

ESG for financial services firms: 6 Pillars to consider



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Summary: the “Pillars” of our ESG offering for financial services firms

Around the world, Environmental, Social and Governance (ESG) remains a central focus for regulators, businesses and investors, reflecting a broad societal shift towards sustainability. However, ESG considerations go beyond climate-change to consider broader environmental and social issues such as diversity, equity and inclusion (DE&I).

In this increasingly complex environment, firms are working to enhance their ESG performance to strengthen stakeholder relationships and respond to investor demand.

While this emphasis on ESG offers opportunities for firms, it also introduces risks that must be carefully managed to avoid regulatory scrutiny and enforcement. To help clients navigate this complexity, we have designed our ESG offering around the following 6 “Pillars”.



The “Pillars” of our ESG offering for financial services firms



Governance

We provide support with, and can help enhance, governance and accountability within financial and non-financial institutions by advising on individual accountability,

SMCR compliance and the allocation of SORs and prescribed responsibilities.

We also provide guidance on comprehensive governance arrangements, including policies and procedures, internal governance frameworks, DE&I initiatives, board composition, succession planning and skill gap analyses.



Risk identification, assessment and mitigation

Our financial services team can help you address financial risk management, including climate change risks, ICARA and ICAAP.

We provide guidance on transition planning, impacts on capital requirements, and generating risk matrices, registers and assessments.

We manage reputational risks from client disengagement and staff retention challenges, ensuring that these factors are integrated into financial products for stability and compliance.



Policies and procedures

Our team can provide support in the development of and advice on firms' policies and procedures, as well as processes, systems and controls and training for employees.

We offer comprehensive services in developing and enhancing sustainable investment policies. We also provide extensive training on regulatory and legal developments for different staff populations, including non-financial misconduct. Additionally, we advise on robustness of grievance and whistleblowing policies and employee handbooks.



Product design, labelling, manufacturing and distribution

We can provide expertise and support in the positioning of products, classification and labelling, including the development of 'green' and 'social impact' products, with overall advice on marketing materials.

Our anti-greenwashing tool can assist in compliance with anti-greenwashing and ESG rules and obligations, both in an environmental and social context.



Disclosures and reporting

Organisations face many obligations in terms of disclosure and reporting. We can provide support in areas including SFDR, SDR, the Overseas Funds Regime, benchmark regulation disclosures, anti-greenwashing, collation and data disclosures, International Sustainability Standards Board and ESG sourcebook among other areas.

We can help advise clients on the best ways to collect DE&I data and some of the legal challenges in this regard.



Regulatory interventions, investigations and disputes

Regulatory interventions, investigations and disputes risks could arise through whistleblowing, investor and stakeholder engagement, customer complaints and claims, third party activists and regulator enquiries. Concerns arising could involve potential breaches of FCA principles and rules, listed company climate-related disclosure obligations, advertising rules and directors' duties.

We can assist clients in handling these matters and responding to such concerns, including through protective action and addressing any issues identified.

We can offer tailored training to organisations and employees in respect of recent regulatory enforcement and litigation outcomes and leveraging our experience of handling matters for clients.

Regulatory ESG drivers – putting the pieces together

HMT consultation on Green Taxonomy requirements

As part of the SDR, firms will be required to report against the UK Green Taxonomy. HMT consultation was published on 14 November 2024 with responses due by 6 February 2025.

*Pillar linkage: **Disclosures and reporting; policies and procedures***

FCA ESG governance requirements

DP23/1 on firms' sustainability-related governance, incentives and competences. A response was expected in 2024 but has not been published to date.

*Pillar linkage: **Governance, policies and procedures.***

FCA SDR and investment label requirements

UK asset management firms should now be taking all reasonable steps to ensure compliance with the FCA 'naming and marketing' and disclosure rules, which came into force on 2 December 2024.

FCA offered limited temporary flexibility although a firm needed to complete an application by 1 October 2024.

FCA consulted on extending SDR and investment label regime to portfolio management firms – the FCA intend to publish a Policy Statement in Q2 2025.

*Pillar linkage: **Product design, labelling, manufacture and distribution; governance; disclosures and reporting; policies and procedures***

FCA diversity and inclusion requirements

CP23/20 on diversity and inclusion in the financial services sector – response is expected in 2025. In October 2024, the FCA published their findings of the Culture and non-financial misconduct survey in which it made mention of CP23/30.

*Pillar linkage: **Governance; risk identification, assessment and mitigation; disclosures and reporting; policies and procedures.***

FCA and ISSB standards

The FCA consultation CP24/12 - Consultation on the new POATR included discussions on updating its TCFD aligned disclosure rules for listed companies to refer to UK-endorsed ISSB standards. The consultation closed 18 October 2024. The FCA also published Primary Market Bulletin 53 which contained draft changes to FCA Primary Market Technical Note on TCFD aligned climate-related disclosure requirements for listed companies.

*Pillar linkage: **Disclosures and reporting***

HMT data and ratings requirements

A HMT consultation to bring ESG providers into the regulatory perimeter responses was published in November 2024.

*Pillar linkage: **Disclosures and reporting***

What we offer

Global ESG considerations continue to impact businesses as policy and regulatory requirements develop and ESG expectations of investors, stakeholders, customers, employees and consumers evolve. Now more than ever, investors include ESG criteria in their investment assessments and valuation decisions, and business leaders consider their organisations' impact on the environment, people and communities. Our global, multidisciplinary ESG team is well placed to advise you on the latest developments and emerging risks.

A truly global team

We have global expertise spanning many jurisdictions, including the UK, Europe, Asia and the US. With our cross regional approach, Norton Rose Fulbright (NRF) can leverage perspectives and knowledge across regions to be able to identify and reconcile competing regimes and issues in a rapidly evolving legislative environment.

A team at the forefront of international ESG standards and developments

Our lawyers, consultants and NRF professionals remain at the forefront of international ESG standards and developments, helping clients to navigate the evolving and increasingly complex regulatory environment.

Comprehensive legal advice across a broad range of areas

NRF advises financial institutions, and a broad range of related service providers, on existing and emerging issues impacting banks ranging from sustainable finance and climate change to social governance and human right issues, governance and policy frameworks and corporate reporting and litigation risks.

Industry insight and risk anticipation

Through our involvement with trade and industry working groups, and relationships with governments and regulators, we can provide critical, early insight into ESG related developments and help identify innovative solutions to address potential impacts while mitigating risks.

Legal 500 UK, Environment, 2024

"The climate change and sustainability practice have great technical strength and depth, combined with experience across a wide range of sectors and geographies. As part of the global practice, they can provide multi-jurisdictional subject matter advice to clients."

Chambers Global, Climate Change, 2024

"They have shown themselves more than capable and adept at advising on and handling varying transaction structures across jurisdictions, with a myriad of counterparty and local law issues."

Chambers Global Crisis & Risk Management: ESG 2024

"Norton Rose Fulbright has the ability to cut through highly complex matters to offer concise and decision-useful information for senior management to action with confidence."

Chambers Global, Business and Human Rights Law 2024

"Norton Rose Fulbright have demonstrated considerable skill in handling complex matters across multiple jurisdictions."

Our ESG credentials

Our global financial services and regulation practice helps our clients navigate the evolving and increasingly complex regulatory environment, working seamlessly across major business and financial hubs. Our team is well-known for its regulatory, advisory, transactional, investigations and enforcement work with the largest players in both wholesale and retail financial services, including banks, asset and wealth managers, brokers, market infrastructure providers, commodities firms, payments providers and FinTechs. Our cross-disciplinary team is well placed to advise financial services firms on all aspects of the ESG landscape. With our deep expertise and commitment to the ESG sector, we help clients to navigate the complexities of sustainability with confidence and clarity.

Our experience

Advising on ESG disclosure obligations: We reviewed a global bank's external websites across several jurisdictions and advised on ESG disclosure obligations to ensure compliance with relevant regulatory standards.

Reviewing marketing materials: Assisted a sustainable finance digital platform with a review of its marketing materials to ensure all ESG related claims were compliant with relevant regulatory standards and to mitigate potential greenwashing risks.

Advising on the implications of a range of global voluntary ESG initiatives: We advised an investment fund focussing on renewable energy infrastructure on the implications of a range of voluntary ESG initiatives in preparation for its IPO.

Counselling on the requirements of the SFDR: We counselled various asset managers and funds on the requirements of the SFDR and Taxonomy regulation, including product categorisation and Taxonomy-alignment.

Why instruct Norton Rose Fulbright?

Market insights: We have a broad view of common practices across the financial services market due to our diverse client base.

Depth of experience: We understand the issues which arise when managing regulatory risks and balancing internal sensitivities and can help you navigate these complexities.

Protected advice: By establishing legal privilege, our advice will be protected from disclosure.

Full-service: Our global multidisciplinary team of contentious and non-contentious lawyers and risk consultants enables us to provide a broad range of advice across all key jurisdictions.

Spotlight of recent work

Advising an **international bank** on the launch of a sustainable finance platform by advising on relevant ESG-related legal and regulatory obligations applicable to its first product. This involved reviewing the client's marketing materials, website and mobile app to ensure they complied with ASA and FCA rules and guidance.

Assisting an **international bank** with a review of a suite of sustainable finance policies in the context of policy-level disclosure requirements under the SFDR.

Assisting an **international bank** on the requirements of SFDR and the Taxonomy regulation and providing support in drafting the mandated disclosures for a climate technology fund.

Advising a **company listed on the London Stock Exchange**, following a report by an environmental charity which raised concerns regarding the adequacy of our client's climate-related disclosures in its annual report and accounts. The charity provided its report to the FCA and the FRC, following which both regulators sent lengthy information requirements to our client relating to the company's risk management framework, its process for identifying the principal risks facing the company and the adequacy of its disclosures in its published reports. We assisted our client in handling these information requirements, following which both the FCA and the FRC closed their enquiries with no action being taken against our client.

Advising an **asset and wealth manager** on the impact of legislation proposals under the EU sustainable finance action plan, as well as the impact of the FCA's and other international standards on climate-related financial disclosures.

Tools and products

We offer a comprehensive suite of services designed to empower organisations with cutting-edge ESG insights and tools.

ESG updater

Our ESG updater keeps you informed with the latest developments and best practices in environmental, social and governance issues globally, including developments from UK, US, EU, French, Australian and global regulators.

Developed by our global financial services lawyers and integrated risk advisory group, our Financial Services Regulatory Developments in ESG hub provides resources and insights to help our clients stay informed of key regulatory developments in the sector.

Should you wish to receive the updater please sign up [here](#).

Podcasts and blog posts

Our ongoing series of podcasts and blog posts on Global Regulation Tomorrow serve as an invaluable tool for clients navigating the ESG landscape by providing timely and accessible insights into key issues and developments.

These resources offer clients the ease of convenience of consuming expert analyses, case studies and practical advice at their own pace. Clients can continuously enhance their ESG knowledge, enabling more informed decisions and effectively integrating ESG considerations into their business operations.

Please see [Global Regulation Tomorrow](#) for all the latest developments and podcasts.

Anti-greenwashing tool

Developed in light to the FCA's Anti-Greenwashing rule, our anti-greenwashing tool can help clients identify greenwashing in their financial products and promotional materials by analysing materials provided and flagging any potential greenwashing.

Our tool aims to identify high-risk communications, making it more efficient for clients to identify sustainability claims made in products and services.

We can work collaboratively with clients and third-party consultants where required to ensure that sustainability-related references are consistent with the profile of the product or service.

Training sessions

Training sessions on ESG principles and practices can significantly benefit clients by enhancing their understanding and management of ESG-related risks and opportunities.

These sessions provide clients with the latest knowledge on regulatory requirements, industry best practices and emerging trends, enabling them to improve their ability to identify and mitigate potential ESG risks.

Moreover, training helps foster a culture of sustainability and ethical governance within organisations, promoting long-term value creation and stakeholder trust.

Advisory "hot line"

As part of our advisory solution, we offer a range of "hot lines" leveraging the expertise of our advisory, contentious and risk consulting teams.

NRF team

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