



ABA ESG WORKING GROUP Maturity Assessment Survey: Key Findings

Joseph Pigg, SVP

American Bankers Association

September 2022



ESG Focus Grows with Size

- Respondents were all over \$1 billion in assets
- 44% between \$1 billion and \$10 billion
- 44% between \$10 billion and \$250 billion
- 11% over \$250 billion



ESG is (sort of) in the Eye of the Beholder

- Question posed: “How does your bank define ESG?”
- Responses ranged from the very general “we must ensure our growth is sustainable” to those defined by specific goals (TCFD, SASB, UNSDG, etc...) to the non-committal “Working to determine that now”



Most Banks Consider DE&I and CRA as distinct from but part of ESG

- 100% of respondents consider DE&I and CRA obligations as elements of the “Social” aspect of ESG
- 50% also consider some level of board diversity a “Social” aspect as opposed to a “Governance” aspect of ESG.



Observation

- The still undefined nature of what constitutes ESG has led to confusion and has fed conspiracy theories and pushback against ESG efforts.
- Banks will want to factor that in to how they discuss ESG and in what forums to be sure that their efforts, values and intentions are understood.



Most ESG Activity in Decentralized

- Only 8.33% of respondents said that ESG activities are centralized within the bank.
- 75% said it is decentralized with cross department collaboration essential.
- 16.67% do not currently say they have ESG activities at all



No Standard Home for ESG

- 8.33% said their ESG function is primarily housed in Compliance
- 8.33% in Risk Management
- 8.33% in Public Relations
- 16.67% have a dedicated Corporate Social Responsibility division.
- 33% house ESG in Lending, Governance or across several divisions.
- 25% reported no current ESG functions



Most have designated ESG lead

- 73% report a designated ESG lead for all activities
- 18% do not have a lead
- 9% replied “don’t know”



ESG is a growth area for employment

- 64% report that they have active or plans to create active ESG positions
- 18% do not
- 18% weren't sure



ESG Positions

- Head of ESG Investor Relations – 67%
- EVP, SVP, or VP of ESG Research or Strategy – 50%
- ESG Manager – 25%
- ESG Investment Research Analyst – 25%
- ESG Data Analyst – 25%
- Public Affairs and Marketing – 25%



Observation

- Percentages of ESG Positions suggests that ESG is currently investor driven for most banks
- Growing regulatory concerns likely to increase other roles
- Other drivers include compliance risk, reputation risk, growth risk



Who vets ESG Pledges?

- If a bank makes pledges related to ESG (e.g. being carbon neutral by 2050) what department vets those pledges?
- Compliance – 29%
- Accounting – 14.29%
- Public Relations/Marketing – 21%
- Other (including ESG Committee and Legal Dept) – 36%



Observation

- Growing interest from regulators, especially the SEC, around “greenwashing” is likely to drive compliance and other vetting of pledges – or to reduce the making of such pledges



ESG Programs at Most Banks Still Maturing

- 55% report that their ESG programs are “not at all mature-beginner”
- 0% report them as “very mature/expert”
- 22% report as “more than beginner but very new”
- 9% report as “in the middle”
- 9% report as “advanced but not expert”



Most do not have a dedicated ESG budget

- 73% do not have a dedicated ESG budget
- 18% do
- 9% plan to have one in the future



Most interest centers on ESG risk

- When asked where they would like to see ABA devote more programming or presentations:
- 78% cited “risks associated with ESG reporting/compliance risk
- 11% cited “incorporating DE&I into Corporate Governance
- 11% cited “social justice issues”
- 0% cited “resource use”



ABA Resources

ABA ESG Working Group – Monthly meetings via Zoom to provide information, and peer connection on evolving ESG issues and practices

ABA Climate Task Force – meets virtually as needed to connect experts within each bank with ABA experts to provide input and feedback on developing regulatory and legislative proposals



Contact

- Joseph Pigg, SVP, Sustainable Banking,
- American Bankers Association
- 202-663-5480
- Jpigg@aba.com