

# Decode ESG Risk and Unlock Opportunities Through your Most Valuable Resource

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# Agenda

1. What we mean by “*Decode ESG Risk. Unlock Opportunity*”
2. ESG is top of mind
3. ESG is not new
4. Financial institutions are feeling the pressure
5. Measuring ESG risk
6. Invest in employees; prioritize knowledge and skills
7. Q&A





## Decode ESG Risk. Unlock Opportunity



- » ESG is a huge and emerging risk area for financial institutions
- » Common taxonomy and level of understanding of ESG risk essential for risk management and reporting.
- » Data, systems and a workforce with the right knowledge and skills supports an ESG strategy.





# ESG is top of mind

- » ESG issues are all around us (e.g., floods, rising sea levels, melting glaciers, excessive heat, drought, and wildfires).
- » Societies are strained with inequalities exacerbated by the COVID global pandemic, rising inflation and ineffective governance at many levels.
- » South Africa's ESG Credit Impact Score of 4 (out of 5) is highly negative due to:
  - high social risk,
  - moderate environmental risk,
  - weak public finances, and
  - low-income levels





# ESG is not new

- » Credit risk analysis by banks has always included ESG considerations.
- » In general, ESG issues were previously known as macro, task and micro factors.
- » ESG risks have been hard to quantify but this is changing





# Feeling the pressure

- » Financial institutions are under increasing pressure to consider ESG risks as an independent risk class.
- » Globally, financial institutions are focusing more and more attention on ESG
- » Basel Committee on Banking Supervision Principles #6
- » In the US, the FDIC and OCC issued guidance.
- » Financial institutions and customers must transition to a low carbon economy and face risks in the transition, yet also have opportunities



# Measuring ESG risk

- » Financial institutions must assess their and customers' greenhouse gas emissions and face new considerations
- » Transition to a low carbon economy also depends on standardised methods of measuring greenhouse gas emissions (GHG's)
- » Transition risk can be addressed in the same way as traditional financial risks





# Invest in your people

- » Lessons can be learned from the history of risk management that can guide us.
- » For enterprise-wide risk control and reporting you need a common level of understanding
- » Investing in your workforce is a good place to start





# Moody's approach (learner groupings)

## Senior and middle management

*Functional level: Tactical*

ESG Job-to-be-done

Lead and manage staff at the Operational level (Groups 02, 03 and 04 in this matrix)

01



## H/O Finance/Investor Relations

*Functional level: Operational*

ESG Job-to-be-done

Gather, store and process ESG, Climate Change and Sustainability data into information for reporting

02



## Operational staff (Specialists) (e.g., Sales, Credit/Risk, Operations)

*Functional level: Operational*

ESG Job-to-be-done:

Implement Sustainability strategy of the bank. The group includes customer- and non-customer facing staff.

03



## Operational staff (Non-specialists) (e.g., Retail, Human Resources)

*Functional level: Operational*

ESG Job-to-be-done:

Contribute indirectly to the Bank's Sustainability strategy while working with customers.

04



Senior and middle management

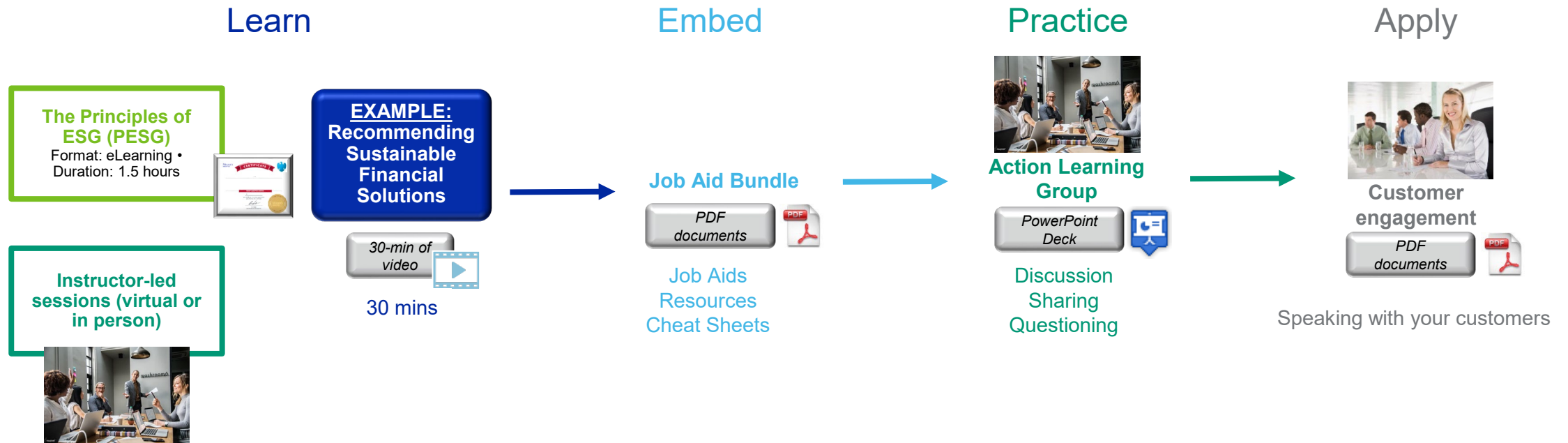
H/O Finance/Investor Relations

Operational staff (Specialists)

Operational staff (non-specialists)

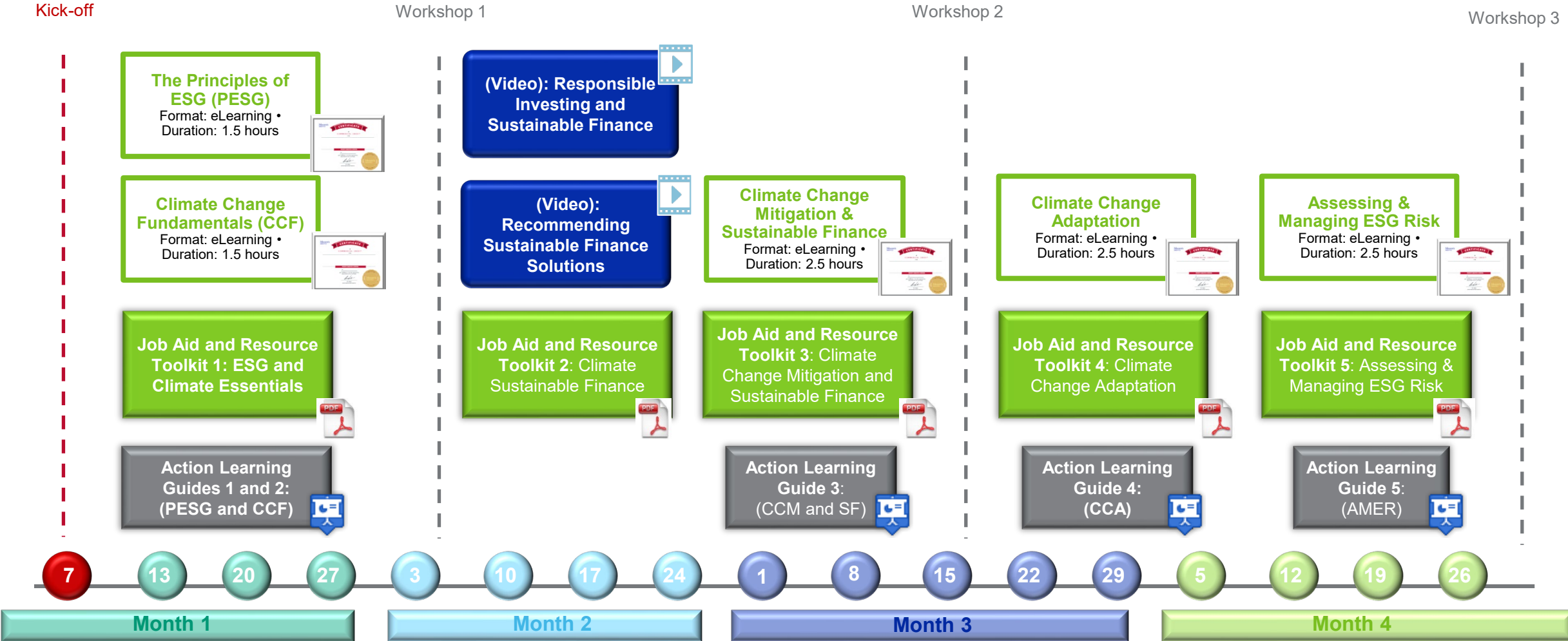
# How we can help you...

## Moody's Learning Solution Components





# Sample Learning Pathway (London based multinational bank)



# Climate Change, ESG & Sustainable Finance: Learning Solutions

## Environmental, Social and Governance (ESG)

### All modules available as a bundle: ESG Risk Assessment Fundamentals (PESG, AMER & IECA)

#### The Principles of ESG (PESG)

Format: eLearning • Duration: 1.5 hours

Target Audience: Internal stakeholder learner groups 01, 02, 03 and 04

#### Assessing & Managing ESG Risk (AMER)

Format: eLearning • Duration: 2.5 hours

Target Audience: Internal stakeholder learner groups 01, 02 and 03

#### Integrating ESG in Credit Assessment (IECA) *Available separately Q2.2023*

Format: eLearning • Duration: 2 hours

Target Audience: Internal stakeholder learner groups 01, 02 and 03

### Action Learning Guides are used in small group discussions to embed and socialize learning

#### The Principles of ESG (PESG)

Format: PowerPoint deck for small group discussion  
• Duration: Self-paced

Target Audience: Employees who completed eLearning Module with the same name

#### Assessing & Managing ESG Risk (AMER)

Format: PowerPoint deck for small group discussion  
• Duration: Self-paced

Target Audience: Employees who completed eLearning Module with the same name

#### ESG and Business Strategy

Format: ILT / VILT • Duration: 2 Days

Target Audience: Internal stakeholder learner groups 01 and 02

#### ESG Risk Assessment for Lenders and Asset Managers

Format: ILT / VILT • Duration: 2 Days

Target Audience: Internal stakeholder learner groups 01 and 03

### Upon request

#### ESG Evolving trends in CRE

Format: ILT / VILT • Duration: 2 Days

Target Audience: Internal stakeholder learner groups 01 and 03

### Key:

eLearning

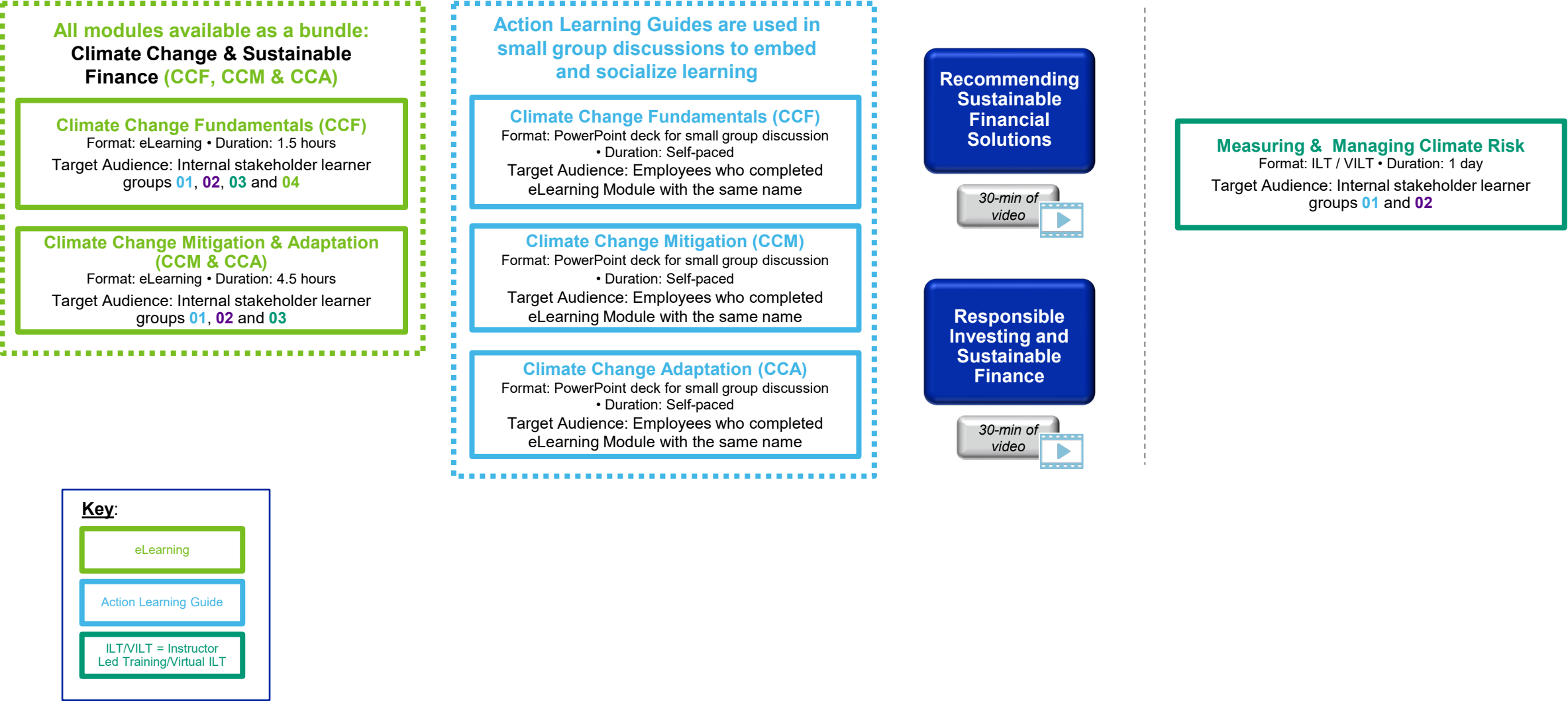
Action Learning Guide

ILT/VILT = Instructor  
Led Training/Virtual ILT



# Climate Change, ESG & Sustainable Finance: Learning Solutions

## Climate Change & Sustainable Finance



# Thank You

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Decode ESG Risk and Unlock Opportunity



# Questions and Answers

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Decode ESG Risk and Unlock Opportunity

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# Annexures

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Decode ESG Risk and Unlock Opportunity

1

ESG eLearning



# The Principles of ESG (PESG)

1.5-hour online self-study eLearning course



DURATION  
1-1.5 hours



DELIVERY CHANNEL  
eLearning



COURSE WORK  
Modules: 1  
Lessons: 2

The foundational course helps instill a common language and understanding of ESG. Focus areas include key definitions, risk drivers and impacts, and notable frameworks.

**Level: Introductory for All Employees**

An assessment is included to monitor progress and learning effectiveness, with detailed reporting available on-demand.

## The Principles of ESG

### 1. Introduction to ESG

Definition and terminologies • ESG Risk Drivers • Impact of ESG on Financial institutions

### 2. ESG Principles

Financial Instruments • UN Sustainable Development Goals • Equator Principles • Key principles of responsible banking and sustainable finance

## Competencies Gained

- » Gain a general understanding of environmental, social, and governance risks
- » Discuss ESG risks
- » Discuss ESG risk drivers
- » Explain the impact of ESG on financial institutions
- » Outline the key principles of responsible banking and sustainable finance
- » ESG and financial instruments
- » Describe the UN Sustainable Development Goals
- » Discuss the Equator Principles

# Climate Change Fundamentals (CCF)

1.5-hour online self-study eLearning course



DURATION  
1-1.5 hours



DELIVERY CHANNEL  
eLearning



COURSE WORK  
Modules: 1  
Lessons: 2

The course teaches employees about climate-related issues, risks, opportunities and regulatory frameworks underpinning the global transition to a net-zero economy.

## Level: All Employees

The course is suitable for anyone seeking to develop their understanding of climate change, climate change-related regulations, risks and opportunities.

An assessment is included to monitor progress and learning effectiveness, with detailed reporting available on-demand.

## Climate Change Fundamentals

### 1. The Science of Climate Change

Understanding climate change • Physical risk impacts • Climate Change Risks and Opportunities • Navigating Climate Strategies.

### 2. Climate Policies and Regulations

Climate Policies and Regulatory Evolution • Global Climate Policies and Regulations • International Regulatory and Voluntary Disclosures • Impact of Regulations on Financial Institutions

## Competencies Gained

- » Understand the relationship between human activity and climate change
- » Engage customers in discussions about the impact of climate change on their business
- » Identify the risks and opportunities associated with transition and physical risks
- » Explain the evolution of climate risk policies and regulations
- » Interpret regulatory and voluntary climate risk disclosures



# ESG Risk Assessment Fundamentals

6-hour online self-study eLearning course



DURATION  
Up to 6 hours



DELIVERY CHANNEL  
eLearning &  
Videos



COURSE WORK  
Modules: 3  
Lessons: 9

The course introduces the core principles, regulations, and frameworks that banking, and lending professionals must understand to incorporate ESG factors into their decision-making processes.

Case studies will be used to explore what banks are doing to survive and thrive.

**Level: Introductory / Intermediate for Corporate Commercial and SME Bankers**

Assessments are included at the end of each module to monitor progress and learning effectiveness, with detailed reporting available on-demand.

## Module One The Principles of ESG (PESG)

### 1. Introduction to ESG

ESG Risk • ESG Risk Drivers • Impact of ESG on Financial institutions (includes definition and terminologies)

### 2. ESG Principles and Sustainable Finance

Responsible Banking and Sustainable Finance • ESG and financial products • UN Sustainable Development Goals • Equator Principles

## Module Two Assessing & Managing ESG Risk (AMER)

### 3. ESG-Related Regulations & Framework

The EU Climate Benchmarks • The Sustainable Finance Disclosure Regulation • The EU Taxonomy Regulation • Financial & Non-financial Reporting

### 4. Environmental Risk

Environmental Risks • Assessing Environmental Risks • Managing & Minimizing Environmental Risk • Greenwashing and Portfolio-level Monitoring

### 5. Social Risk

Social Risk & Materiality • Assessing Social Risk • Managing & Minimizing Social Risk • Portfolio-level Monitoring

### 6. Governance Risk

Governance Risk & Materiality • Assessing Governance Risk • Managing & Minimizing Governance Risk

## Module Three Integrating ESG in Credit Assessment (IMER)

### 7. Integrating ESG Assessment in Decision-Making

ESG factors and Credit Assessment • Applying ESG Assessment Methodologies • EU Taxonomy and Green Bond Standard • Sustainable Finance in the Decision-Making Process

### 8. Integrating ESG in Expected Loss

ESG Considerations in Expected Loss • Integrated Assessment Models • ESG Variables & Profitability of Default Models • ESG Variables & Loss Given Default

### 9. Integrating ESG in Reporting

Embedding ESG Strategies • Embedding ESG in Financial Reporting • ESG Non-financial disclosures requirements • Carbon Disclosure Project (CDP) and Task Force on Climate-related Financial Disclosures (TCFD) Organisational Reporting Requirements

# Climate Change & Sustainable Finance

## 6-hour online self-study eLearning course

The course teaches financial services professionals how climate change – and the risks it creates – are reshaping the lending and investment environment. It builds understanding of climate risk issues and frameworks with an emphasis on assessing climate risk barriers and opportunities to support customers adopt sustainable business practices.

Case studies will be used to explore how financial institutions can help their customers adapt to climate change through their policies and financing activities.

Assessments are included at the beginning of each module to assess knowledge prior to taking the course and at the end to monitor progress and learning effectiveness, with detailed reporting available on-demand.

**Level: Introductory / Intermediate for Corporate and Commercial Bankers**

### **Module One** **Climate Change Fundamentals (CCF)**

#### **1. The Science of Climate Change**

Understanding climate change • Physical risk impact • Climate Change Risks and Opportunities • Navigating Climate Strategies.

#### **2. Climate Policies and Regulations**

Climate Policies and Regulatory Evolution • Global Climate Policies and Regulations • International Regulatory and Voluntary Disclosures • Impact of Regulations on Financial Institutions

### **Module Two** **Climate Change Mitigation (CCM)**

#### **3. Navigating a New Climate**

Climate Finance and Global Financial Stability • Climate Change Mitigation Policy • Climate Finance Initiatives.

#### **4. Climate Mitigation Opportunities**

Financing Energy sectors • Financing Transportation and Building Sectors • Financing Agriculture, Forestry and Land Use • Financing Waste and Wastewater management sectors.



DURATION  
Up to 6 hours



DELIVERY CHANNEL  
eLearning &  
Videos



COURSE WORK  
Modules: 3  
Lessons: 9

#### **5. Climate Mitigation Investments**

The Case for Green Investment • Green Investment Opportunities • Climate Risks Investment Opportunities • Transition High-Emitting Sectors.

#### **6. Financing Climate Mitigation**

Sustainably Financing Climate Change Mitigation • Common Financing Approaches • Financing Emerging Technology Solutions

### **Module Three** **Climate Change Adaptation (CCA)**

#### **7. Physical Climate Vulnerabilities**

Business Case for Climate Adaptation • Industry-related Climate Vulnerabilities • Financial Institutions' Climate Vulnerabilities • Physical Climate Vulnerabilities in Business Operations

#### **8. Climate Change Adaptation Opportunities**

Energy and Building Sectors • Transportation Sector • Agricultural Sector • Water and Health Sectors

#### **9. Climate Change Adaptation Financing**

Financing Adaption • Common Adaption Financing Approaches • Technologies and Climate Adaptation Solutions • Adaptation Policy Frameworks and Initiatives.



2

Instructor Led Seminars  
and workshops  
*(in person or virtual)*

# Climate Change, ESG and Sustainable Finance

Instructor led seminars and workshops (in person or virtual)



## ESG and Business Strategy

2 Day(s) / 16 Hours

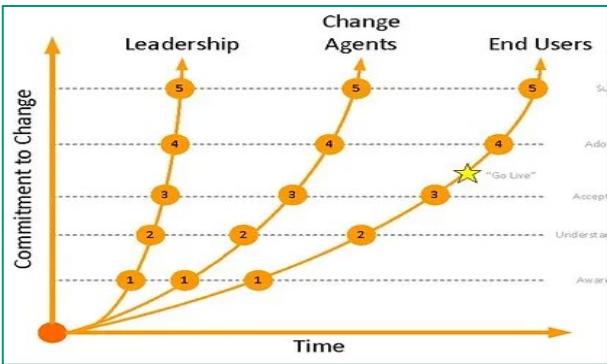
ESG and Business Strategy explores the impact of ESG on the financial services industry and its operations and teaches participants how to integrate ESG into their organizational strategy.



## ESG Risk Assessment for Lenders and Asset Managers

2 Day(s) / 16 Hours

This course provides delegates with an understanding of sustainable financing and investing with special attention given to ESG considerations.



## Measuring & Managing Climate Change

1 day / 8 Hours

Measuring and Managing Climate Risk teaches participants how to identify potential sources of climate risk and use scenario analysis to evaluate the resulting transition and physical risks

*NOTE: If there are related topics you would like addressed, speak to us and we shall source the appropriate instructor to meet your specific needs.*

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