



ESG and the role of Compliance

As ESG remains front and centre of public interest, policy makers, regulators, corporate commitments and client demand for ESG products increases, the need for adequate ESG risk management becomes more pressing. Whilst the regulatory landscape keeps developing and maturing at different pace globally, there is a growing expectation from regulators and supervisors that compliance functions review the governance at their firms and embed ESG risk into their mandate.

Key Questions for Compliance

What can Compliance do now and in the foreseeable future to assist the limitation of regulatory and reputational risk relation to ESG?

What is the near term future for Compliance in the ESG space taking into account the roles of 1LoD and 2LOD functions?

ESG: Risks and Drivers



| Risk | Regulation & Supervision | Products, Services, Corporate Commitments |
|---|---|---|
| <ul style="list-style-type: none">• Regulatory• Reputational• Conduct• Transition• Physical | <ul style="list-style-type: none">• Global regulatory landscape rapidly evolving• Central Banks agreed to advance ESG supervision* | <ul style="list-style-type: none">• Fast growing product and services suite• Corporates, incl. Banks, continue to make commitments, join initiatives and speaks up |

ESG : Relevance for Compliance mandate



Regulatory Tracking (non exhaustive)

- EU Taxonomy
- EU SFDR, CSRD
- EU Green Bond Standard
- Amendments to MiFID II, UCITS, AIFMD
- UK Green Roadmap, incl. plans for a UK Sustainable Disclosure and product labelling regulation, planned UK Green Taxonomy.
- FCA Anti-Greenwashing Principles in letter to Asset Managers
- EBAs Report on the management and supervision of ESG risk
- ISDA: KPI Guidelines for Sustainability linked Derivatives

Advisory

- Ad hoc advice; live transactions
- NPA/NTA process
- Advisory Compliance to advise and provide challenge on any necessary remediation based off the risk assessments
- Control design

Risk Assessments

- 1 LoD Risk Assessments
- Compliance Risk Assessment

