

# ESG

## ESG: A GROWING OPPORTUNITY FOR BANKS

### WHAT IS ESG?

#### The purpose of ESG

The goal of ESG is to measure and manage a company's performance on non-financial factors. It reflects the growing consensus that companies should be good stewards of natural and social resources.



#### What does it mean for banks?

ESG is the consideration of the bank's own environmental, social and corporate governance processes.

Banks are also pushed towards lending in line with ESG principles: from screening borrowers' operations to the use of borrowed funds.

### THE GROWING IMPORTANCE OF ESG

#### ESG considerations have grown increasingly among regulators and key stakeholders

**206+**  
items of regulation worldwide - mainly coming from governmental regulators<sup>1</sup>

**#1**  
factor impacting their business strategy, according to C-suite executives while sustainability had barely registered as a risk during the prior year's survey<sup>3</sup>

**78%**  
of general counsels in mid to large companies have faced internal and external pressure to increase their ESG commitments the last 3 years<sup>5</sup>

**15-20%**  
of S&P 500 companies now tie ESG to executives' compensation<sup>4</sup>

**Coming from**

- 41% Customers
- 48% Employees
- 44% Institutional investors

**79%**  
of investors consider a company's handling of ESG risks and opportunities to be an important factor in their investment decision-making<sup>2</sup>

### WHY ESG IS AN OPPORTUNITY FOR BANKS

#### Exploring the link between ESG and financial performance of a company

**Top line growth**  
Attract more customers (B2B/B2C) - in net new segments - and for longer

**63%**  
of studies shows a positive correlation between ESG scores and the corporate financial performance of a company<sup>6</sup>

**Risk**  
Reduce adverse government actions, damaging reputational risk and overall cost of non compliance

**Cost**  
More resource-efficient strategy implies reduced operational expenses

**Talent & Productivity**  
Attract and retain more talent - boost motivation & productivity

**54%**  
of directors agree that ESG factors have a financial impact on a company's performance compared to 38% previously<sup>7</sup>

#### The advantages of ESG for lenders

**Credit risk mitigation**

**85%**  
of lenders surveyed said that a firm's ESG performance directly influences their credit risk<sup>8</sup>

**Improve brand perception**

**1 in 4**  
European banks' consumers (24%) are likely to switch if their bank is not engaged in ESG issues<sup>9</sup>

**Commercial opportunities**

**\$3.4bn**  
in fees earned by banks through green-related bond sales & loans, surpassing the \$3.3 billion made by helping gas, oil, and coal companies, to raise money in 2021<sup>10</sup>

#### Financing the green transition

ESG is the opportunity for banks, which are the forefront of the economy, to drive impactful and fundamental changes to our society towards a more sustainable future, starting **now!**



1: <https://www.msci.com/who-will-regulate-esg>  
 2: <https://www.pwc.com/gx/en/corporate-reporting/assets/pwc-global-investor-survey-2021.pdf>  
 3: <https://www.forbes.com/sites/forbescontentmarketing/2022/01/07/research-shows-cxos-plan-to-do-more-good-in-2022/>  
 4: <https://www.corporatesecretary.com/articles/esg/32523/trying-tie-executive-compensation-esg>  
 5: <https://www.gsb.stanford.edu/sites/default/files/publication/pdfs/cgri-closer-look-92-general-counsel-view-esg-risk.pdf>  
 6: <https://www.spglobal.com/en/research-insights/articles/the-esg-advantage-exploring-links-to-corporate-financial-performance>  
 7: <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/why-esg-is-here-to-stay>  
 8: <https://www.pwc.com/us/en/services/governance-insights-center/assets/pwc-2021-annual-corporate-directors-survey.pdf>  
 9: <https://www.granthornton.co.uk/insights/esg-lending-momentum-is-building-for-the-mid-market/>  
 10: <https://the-european.eu/story-24910/one-in-four-customers-likely-to-switch-banks-due-to-esg-issues.html>  
 10: <https://www.bloomberg.com/news/articles/2022-01-05/bank-fees-for-green-debt-surpass-fossil-fuel-financing-green-insight>