivers.

ESG-related issues always have been a risk issue at institutions, with a primary focus on the reputational risk these issues present. However, the current discussion is taking the conversation beyond reputational risk and into the very real financial risks ESG may pose on companies. In addition, investors are incorporating consideration of these risks into their investment decisions—albeit with incomplete and often more qualitative information provided by companies directly—leaving some of this information to be less than reliable. Financial institutions need to consider the internal and external stakeholders that they serve and balance the various considerations across jurisdictions and client needs.

## Financial institutions must:

- Address upcoming regulatory changes
- Review stakeholders' interests
- Make changes in risk appetite to include more ESG-responsible companies
- Integrate climate risk assessments into financial risk management frameworks
- Expand the responsibility and capabilities beyond corporate social responsibility (CSR) to include risk management teams
- Focus on green-related deals rather than traditional oil and gas energy products that carry a high carbon footprint

No matter where you are in the process of incorporating ESG practices into your financial risk management, BRG professionals can provide assistance, given our proven track record in the financial advisory, quantitative analytics, and energy sectors.

BRG's consultants include former bankers and regulators with the right expertise to develop your institution's high-level roadmap: program management, governance and reporting, risk management, opportunities and business strategy, and disclosure and metrics. The implementation of a comprehensive ESG program takes time and will require a coordinated effort across the institution to ensure that it meets the varying needs of internal and external stakeholders.

## How BRG Can Help

- Conduct risk identification processes with financial institution management
- Identify internal and external ESG stakeholders
- Assess current disclosures and draft revisions
- Develop processes for assessing ESG program
- Provide economic support to inform scenario design
- Execute financial and operational analysis
- Develop a framework to address ESG concerns across the internal and external paradigms
- Assist in establishing environmental and sustainability governance structures



## About BRG

Berkeley Research Group, LLC (BRG) is a global consulting firm that helps leading organisations advance in three key areas: disputes and investigations, corporate finance, and performance improvement and advisory. Headquartered in California with offices around the world, we are an integrated group of experts, industry leaders, academics, data scientists and professionals working across borders and disciplines. We harness our collective expertise to deliver the inspired insights and practical strategies our clients need to stay ahead of what's next.

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