



# **Sustainable finance**

Helping financial institutions place sustainability at the centre of their business

**mazars**





**There is increasing recognition that climate change and other ESG risks jeopardise the world's economy and financial systems.**

Financial institutions need to find the right balance between managing these risks and seizing the opportunities generated by the transition to a more sustainable world. They have a key role to play in the reorientation of capital flows, the mitigation of risks and the financing of innovation to facilitate the energy transition and the long-term adaptation.

At Mazars, we are committed to helping our clients in the public and private sectors implement the changes necessary to meet their sustainable development goals. We support financial institutions in navigating the complex risks and making the most of opportunities emerging from the transition to a sustainable future.



# Sustainable finance

## Your challenges

**In response to the major threats to financial stability posed by the climate emergency, central banks and supervisory authorities are increasingly focussing on incorporating ESG and climate risk criteria when assessing and stress testing financial institutions.**

They are mandating higher standards for sustainable disclosure and risk management. In the European Union (EU) and the United Kingdom (UK) for instance:

- The **EU Taxonomy** will provide investors with a standardised, metrics-based classification system governing which economic activities can be considered 'sustainable.' The requirements for climate change and the other four 'environmental objectives' will be applicable in 2022 and 2023, respectively.
- The **EU Sustainable Finance Disclosure Regulation (SFDR)** will require in-scope firms to disclose their strategies on the management of sustainability risks and impacts during the investment process and strengthen disclosure requirements for products marketed as 'sustainable.' Most measures enter into force in 2021.
- Subject to final adoption by European Council and Parliament, the **Corporate Sustainability Reporting Directive (CSRD)** will replace the current Non-Financial Reporting Directive (NFRD) and impose, from 2023, the mandatory use of European Reporting Standards and limited assurance of sustainability reports for all entities in scope.

- The European Central Bank (ECB) as well as the Prudential Regulation Authority (PRA) have provided **guidelines to financial institutions for managing climate-related risks**, including adaptations to their governance structure, risk management, scenario analysis and disclosure capabilities. First arrangements and related disclosures are expected by end 2021.
- Across Europe and in the UK, **climate stress testing** has been initiated to explore the resilience of the larger financial institutions to the physical and transition risks associated with different climate pathways.
- Finally, in the UK, the Financial Conduct Authority (FCA) will soon require listed entities to disclose **Task Force on Climate related Financial Disclosures (TCFD)** alignment on a comply-or-explain basis. This voluntary reporting framework is also largely used across the globe to report on climate risks and opportunities.

In addition, several initiatives such as the UNEP FI Principles for Responsible Banking, Paris Agreement Capital Transition Assessment (PACTA), Science Based Targets Initiatives - Finance (SBTi-Finance) and Partnership for Carbon Accounting Financials (PCAF) are gaining momentum, encouraging the scaling up of green financing.



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## Your challenges

In light of increasing demands from regulators and civil society, financial institutions of all sizes should ask themselves:

1

Are you embedding ESG and climate risks in your governance, risk management framework and long term business strategy?

2

Are you assessing the impacts of these risks on your operations and your activities?

3

Are you prepared for changes resulting from European and UK regulations as well as ongoing consultations?

4

Which framework can you adopt or which group of collaboration can you join to improve and demonstrate your commitment to sustainability?



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## How can Mazars help?

At Mazars, we support financial institutions in responding to regulatory expectations, adhering to sustainability principles, and more broadly, navigating the complex risks and making the most of opportunities emerging from sustainability and climate change mitigation.

Our sustainable finance specialists advise financial services firms on the integration of ESG criteria into their businesses or investment decisions, for both the benefit of their future sustainability models and for the broader public interest.

Our professionals offer a unique combination of expertise in sustainability, governance, risk management and quantitative solutions while maintaining up-to-date knowledge of firms’ best practices through our regular benchmarking studies.

### Our sustainable finance services include:

#### Governance

- Roles and responsibilities
- Climate risk appetite statements
- MI reports
- Board trainings
- Benchmarks

#### ESG risk management

- Risk policies
- Embedding climate risk in client dialogues
- Scenario analysis and stress testing
- Climate risk metrics
- ICAAP

#### Disclosures

TCFD, SFDR, Pillar 3, EU Taxonomy

- Advisory
  - Impact assessment and implementation roadmap
  - Data collection
  - Governance and controls
- Assurance

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