

ESG for financial services firms: Pillar 2 – Risk identification, assessment and mitigation



Environmental, Social and Governance (ESG) and sustainability obligations and expectations now extend beyond climate-related risks and encompass governance and social considerations such as diversity, equity & inclusion (DE&I) and tackling non-financial misconduct. Our multidisciplinary financial services team is well-placed to advise clients on responding to the latest ESG developments and meeting the expectations of both regulators / law enforcement agencies and other market participants. We can also help clients to evaluate opportunities and advise them on how to most effectively manage emerging risks.

Our ESG offering for financial services firms

To help our financial services clients navigate the complexities associated with embedding ESG considerations and compliance into their businesses, we have designed our ESG offering around the following 6 “Pillars”:

1. Governance.
2. Risk identification, assessment and mitigation.
3. Policies and procedures.
4. Product design, labelling, manufacturing and distribution.
5. Disclosures and reporting.
6. Regulatory interventions, investigations and disputes.

This brochure sets out our approach in relation to risk identification, assessment and mitigation (“Pillar 2”).

Our services in relation to risk identification, assessment and mitigation

There is a range of support which we can offer to clients in relation to effectively building ESG considerations into risk identification, assessment and mitigation. This includes:

- Advising on the full suite of issues in relation to non-financial and financial risk management, including assisting clients to effectively identify, assess and mitigate climate-related risks.
- Supporting clients to review and, where necessary, enhance their risk management frameworks,

including by creating and reviewing risk matrices / registers and other relevant documents and processes.

- Advising clients in relation to the ICAAP and ICARA.
- Advising clients on managing risks arising from their interaction with third parties, including suppliers. As part of this, we can help clients to assess the impact from an operational resilience perspective of engaging with certain third parties. We can also help clients to put in place arrangements to manage these risks, including through relevant contractual frameworks.

Our tools and products

In addition to providing bespoke advice, we have developed a number of tools and products to support clients. These include:

- **ESG Updater.** Our multi-jurisdictional ESG updater keeps clients informed of the latest developments and best practices in ESG globally, including from regulators in the UK, US, Australia and EU. Receiving this updater service can help clients ensure that their ESG strategies remain aligned with standards and expectations as they evolve.
- **Anti-Greenwashing Tool.** In light of the FCA’s Anti-Greenwashing Rule, we have developed an anti-greenwashing tool to assist clients in identifying potential greenwashing risks within their financial products and promotional materials.
- **Tailored Training Programmes.** Working with our clients, we can design a tailored internal training programme to address specific needs and concerns amongst different populations of staff and provide practical guidance on managing ESG-related matters and risks.

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

Why instruct Norton Rose Fulbright?

Instructing Norton Rose Fulbright provides access to:

- **A multidisciplinary team of experts.** Our team comprises a blend of contentious and advisory lawyers and risk advisory experts, enabling us to provide a broad range of advice across all key jurisdictions.
 - **A team with a depth of experience.** We have a broad understanding of how financial services firms operate. We understand the issues which arise when managing regulatory risks and balancing internal sensitivities and can help clients to navigate these complexities.
 - **A team that can provide market insights.** We have a broad view of common practices across the professional services market due to our diverse client base.
 - **Advice which can benefit from legal privilege.** Provided certain steps and protocols are followed, it may be possible for a client to assert privilege over advice that we provide, which has a number of benefits including protecting such advice from disclosure.
- Assisting a global bank with the design of a Strategic Risk Management Framework, which described the client's definition of strategic risk, strategic risk governance arrangements, the respective roles and responsibilities across the three lines of defence, and its approach to strategic risk identification, assessment, management and reporting.

Our experience

Our team has extensive experience of advising financial services firms on ESG issues. Some of our recent experience includes:

- Advising an international bank on integrating considerations of climate-related financial risks into governance, risk management and disclosure frameworks in line with relevant prudential regulatory guidance and the TCFD Recommendations.
- Advising a client in relation to enhancements to its reporting and end-to-end risk governance processes.
- Advising a global bank on multiple alternative risk transfer programmes as part of its strategic lending risk management strategy.

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