

Louvain School of Management

"What is the current status of ESG reporting and what is the evolution of ESG requirements at bank level?"

Author: Laura Van Meerbeck

Supervisor(s): M. Ruben Olieslagers

Academic year 2022-2023

Dissertation for the master of GEST2MS/GE

Corporate finance

Daytime schedule

ABSTRACT

ESG, environment, social and governance reporting has gained significant importance in recent years, driven by the growing awareness of sustainability issues and the need for responsible investment practices.

Banks, as key players in the financial ecosystem, are increasingly expected to disclose their ESG performance and integrate ESG considerations into their decision-making processes. The evolution of requirements has been marked by a shift from voluntary disclosures to regulatory frameworks and standardised reporting frameworks, such as the Global Reporting Initiative, CSRD, ... This thesis provides an overview of the current landscape, highlighting the growing importance of ESG reporting for banks and the need for standardised frameworks to ensure transparency and comparability of ESG information.

Keyword: ESG reporting, sustainability, banking sector, regulatory requirement

ACKNOWLEDGMENTS

First of all, I would like to thank my supervisor, Mr Olieslagers, for his time and involvement in my thesis.

I would also like to thank the people who took the time to respond to my interviews and surveys.

Finally, I would particularly like to thank my friends for their unmatched encouragement when I needed it most and my family for their support and patience.

Table of Contents

INTRODUCTION	1
PART 1: LITERATURE REVIEW	3
1. ESG	3
1.1. WHAT IS ESG?	3
1.1.1. Introduction	3
1.1.2. History.....	3
1.1.3. Environmental pillar.....	4
1.1.4. Social pillar	6
1.1.5. Governance pillar	7
1.2. WHAT ARE THE ESG RISKS THAT COMPANIES SHOULD TAKE INTO ACCOUNT?	7
1.2.1. Introduction	7
1.2.2. Types of risk evaluations.....	9
1.2.3. Access to information and data	9
1.2.4. Perception and reputation	10
1.2.5. Regulatory risks.....	10
1.3. FROM “CORPORATE CITIZENSHIP TO “CSR” TO “ESG”	11
1.3.1. Diagram of Venn	11
1.3.2. Definition of Corporate Citizenship	11
1.3.3. Difference with ESG.....	12
1.3.4. Definition of Corporate Social Responsibility	12
1.3.5. Difference with ESG.....	13
1.3.6. Conclusion	13
1.4. GREENWASHING AND ESG	14
1.4.1. What is Greenwashing?	14
1.4.2. Why are companies vulnerable to greenwashing?	15
1.5. THE POSITIVE IMPACT OF COVID-19 ON THE ESG	16
1.6. ESG INITIATIVES	18
1.6.1. In Europe: The EU Green Deal	18
1.6.2. International : TCFD, Paris Agreement, UN SDG and NZBA	21
2. REGULATORY REPORTING REQUIREMENTS	25
2.1. INTRODUCTION: THE NEED FOR STANDARDISATION	25
2.2. NFRD - 2014/95/EU.....	26
2.3. CSRD - 2022/2464/EU	27
2.4. SFDR.....	29
2.5. ESG PILLAR 3 REPORTING	30
2.6. GRI	33
2.7. LINK WITH ACCOUNTING - ISSB	35
3. IN THE FINANCIAL SECTOR	37
3.1. INTRODUCTION	37
3.2. PRINCIPLES TO TAKE INTO ACCOUNT IN ESG REPORTING	37
3.2.1. International Capital Market Association	37
3.2.2. Loan Management Account.....	38
3.2.3. Principles for Responsible Investment.....	38
3.2.4. Green Loan Principles.....	38
3.2.5. Equator Principles	39
3.3. POSITIVE IMPACTS OF ESG REPORTING IN BANKS.....	40

3.3.1.	<i>Risk Management:</i>	41
3.3.2.	<i>Regulatory Requirements:</i>	41
3.3.3.	<i>Reputation:</i>	41
3.3.4.	<i>Increasing Innovation:</i>	41
3.3.5.	<i>Increasing Access to Capital:</i>	42
3.3.6.	<i>Conclusion</i>	42
3.3.7.	<i>Agencies extra-financial: MSCI, S&P</i>	42
4.	CONCLUSION OF THE LITERATURE REVIEW	45
PART 2 : EMPIRICAL PART		46
1.	INTRODUCTION	46
2.	RESEARCH QUESTION:	47
3.	METHODOLOGY:	48
4.	QUALITATIVE ANALYSIS: SCOPE BANKS	49
4.1.	<i>Introduction and explanation</i>	49
4.2.	<i>Analysis of the Banks' reports</i>	49
4.3.	<i>Interviews with BNP and Belfius banks</i>	61
4.4.	<i>Conclusion of this analysis</i>	63
5.	QUANTITATIVE ANALYSIS SCOPE STARTUPS	65
5.1.	<i>Introduction and explanation</i>	65
5.2.	<i>Survey answers</i>	67
4.5.	<i>Conclusion of this analysis</i>	73
PART 3: GENERAL CONCLUSION		74
1.	CONCLUSION	74
2.	LIMITATION AND FURTHER WORK	76
BIBLIOGRAPHY		78

Table of figures

Figure 1: Breakdown of ESG domains	3
Figure 2: Climate Action Tracker, BBC 2022	6
Figure 3: Diagram of Venn, Park, J. G., Park, K., Noh, H., & Kim, Y. G. 2023	11
Figure 4: Illustration of Greenwash ESG Funds, Siggia 2023	13
Figure 5: Illustration of Greenwash ESG Funds, Siggia 2023	15
Figure 6: Objectives of European Green Deal, ENG D Report 2020.....	19
Figure 7: Ecodesign requirements, The EU Green Deal 2023	19
Figure 8: Timeline of the changes in relation to the EU Green Deal, 2023	20
Figure 9: Location of TCFD Disclosures, TCFD Report 2023	21
Figure 10: Objectives of the Paris Agreement, European Bank 2021	22
Figure 11: The 17 SDG goals, 2015.....	22
Figure 12: Progress assessment for the 17 Goals, 2023	23
Figure 13: Objectives of EU Taxonomy, Worldfavor.....	25
Figure 14: Objectives of EBA Pillar 3, 2022	31
Figure 15: Illustration of a template on Pillar 3 ESG.....	33
Figure 16: GRI Standards, Youmatter.....	34
Figure 17: Illustration of a bibliometric analysis of ESG performance in the banking industry, Galletta-Mazzù-Naciti 2022.....	37
Figure 18: Overview of the 10 Equator Principles, UNEPFI.....	40
Figure 19: Illustration of how do MSCI ESG Ratings work, Scrivana 2021	43
Figure 20: Table of S&P Grade, Amadeo 2022	44
Figure 21: Steps for the quantitative analysis	48
Figure 22: Snapshot: climate action, ING Sustainability Report 2022	51
Figure 23: ESG ratings of ING, ING Report 2022.....	51
Figure 24: Table of BNP ESG Ratings, BNP report 2022	52
Figure 25: Graph of BNP ESG Ratings, BNP report 2022	52
Figure 26: Belfius ESG dashboard, Belfius report 2022	56
Figure 27: Example of activities in line with the vision of Belfius, Belfius website 2023	57
Figure 28: Example of activities where Belfius is not able to determine, Belfius website 2023	57
Figure 29: Example of activities not in line with vision' Belfius, Belfius website 2023	57
Figure 30: Table of Belfius ESG Ratings, Belfius report 2022	58
Figure 31: Illustration of PEARL+ culture, KBC report 2022	59
Figure 32: ESG description, KBC ESG report 2021	60
Figure 33: KBC ESG Ratings, KBC group ESG 2021	61
Figure 34: Table comparing 4 banks.....	64
Figure 35: Graph of responses to the question "What type of Startup are you?"	67
Figure 36: Graph of responses to the question "What is your level of knowledge about ESG?"	67
Figure 37: Graph of responses to the question "Is your Startup integrate ESG in your activities?"	68
Figure 38: Graph of responses to the question "How important are ESG criteria for your Startup?"	68
Figure 39: Graph of responses to the question "What are the main ESG criteria that your startup takes into account or plans to take into account?"	69
Figure 40: Graph of responses to the question "What are the main limitations or challenges your startup faces in integrating ESG criteria?"	69
Figure 41: Graph of responses to the question "What concrete initiatives is your startup taking to improve its ESG performance?"	70
Figure 42: Graph of responses to the question "Have you seen any benefits from integrating ESG criteria into your startup?"	71
Figure 43: Graph of responses to the question "What are your future objectives in terms of integrating ESG criteria into your startup?"	71
Figure 44: Graph of responses to the question "How does your strategy communicate its ESG commitments and performance to external stakeholders?"	72
Figure 45: Graph of responses to the question "Do you think it's more important for banks to integrate ESG concepts than startups?"	72

Introduction

In recent years, Environmental, Social, and Governance (ESG) factors have gained significant recognition and have become integral considerations for businesses worldwide. With growing concerns about climate change, social inequality and responsible governance, stakeholders are increasingly demanding transparency from corporations. As a result, the integration of ESG principles into business operations has become a crucial aspect of sustainable development.

Banks, as key players in the global financial system, hold a pivotal role in driving sustainable practices. Recognizing this responsibility, banks have begun to incorporate ESG considerations into their operations, risk management frameworks and investment decisions. ESG reporting, in particular, serves as a crucial mechanism through which banks communicate their sustainability initiatives and performance to stakeholders.

This thesis aims to explore the current status of ESG reporting and the evolving requirements within the banking sector. By examining the adoption, implementation and challenges faced by banks in their ESG reporting practices, this study seeks to shed light on the progress made in integrating ESG factors into the core business strategies of banks.

The evolution of ESG reporting requirements will also be a focal point of this research.

This raises the question of how companies, and banks in particular, are integrating this concept into their organisations.

Indeed, the Covid-19 pandemic, climate change, gender equality, the misuse of natural resources and transparency towards everyone are becoming increasingly worrying issues for today's society. By integrating ESG rules, companies will become more eco-friendly, more concerned about the well-being and conditions of their employees, as well as more transparent with their customers and investors.

Hence our research question:

What is the current status of ESG reporting and evolution of requirements at bank level ?

In this report, we will attempt to answer this question as precisely and relevantly as possible. It is divided into two main parts.

The first is the literature review, which will thoroughly explain what ESG entails, how it is implemented and the risk it can cause in companies, and how it differs from the concepts of CSR, corporate citizenship and greenwashing, including the impact of COVID-19. Next, we will explore many of the new regulations and directives implemented in Europe and around the world over the last 10 years. Finally, we will take a closer look at the integration of ESG in the financing sector.

The second part will attempt to answer our research question through two different analyses.

The first will be a qualitative analysis based on interviews conducted within the BNP Paribas and Belfius banks. This will give us a better understanding of how the banks operate from the inside. We will also make comparisons based on annual reports and sustainability reports that four banks (KBC, Belfius, ING and BNP P) have recently published.

The second analysis will be a quantitative analysis comparing the banking sector with the startup sector. This will enable us to compare these two sectors, which are totally opposed and have nothing to do with each other.

In this thesis, we will take an in-depth look at ESG aspects and the resulting regulations around the world, with a particular focus on Europe and European banks.

Part 1: Literature Review

1. ESG

1.1. What is ESG?

1.1.1. Introduction

ESG, an acronym for Environmental, Social and Governance, is a framework used to measure the ethical and sustainability impact of an investment.

ESG refers to the three key factors that investors consider when evaluating companies for investment: environmental impact, social responsibility and corporate governance.

The environmental pillar deals with the impact of the company's activities on the environment. With the ever-changing climate, it is crucial for companies to take necessary steps to mitigate their carbon footprint and adopt sustainable practices.

The social pillar revolves around the well-being of employees within the company and the impact of the company's activities on society. Companies must strive to create a positive impact on the society they operate in and address social issues that may arise.

The governance pillar represents the internal workings of the company and its behaviour towards others. It includes factors such as fraud, corruption and other unethical practices (Tern, 2020)



Figure 1: Breakdown of ESG domains

1.1.2. History

The concept of ESG has been around for centuries. In the 18th century, Quakers and Methodists laid out guidelines for their followers on the types of companies to invest in. In the 1960s, civil rights and virtues became an important consideration for investors when deciding which companies to invest in.

ESG is thus a framework that has gained significant importance in recent years. Companies must embrace ESG and work towards a sustainable future for the planet and humanity. (Tern, 2020)

ESG investing has become increasingly popular with investors seeking to align their portfolios with their values and support companies that prioritise sustainability, diversity and ethical behaviour. While some critics argue that ESG investing is a flawed concept, many experts argue that it can be an effective way to generate long-term value for investors and society as a whole.

1.1.3. Environmental pillar

Nowadays the **environmental pillar** is very important for the creation and survival of a company.

Pollution, waste, carbon emissions in the air and climate change are issues that many companies are currently facing. Environmental problems are becoming a source of stress for the population and companies are mainly responsible for this.

Several means are being put in place for companies to reduce their carbon footprint and focus on this pillar such as switching to renewable sources of energy or fuel, utilising processes that conserve resources and minimise pollution, adopting a carbon neutral stance or reducing carbon footprint, planet restoration for example planting trees and adopting clean energy initiatives.

Moreover, it is not only beneficial for the planet, but also for the sustainability and profitability of companies by reducing costs or increasing profits at the same time reducing risks. It also helps to attract more customers to their business by providing an ecological and sustainable touch.

Shareholders are paying more and more attention to this aspect before investing in a company and therefore companies must put in place elements to attract them compared to a company in the same sector.

According to a study by Simon-Kucher & Partners, in the last 5 years, 85% of consumers reported shifting purchasing habits towards sustainable products (Countable 2022).

1.1.3.1. Climate change

For several years now, we have been observing an impressive climate change on our planet. This has resulted in a huge loss in the world economy. A loss of more than 24,000 billion dollars has been noted in recent years for a study of the London School of Economics.

As a result, we have noted, since 1997 and thanks to data from the Bank of America Corporation, an increase in ESG investments of over 97%. Indeed, this investment is a useful and effective tool against climate change. It aims to promote a healthy environment, social responsibility and good governance in all the organisations implementing these concepts.

Linked to the increasingly worrying climate change, these ESG investments allow to reduce the greenhouse gas emissions of a company. This is one of the main causes of climate change.

We can also see ESG investments that will help reduce climate change, such as renewable energies that emit little or no greenhouse gases. The International Renewable Energy Agency has shown that renewable energies can reduce CO₂ emissions by 70% by 2050.

If companies decide not to be transparent about climate change risks, this can further jeopardise their business and reputation. Stakeholders are increasingly aware of the negative effects of climate change on our Earth. But before companies can communicate their climate risks, they must be able to accurately measure their climate change data.

A benefit beyond the climate crisis is that the implementation of ESG will create future jobs (Innovative, 2018). The aim of the Paris Agreement, which we will look at in detail in the next section, is to achieve net zero carbon by 2050. In 2009, a commitment was made that the richest countries would give 100 billion dollars by 2020 to help developing countries deal with the climate challenge. Unfortunately, this target has not been reached and it will be necessary to wait until the end of 2023 to hope to finally reach this 100 billion.

On the graph, we can see different curves with different targets. The first goal is to get below 1.5°C of global warming, but for the moment this goal is not yet achievable. (Stallard, 2022)

We can therefore not only conclude that companies are on the right track but that there is still a long way to go to achieve full transparency on ESG results and data in each company. Investors are relying more and more on this information, but since we are amid a transition, it is still hard to have 100% confidence in the data that companies disclose.

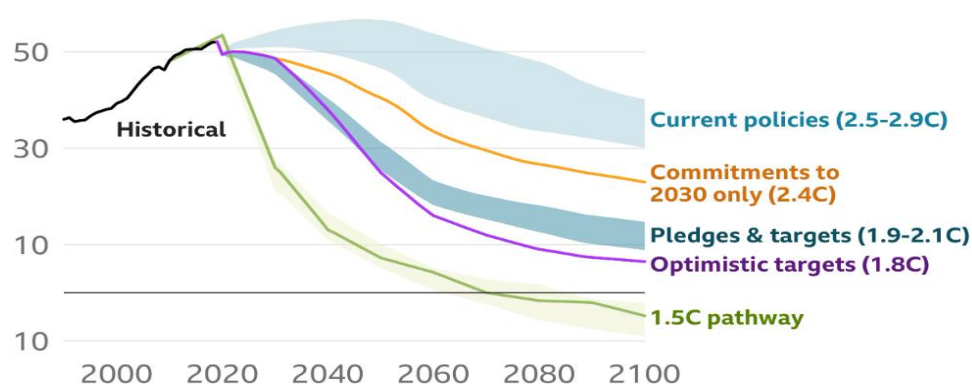


Figure 2: Climate Action Tracker, BBC 2022

1.1.4. Social pillar

With the **social pillar**, we can ask ourselves the following questions:

- How does a company's behaviour affect society?
- What are the social implications of a company's actions?

This issue is more complicated to both measure and evaluate. It is based on social attitudes and behaviour. It is therefore difficult to quantify precisely. “The social pillar refers to the acceptance by employees, stakeholders, investors, and customers of a company's business practices and operating procedures” (Countable 2022).

Companies must take more and more into account the point of view of their employees and staff, as some people increasingly want to share their values with the company they work for. Nowadays, corporate culture, the missions and values that a company promotes are becoming essential elements for the choice of a job and the well-being of an employee within a company.

Contributing to the well-being of stakeholders, promoting solidarity and combating social exclusion and discrimination are the principles upon which this pillar is founded. In other words, this implies “helping with reintegration, supporting gender equality, reducing the gender pay gap, promoting training, encouraging dialogue, and applying global social rights. In other words, the goal is to seek to aid the global population, helping to reduce social inequalities.” (Greenly, 2022).

In other words, the social pillar of ESG encompasses everything that affects a person's well-being within his or her company.

1.1.5. Governance pillar

If we look now at the last pillar of ESG, we can read the definition of **corporate governance**: “Corporate governance refers to how an organisation is led and managed. ESG analysts will seek to understand better how leadership’s incentives are aligned with stakeholder expectations, how shareholder rights are viewed and honoured, and what types of internal controls exist to promote transparency and accountability on the part of leadership.” (Corporate finance institute, 2023).

This is the link between external agents and management. The board of management has to follow the recommendations of the shareholders so that they continue to invest in their company. Moreover, as in the social pillar where employees like to be listened to and share the same values as the company, shareholders and external agents prefer to invest in a company that corresponds to them and where they feel listened to and heard.

The pillar of Governance is the one that sets the tone in terms of the relationship between the company's management and external stakeholders such as shareholders or potential investors. Qualitative governance therefore leads to the qualitative management of ethics and integrity which can lead to increased profits, better understanding between employees and less risks. In short, it acts as a bonus for the company (Countable, 2022).

1.2. What are the ESG risks that companies should take into account?

1.2.1. Introduction

The ESG framework presents several challenges for companies, from adopting sustainable practices to addressing social issues and adhering to ethical standards. By embracing ESG, companies can work towards a better change in this field, ensuring sustainability and ethical practices.

The company must take decisions in relation to these elements (compensation of employees and board executives, board and company diversity, tax strategy and accounting standards, bribery and corruption, fraud, ethics and values, transparency and anti-corruption as well as shareholder rights). This is part of the governance pillar but can sometimes be confused with the company’s social aspect .

The importance of ESG is further highlighted by the current state of the planet. The Earth is struggling to sustain human life due to the increasing pollution and depletion of resources.

According to Grizzlelead (2022), it will take 1.7 Earths to sustain everyone if we continue on this path. This year, we are supposed to have consumed all the natural resources the Earth has to offer for one year, on 2 August 2023. Therefore, it is imperative for companies to prioritise environmental sustainability and take necessary steps to reduce their carbon footprint.

To help companies integrate ESG elements into their businesses, ESG frameworks have been established. This helps them to assess and disclose their vulnerability to a wide range of ESG risks.

There are several kinds of ESG frameworks, including the Value Reporting Foundation's SASB standards, the Global Reporting Initiative (GRI), and the Task Force on Climate-related Financial Disclosure (TCFD). This is some tips to try to apply:

- “The company can successfully identify and assess ESG risks
- Upper management takes responsibility for the integration and mitigation of ESG risks
- The company has the appropriate skills, knowledge, and expertise to manage risks
- There is compliance with and preparation for regulations
- ESG risks are taken into account when establishing, implementing, and maintaining internal and external reporting” (Conservice ESG, 2022)

To help companies engage in more effective risk management with ESG data, it enables organisations to plan compliance goals, improve voluntary disclosures and create risk mitigation strategies and roadmaps to help address threats before they occur.

Before investing in a company, the most experienced investors look at the ESG reporting of the company concerned. Therefore, these investors must first look at the risks related to these ESGs. There are multiple ESGs falling into 4 main categories: financial, competitive, strategic and perception (Conservice ESG, 2022).

It turns out that for investors, implementing ESG is safer and better for investing in a company. However, there are **4 main risks** that companies must take into account and be wary of when integrating ESG reporting into their strategy.

1.2.2. Types of risk evaluations

During the evaluation of a company's risks, 3 main types of risks show up:

- 1) Transition risk “refers to the climate policies and laws shifting the global economy away from fossil fuels. Policy and regulatory risks, technological risks, market risks, reputational hazards, and legal risks are all part of transition risks that can impact the portfolio. These risks are intertwined, and they are often on investors' minds as they try to negotiate a more aggressive low-carbon agenda that might have capital and operational implications for their assets.”
- 2) Litigation risk “surrounding CO2 emissions. Companies that generate and emit more CO2 than others are more liable to class-action lawsuits and other legal issues that hold them responsible for contributing to global warming.”
- 3) Physical risk “such as extreme weather and record temperatures, are now recognized as events that can be predicted and factored into financial planning. Droughts, floods, excessive precipitation, and wildfires are all examples of acute threats. Rising temperatures, the spread of tropical pests, illnesses in temperate zones, and an accelerated loss of biodiversity are all examples of chronic concerns. Investors are exposed to both idiosyncratic and systemic risks as a result of acute and chronic threats.”

In addition to these three risks, there is also the cost of unstable politics and conflicts that climate change may cause. (Conservice ESG, 2022)

1.2.3. Access to information and data

One of the problems for investors is to get clear, reliable and consistent data to best understand their future in relation to the ESG data of certain companies. Indeed, such data allows investors “the ability to track progress and gather the critical information they need for peer comparison and risk mitigation”. (Conservice ESG, 2022)

Today, there is still a lack of ESG disclosure and inconsistency in the reporting of ESG information. Investors often cite the inability to respond to sponsor requests for ESG information as a major concern due to this lack of information sharing.

1.2.4. Perception and reputation

According to McKinsey, the value creation that a company achieves through their consideration of ESG issues is a positive step forward for investors who pay attention to these elements.

Indeed, companies that do not have a good ESG programme with solid elements do not attract potential investors as they are seen as not being progressive or risk-aware. This reflects negatively on the image and reputation of the company and consequently will impact the value of the investment.

McKinsey has found some strong ESG propositions:

- a) “Help portfolio companies tap into new markets and grow in existing ones by building trust that grants them access, approvals, and licences that provide new growth opportunities.
- b) Enable companies to achieve greater strategic freedom by relieving regulatory pressure, reducing the risk of adverse government action, and building government support.
- c) Help companies attract and retain quality employees, improve employee motivation by instilling a sense of purpose and increase overall productivity. Why is this important? Employee satisfaction is positively correlated with shareholder return.” (Conservice ESG, 2022)

1.2.5. Regulatory risks

In Gartner's 2021 Emerging Risks Monitor report, the regulatory risk associated with ESG disclosures quickly moved to second place.

These ESG efforts should begin by cross-functionally mapping ESG strategies and risks while working to collect data on relevant and material ESG metrics.

According to a survey of 153 senior executives, companies face both significant risks and opportunities due to ESG regulatory requirements.

Many companies are currently disclosing information about their GHG emissions.

With the continuation of climate-related disasters and variable weather, stricter regulations regarding GHG emissions, increasing demand for renewable and sustainable energy,

biodiversity and supply chain ethics issues, and growing concern regarding social and governance issues, 2022 is expected to see even greater demand for ESG disclosures.

Despite executives having long been concerned about investor pressure on ESG disclosures, established legal frameworks are only beginning to take effect in some jurisdictions (Conservice ESG, 2022).

If companies are able to mitigate these 4 risks, it will make them less volatile and provide greater confidence to investors. They are rewarded with access to credit and debt markets, reinvestment, long-term growth and positive brand value.

1.3. From “Corporate citizenship to “CSR” to “ESG”

1.3.1. Diagram of Venn

A concept that is very similar to ESG is CSR, meaning Corporate Social Responsibility. The concept of Corporate Citizenship is also related to ESG. Together, as shown below on the Venn Diagram, these three concepts have common points, but also differences.

The corporate citizenship literature relates to ethics, policy and employees; CSR is for business, supply chain and consumers; and ESG is for investment, risk, funds and social responsibility investing. The frequent terms in the overlapping fields show that CSR, ESG and corporate citizenship studies share similar themes and research focuses. (Sustainability, 2023)

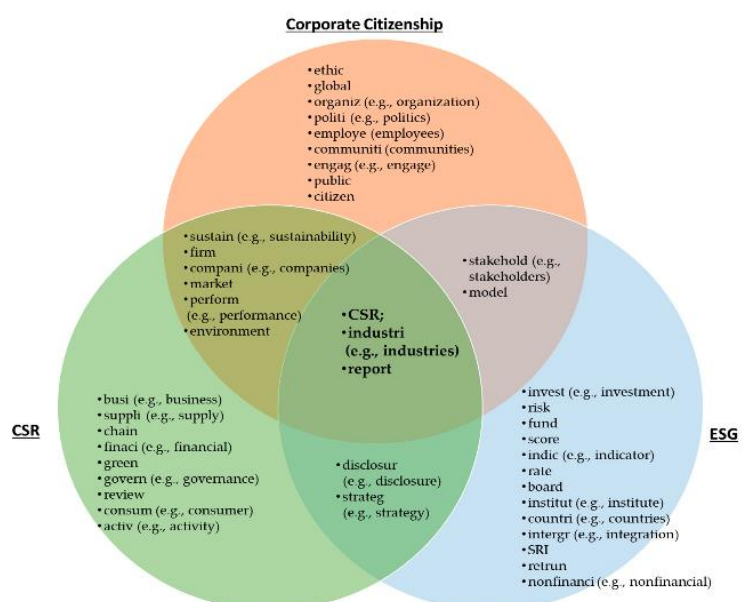


Figure 3: Diagram of Venn, Park, J. G., Park, K., Noh, H., & Kim, Y. G. 2023

1.3.2. Definition of Corporate Citizenship

First of all, if we take the concept of Corporate Citizenship and look at the definition given by Business Jargon, we can read: “Corporate Citizenship is the responsibility of the corporation to develop the value of the business by working for the well-being of all the parties with which it

deals. It implies the social responsibility of business and the degree to which it adheres to legal, environmental, cultural, ethical and economic responsibilities.” (2022)

Another definition: “Corporate citizenship describes the role of the corporation in administering citizenship rights for individuals. Such a definition reframes CC away from the notion that the corporation is a citizen in itself (as individuals are), and towards the acknowledgement that the corporation administers certain aspects of citizenship for those individuals. We do not wish to suggest that corporations are the only actors administering these rights, but they have taken over considerable responsibility for such administration from governments.” (Matten & Crane, 2005)

And finally, “At a minimum, corporate citizenship means adherence to laws, regulations, and accepted business practices in the places where a company operates. A more expansive interpretation is the conduct of business in ways that reflect proactive, responsible behaviour in business and in dealings with all constituents and with respect to communities, society, and natural environment more generally.” (Logan et al, 1997)

1.3.3. Difference with ESG

With these 3 definitions, we can easily say that there is a difference between Corporate Citizenship and ESG. The first relates more to an ethical issue and how the company is managed as such to respect the well-being of everyone in the company while ESG is more to encourage investors and shareholders to know the health and ESG performance that the company obtains to consider a partnership or future investment.

1.3.4. Definition of Corporate Social Responsibility

Then, if we now look at the concept of Corporate Social Responsibility, we will see why they are different and define it.

The definition of CSR is the following: “CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line-Approach”), while at the same time addressing the expectations of shareholders and stakeholders. In this sense, it is important to draw a distinction between CSR, which can be a

strategic business management concept as well as charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction and potentially enhance a company's reputation and brand, the concept of CSR clearly goes beyond that.” (UNIDO)

1.3.5. Difference with ESG

In the figure on the right, we can see a table comparing CSR and ESG reporting. The approach, the benefits, the audience and the long term, are different in the two concepts. The first one, CSR, is focused on doing well and looking good (reputation) while ESG is more focused on financial and capital aspects. However, we can state that CSR is the precursor to ESG.

CSR vs ESG reporting		
	CSR	ESG
Approach	Doing well by doing good	The systematic application of environmental, social and governance disciplines within a business
Benefit	ROI for CSR is the positive impact a focus on stakeholders can have on the retention, loyalty and recruitment of employees and customers, due to its effect on reputation	ESG relates to its impact on accessibility to capital and the cost of capital
Audiences	Consumers, employees, communities and NGOs	Primarily targeting investors, potential investors, influencers (financial media), benchmarks and indices (MSCI, SASB, FTSE4Good, etc.)
Long-term	Reputation	Risk mitigation and financial stability

Figure 4: Illustration of Greenwash ESG Funds, Siggia 2023

1.3.6. Conclusion

Now that we have a clearer understanding of these 3 concepts, we can determine that each of them is an evolution in the term and in the utilisation. Corporate citizenship is more focused on ethics while CSR is focused on business and green and ESG is used in the field of financing, funds, investments.

The term “Corporate Citizenship” was most often used in companies because of its focus on governance and employees' well-being at work.

Then, came the term “Corporate Social Responsibility”, which promotes the concepts of economy, society and environment. Indeed, climate change has made it possible to place the environment more at the centre, with a focus on the economy.

Today, the term “ESG” is becoming increasingly common in business. ESG enables companies to report with precise and clear data, which was not the case before. CSR was the precursor to ESG. Without CSR, there would be no ESG. While CSR aims to make a business accountable, ESG criteria make such business' efforts measurable.

Due to the growing importance of sustainability, companies are moving from a voluntary CSR reporting model (or “feel good”) to a standardised practice of reporting on their ESG efforts through quantifiable measures to demonstrate responsible business operations.

In conclusion, the three terms obviously have many similarities, as they are used to mean more or less the same thing. However, the changing priorities of society and investors have led to an evolution in the terms used. “Corporate citizenship” has been used for decades. And without the arrival of the term “CSR”, there would have been no “ESG”. In fact, these two terms are very similar, but ESG is the physical embodiment in reporting of a company's environmental, social and governance performance. This has enabled investors to base their decisions on concrete data rather than on voluntary reports.

1.4. Greenwashing and ESG

1.4.1. What is Greenwashing?

Greenwashing is a deliberate information disclosure decision initiated by firms that may be beneficial to firms but costly to society. We can re-define Greenwashing as firms obscuring their less impressive overall ESG performance by revealing large quantities of ESG data to manage relevant stakeholders' impression. (Yu et al. 2020)

There are **3 types of greenwashing** that we will explain in more detail below.

The first one is manipulating disclosure to boost company valuation. Indeed, “companies overstate their real environmental performance, which is so-called a “green-washing” strategy”. Some companies integrate greenwashing in their corporate strategy by disclosing a large part of their environmental data while in reality, this company has poor environmental performance. This allows the future shareholders to showcase the company's supposed good side. This strategy aims to lie to the company's external people.

The second one is selective disclosure so as to mislead investors. This type of greenwashing is defined as some firms selectively reporting positive environmental information but hiding negative information. It can also be the company deciding to disclose false information to a specific type of investor in order to mislead them. However, globally exposed companies are careful with this type of greenwashing to avoid being reported.

The last one focuses on product-level greenwashing rather than firm-level greenwashing. Indeed, some firms can overstate the environmental benefits of a product just to increase sales. (Yu et al. 2020)

Clearly, there is a difference between the concepts of greenwashing and ESG. Greenwashing is the misleading disclosure of ESG data and positive extrapolation in order to embellish the company's image to shareholders and investors. ESG performances are often worse than those disclosed to the public.

On the other hand, as we have seen above, ESG are concepts related to the environment, social and governance but this is accurate data that is not misleading. In other words, greenwashing is the extrapolation of a company's ESG performance especially in the environment sector. So, these concepts are clearly related but not the same.

1.4.2. Why are companies vulnerable to greenwashing?

Now that we have seen the concept of Greenwashing, let us look at how it affects ESG objectives. ESGs are automatically considered when an investment is made, and greenwashing allows companies to falsify ESG performance data and disclose false data in order to inflate the performance of the company or the product being marketed at the time.

Many companies do not have the desire, the courage or the financial resources to integrate ESG as effectively as possible. Instead of being honest with external parties, they prefer to disclose other data in order to make their ESG performance look better and greener than it actually is.

This illustration shows the methods used by company managers to falsify ESG data so as to mislead not only investors but also the general public.

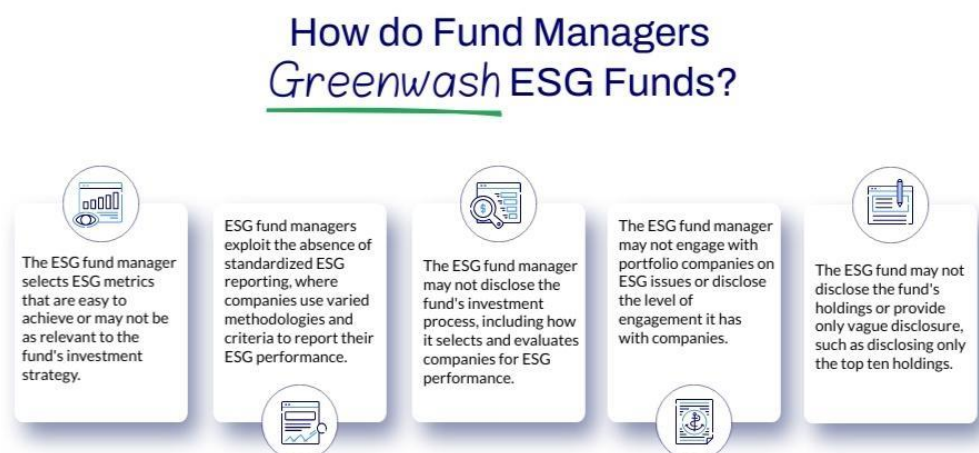


Figure 5: Illustration of Greenwash ESG Funds, Siggia 2023

A number of large companies have tried to greenwash and have been caught in the act . As a result, the company loses credibility as well as the trust of external parties.

The following is an example of Greenwashing that happened in Germany: “In 2021, the US Securities and Exchange Commission (SEC) opened an investigation against Deutsche Bank for overstating its ESG credentials for its \$1 trillion fund range. A German consumer group sued the company in 2022 for ‘misrepresenting a fund's green credentials in marketing materials’.”

A second example that has come to light is also the following: “FIFA has been the subject of various complaints by a Belgian advertising ethics committee for its misleading “carbon neutrality” claims for the 2022 World Cup in Qatar”. (Siggia, 2023)

“ According to the Harvard Law School Forum on Corporate Governance's ESG Global Study 2022, Europe continues to lead the ESG charge. More European investors say ESG is at the heart of their investment approach (31% vs. 18% in North America, 22% in Asia-Pacific). Europe also has the highest percentage of ESG users (93% vs. 79% in North America, 88% in Asia-Pacific). This reflects the more mature European ESG market and regulatory framework”. (Raj, 2022) We can see that Europe is ahead of any other continent when it comes to ESG legislation and disclosure.

1.5. The positive impact of Covid-19 on the ESG

The COVID - 19 crisis turned the whole world upside down in a matter of weeks and the whole world had to adapt very quickly to a new way of life, namely being home-bound due to forced confinement, remote working work and the global economic upheaval. Indeed, the whole world went into a state of “ pause” for many months.

This was also the case for a majority of companies. They had to review their main objectives as well as their so-called business modus operandi . A simple worker could no longer travel to work, which definitely shifted the economy’s rhythm and overall landscape.

As a result, this upheaval inevitably caused an economic and financial crisis. Foreign exchange costs increased and were more volatile, hence the general inflation that took place in many countries, which caused financial difficulties for the population as well as for various companies. (Singh and a, 2021)

The latter had to reinvent themselves and find solutions to minimise the consequences that COVID - 19 had triggered.

According to some scientific articles, we can affirm that several companies in the world have rethought their business strategy and have put more and more emphasis on ESG. This has sparked an increase in companies paying more attention to environmental, social and governance aspects. Indeed, the COVID- 19 crisis has helped reframe global priorities and the human aspect was considered more. For example, firms focused their attention more on how they could reposition their operations and products. Avoiding layoffs, offering flexible work schedules and paid sick leave may allow companies to be more resilient in the face of adversity, as they may be able to maintain high employee productivity while mitigating costs by avoiding employee turnover (Srivastava and al., 2022).

According to this study, companies that had a greater commitment to ESG challenges were more likely to receive credit. During the COVID -19 crisis, many companies had no liquidity and the only solution was to borrow some. These were more easily granted to companies that included ESG data. As we can read in this study: “Our empirical analysis suggests that increased engagement in CSR activities enable firms to access debt capital during COVID-19-induced crisis. In addition, we document that riskier firms involved in CSR activities obtain higher debt financing during the pandemic, despite the risk associated with such firms.

The pandemic caused direct shocks to the economy worldwide and constrained firms’ liquidity. Therefore, firms need to be resilient to deal with the challenges caused by a COVID-19-induced crisis. Our study provides evidence that the socially- responsible behaviour of firms can help during the COVID-19-induced crisis by providing better access to external capital. This enables resiliency during crises and facilitates valuable resources to survive the adverse impact of the initial shockwaves . The study’s insights reinforce the need for firms to be socially responsible. The reputation as well as the responsible behaviour of firms lower the risk perception of stakeholders towards firms during crisis periods.” (Srivastava and al., 2022).

In addition, another study states that: “In fact, after COVID-19, businesses are expected to help build back better and to reimagine the economy in the shadow of the pandemic, and therefore it is time to intensify efforts by business to incorporate sustainable development considerations into strategy, management approach and governance oversight and to be accountable for them.”

In other words, Covid will have a positive influence on ESG integration in companies which, in turn, will assist investors.

Since the COVID - 19 crisis has just ended, leaving behind about 34,000 dead and billions of people impacted, we cannot dwell on the subject. It will be several years before more research can be carried out . This will allow us to have a more thorough look into the matter (Report of Covid, 2023).

To conclude, COVID- 19 will have had a positive impact on ESG within companies and will have given firms the desire to place more social objectives as a priority within organisations. However, as seen before, investors must be careful between companies that really implement ESG aspects in their company and greenwashing (Adam & Abhayawansa, 2021 & Atkins and al., 2022).

1.6. ESG initiatives

1.6.1. In Europe: The EU Green Deal

The **EU Green Deal**: “Our ambition: to be the first climate neutral continent” was presented to the public and the European institutions by the European Commission in December 2019.

“Climate change and environmental degradation are an existential threat to Europe and the rest of the world. To meet these challenges, the Green Deal for Europe will transform the EU into a modern, resource-efficient and competitive economy, ensuring:

- an end to net greenhouse gas emissions by 2050,
- economic growth that is decoupled from resource use,
- that no one is left behind.

The Green Pact for Europe is also our way out of the COVID-19 pandemic. One third of the 1.8 trillion-euro investment of the NextGenerationEU recovery plan and the seven-year EU budget will finance the Green Pact for Europe.” (European Commission website).

This new element is part of the important 2030 plan on Sustainable Development. Welfare is also placed at the centre of economic policy. The EU Green Deal strategy “aims to transform the EU into a fair and prosperous society with a competitive economy”. Its goal is a net carbon neutral European Union by 2050. In order to enforce this general policy strategy, there are several regulations as well as several laws and directives that will come into being.

The Green Deal has the following objectives:

- 1) “Increasing the EU’s climate ambition for 2030 and 2050
- 2) Supplying clean, affordable, secure energy
- 3) Mobilising industry for a clean and circular economy
- 4) Building and renovating in an energy and resource efficient way
- 5) A zero-pollution ambition for a toxic-free environment
- 6) Preserving and restoring ecosystems and biodiversity
- 7) Farm to Fork: a fair, healthy and environmentally friendly food system
- 8) Accelerating the shift to sustainable and smart mobility” (ENGD Report, 2020).

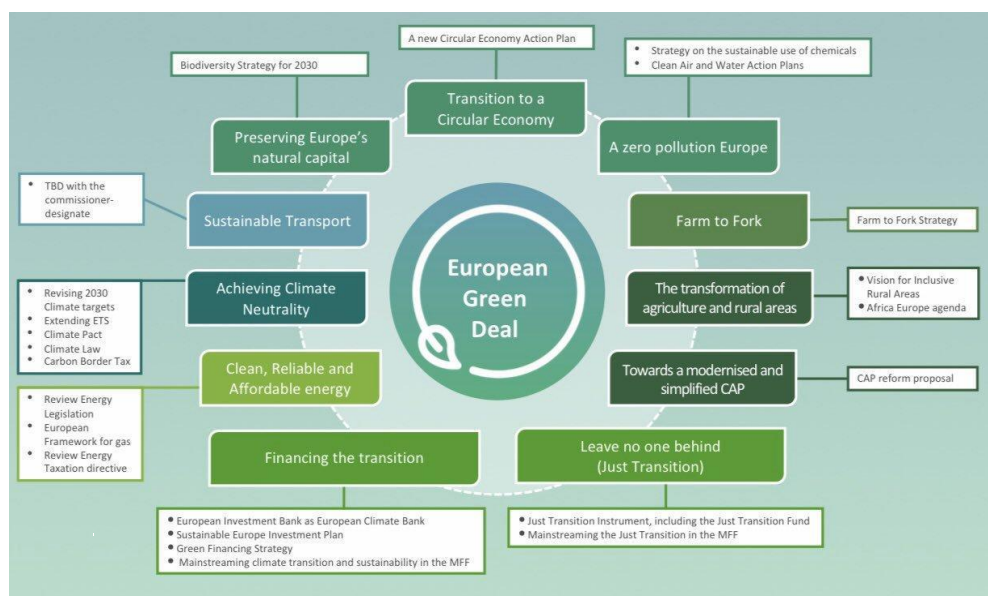


Figure 6: Objectives of European Green Deal, ENGD Report 2020

- 5) A zero-pollution ambition for a toxic-free environment
- 6) Preserving and restoring ecosystems and biodiversity
- 7) Farm to Fork: a fair, healthy and environmentally friendly food system
- 8) Accelerating the shift to sustainable and smart mobility” (ENGD Report, 2020).

With this new deal, Europe hopes to make a difference and become the first continent to be carbon neutral and better use of resources but also better protect citizens from environmental impacts and consequences and to be simply fair and inclusive.

An impressive number of proposals and regulations are underway or about to emerge to help make the European Green Deal work, such as the **EU Circular Economy Action Plan (CEAP)**

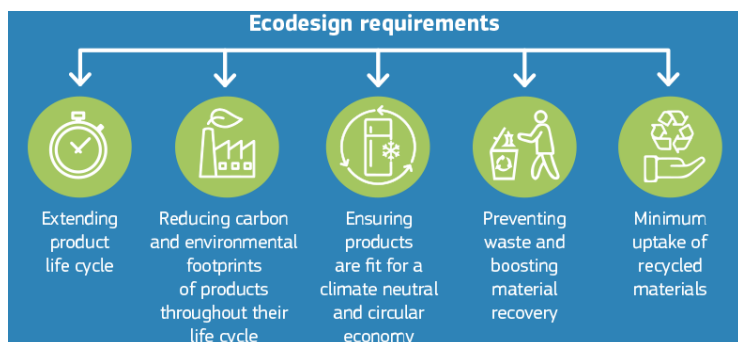


Figure 7: Ecodesign requirements, The EU Green Deal 2023

II which aims to boost global competitiveness, create new jobs and drive economic growth.

The proposed **Ecodesign regulation for sustainable products** that allows products to be more reliable, durable, reusable, repairable, upgradeable, easier to refurbish, recycle or maintain.

In addition, there is the **Farm to Fork strategy** that helps meet the goal of a climate neutral Union by 2050.

Another central pillar of the Green Deal is the new **Biodiversity 2030 strategy**, which is a long-term plan to protect nature and reverse the degradation of ecosystems.

The **Zero Pollution Action Plan** will accelerate the implementation of legislation in EU policies to reduce air, water, soil and noise pollution.

One of the last pillars of the Green Deal is the **revision of the EU legislation on Packaging and Packaging Waste** allowing the end of packaging waste through recycling and reuse.

Finally, the proposed new **regulation to curb EU-driven deforestation and forest degradation** establishes strict mandatory due diligence rules for companies wishing to place relevant products on the EU market or export them.

All these rules and initiatives taken by the European Union will make the European Green Deal as real as possible. (The EU Green Deal – a roadmap to sustainable economies, 2023)

On the following timeline, we can see the latest changes that have taken place in 2023 in relation to the EU Green Deal. Since the end of 2019, the European Commission has not failed to create new rules so that their objectives are well and truly reached by 2030 and 2050.

Timeline

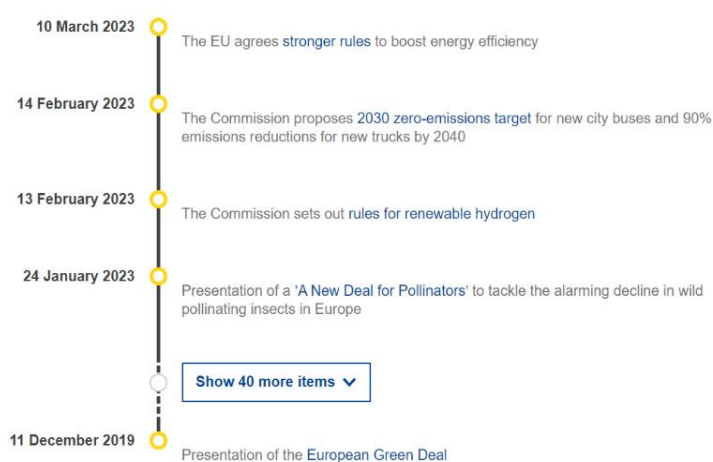


Figure 8: Timeline of the changes in relation to the EU Green Deal, 2023

1.6.2. International : TCFD, Paris Agreement, UN SDG and NZBA

The **Task Force on Climate-related Financial Disclosures (TCFD)** is a framework that helps investors and other external parties to the company by voluntarily and clearly disclosing climate-related financial risks. In other words, it is a general framework that addresses climate issues.

In the figure, we can see that since 2017, the adoption as well as the location of the TCFD disclosures is mainly in the annual reports and in the sustainability report. They can also be found in a climate-specific report, but this seems to be less common. (TCFD report, 2023)

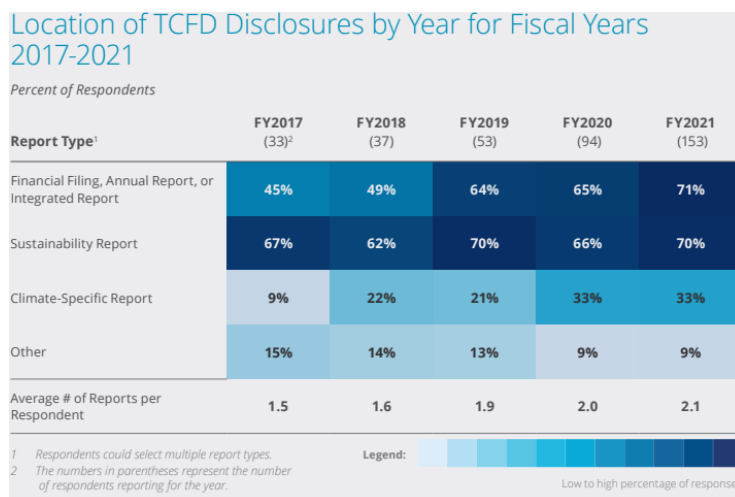


Figure 9: Location of TCFD Disclosures, TCFD Report 2023

The **Paris Agreement** is an international treaty designed in 2015 to operate on climate change. Adopted by 196 Parties at COP 21, it came into effect at the end of 2016 to combat climate change. Its primary objective is the following: “To keep the increase in global average temperature well below 2°C above pre-industrial levels and to continue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.” (UNFCCC).

But the agreement does not stop there. It has other objectives related to the climate crisis.

- “Limit greenhouse gas emissions from human activity to the same levels that trees, soil and oceans can naturally absorb - known as net zero - between 2050 and 2100.
- Each country sets its own emission reduction targets, reviewed every five years to raise ambitions.
- Wealthier countries must help poorer countries by providing funds, known as climate finance, to adapt to climate change and switch to renewable energy.” (Stallard, 2022)

The Paris Agreement proceeds by 5-year targets each time with increasingly ambitious climate actions by each country. It still provides a framework through technical, financial and capacity building support for countries that need it.

The agreement allows for global transparency as each country must make its plans and progress both public and accessible. Every 5 years, they must review their nationally-determined contribution (NDCs).

These contributions will have to be more ambitious than the previous one for each country. Moreover, these ambitions can differ from one country to another as they respect “the principle of common but differentiated responsibilities and respective capabilities”. Furthermore, they are determined unilaterally and should include targets for greenhouse gas emission reductions and adaptation. In order to keep these contributions up to date and increasingly evolving, countries have the right to prepare long-term low-carbon development strategies and low-carbon sectoral roadmaps (European Bank, 2021).

The Paris Agreement is a kind of “hybrid of legally binding and non-binding provisions” (Aid Tree).

The **Sustainable Development Goals** (SDGs) were adopted in 2015 by the UN General Assembly.

17 SDGs, linked to 169 targets, are to form an action plan to “free humanity from poverty and put the planet on a sustainable path” by 2030. All three categories of goals have been represented in these targets (economic, social and ecological).



Figure 10: Objectives of the Paris Agreement, European Bank 2021



Figure 11: The 17 SDG goals, 2015

The 15-year plan aims to reduce poverty and put sustainability back on the agenda for 2030. “The emphasis of this agenda is on ‘universality’, which means that implementation must be ensured not only in the Global South, but across the globe.”

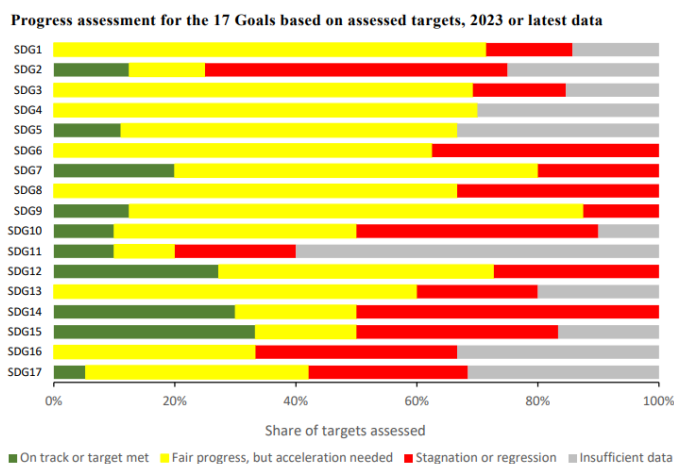


Figure 12: Progress assessment for the 17 Goals, 2023

The graph on the left represents the progress of each SDG at just over halfway through the plan. In fact, in 2023, we are right between 2015 and 2030. It is therefore necessary to visualise and realise what has already been put in place and what remains to be done to achieve the 17 goals that the United Nations set for itself 8 years ago. “At the midpoint of

implementation of the 2030 Agenda, the world is not on track to meet most of the Goals by 2030. There has been progress in some areas, however, progress against a very worrying proportion of targets is either moving much too slowly or has regressed.”

However, due to the geographical conditions and the difficulties in gathering all the data, this graph only serves to give an overview but should not be taken to the nearest percentage.

What we can learn from it is that there is still a long way to go and that developed countries have every interest in helping developing countries to rebalance living conditions between all countries (SDG Progress report special edition, 2023).

The NZBA, **net-zero banking alliance**, brings together and represents over 40% of the world's banking assets. All of them, led by the United Nations, have agreed to align their lending and investment portfolios with net-zero emissions by 2050. The banks in the alliance are setting interim targets for 2030 using robust, science-based guidelines. The alliance is open to any bank wishing to become responsible and paying attention to climate initiatives. Its aim is to strengthen, support and accelerate the implementation of decarbonisation strategies by creating coherent guidelines at international level.

Before joining the Net-Zero Banking Alliance, the bank's CEO will have to sign a declaration of commitment and follow these guidelines:

- **“Transition** the operational and attributable GHG emissions from their lending and investment portfolios to align with pathways to net-zero by 2050 or sooner.
- **Within 18 months** of joining, set 2030 targets (or sooner) and a 2050 target, with intermediary targets to be set every 5 years from 2030 onwards.
- **Banks’ first 2030 targets** will focus on priority sectors where the bank can have the most significant impact, ie. the most GHG-intensive sectors within their portfolios, with further sector targets to be set within 36 months.
- **Annually publish** absolute emissions and emissions intensity in line with best practice and within a year of setting targets, disclose progress against a board-level reviewed transition strategy setting out proposed actions and climate-related sectoral policies.
- **Take a robust approach** to the role of offsets in transition plans.” (UNEPFI website, 2023)

The Alliance has two specific objectives.

Firstly, its aim is to provide a structured forum to support banks’ transition to net zero by 2050. Secondly, to create a platform for demonstrating leadership, coherence and credibility of action.

In what follows, we will look at the mandatory regulations that the European Union and the United Nations have established to encourage as many companies as possible to integrate ESG performance into their strategies.

2. Regulatory reporting requirements

2.1. Introduction: The need for standardisation

A number of regulations will be introduced in the coming years, and in order to harmonise them as best as possible, a language dictionary is being used to classify whether an activity is sustainable and green. It is called the EU taxonomy and it is designed to help companies understand how they can become sustainable.

The **EU Taxonomy Regulation** describes a framework for classifying “green” or “sustainable” business activities carried out in the European Union. This is the first time that a regulation has been created and therefore provides a clearer framework for classifying whether a company is sustainable and environmentally friendly or not. If companies are classified as sustainable by the taxonomy regulation, they will be able to benefit from greater investment. This legislation rewards and promotes environmentally friendly practices.

The purpose of this regulation is to contribute to the following objectives:

1. “Climate change mitigation
2. Adaptation to climate change
3. Sustainability and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Restoration and protection of biodiversity and ecosystems” (Worldfavor).

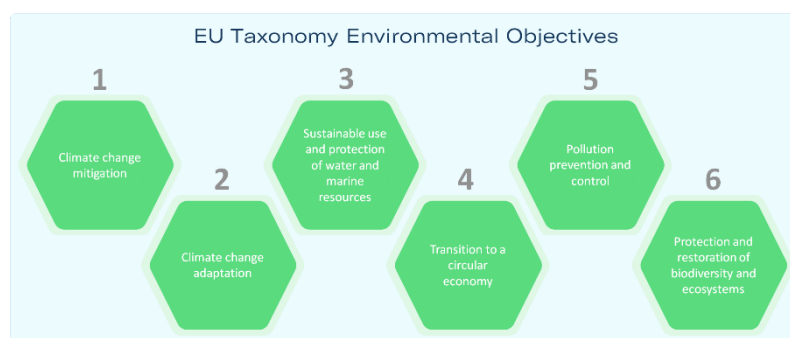


Figure 13: Objectives of EU Taxonomy, Worldfavor

The taxonomy helps define what part of the economy is truly green and will require disclosure of what part of the activities of large companies would be compatible with the taxonomy (Novethic, 2021).

To be classified as “sustainable” :

1. “The economic activity contributes to one of the six environmental objectives

2. The economic activity causes ‘no significant harm’ (DNSH) to any of the six environmental objectives
3. The economic activity complies with ‘minimum safeguards’ such as the United Nations Guiding Principles on Business and Human Rights to ensure that it does not have a negative social impact
4. The economic activity complies with the technical selection criteria developed by the EU Technical Expert Group” (Financial Software Architects GmbH, 2022).

2.2. NFRD - 2014/95/EU

The NFRD, the **non-financial regulation directive**, “obliges large companies to publish reports on the policies they implement regarding: environmental protection, social responsibility and treatment of employees, respect for human rights, the fight against corruption and diversity in the boards of directors of companies (in terms of age, gender, education and professional training)” (Driessen, 2021).

We can see that article 19a has been added as well as 29a. An excerpt of what we can read in this article is: “In the management report a non-financial statement containing information to the extent necessary for an understanding of the undertaking’s development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:

- (a) a brief description of the undertaking’s business model;
- (b) a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented;
- (c) the outcome of those policies;
- (d) the principal risks related to those matters linked to the undertaker's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks;
- (e) non-financial key performance indicators relevant to the particular business.” (Article 19a)

The EU member states are responsible for transposing this regulation into national law.

2.3. CSRD - 2022/2464/EU

An extension to the NFRD is the CSRD (**Corporate Sustainability Reporting Directive**). In fact, the CSRD replaces and consolidates the NFRD adopted in 2014. This previous directive already aimed to harmonise non-financial reporting. Similar to the NFRD, it is a directive issued by the European Union to consolidate and strengthen the non-financial reporting obligations of large companies. This new regulation modifies the NFRD regulation on non-financial performance. It adds a principle of double materiality that allows for much more demanding information to be provided in the extra-financial performance declaration. In addition, it directly addresses rules regarding sustainable development to many companies.

“Overall, the new wording of Article 19a of the NFRD as proposed by the CSRD makes sense: it forcefully addresses the main problems of non-financial reporting: information overload and greenwashing. The broader approach to stakeholder engagement is beneficial for a complete picture of important issues. However, clarification is still needed in order to get the maximum effect of the materiality principle.” (Foster, 2022)

In practical terms, the CSRD extends and replaces the NFRD in several ways.

First, the CSRD extends the obligation to prepare and publish a non-financial statement to all large companies and to all companies listed on regulated markets. This would increase the number of companies covered from 11,000 to 49,000, which happens to be more than a fourfold increase. The CSRD clearly requires more companies to report their non-financial condition.

Second, the proposal requires that an audit of the information reported be conducted.

Third, the CSRD would be more demanding and pickier from a reporting perspective. Indeed, the Commission has established a list of mandatory European sustainability reporting standards through delegated acts.

Fourth, the CSRD requires that all non-financial information be tagged so that each published data is processed electronically and accessible from a single European access point, which has been envisaged during the Capital Markets Union action plan (*Révision de la directive NFRD : vers une comptabilité non financière?*, 2021).

The aim of this new regulation is to clarify and harmonise the information that companies reveal to the public in relation to ESG aspects and even extends to all non-financial information. Each company concerned will be forced to add to their annual report a precise assessment of ESG data.

- “Business models, strategy and policies related to sustainability
- KPIs and sustainability indicators
- Corporate sustainability governance strategy
- Assessment of ‘ double materiality’ and ‘ duty of care’ (in relation to the CSDD, Corporate Sustainability Due Diligence Directive)
- Sustainability risk assessment and prevention
- A set of environmental information, in particular aligned with the principles of the green taxonomy
- Information related to social issues
- Information related to the company’ s global governance
- And precise sectoral information” (Youmatter, 2023)

An important assessment is the **double materiality**. Double materiality refers to the way in which information disclosed by a company can be important both in terms of its implications for the company's financial value and its impact on the world at large. Double materiality is based on the recognition that a company's impact on the world beyond purely financial considerations may be material and therefore should be disclosed, for reasons other than the effect on a company's bottom line (Butterworths Journal of International Banking and Financial Law, 2023).

What we can remember is that during this decade, the European Union is taking matters into its own hands and, in a few years, more and more precise regulations will come into being. For example, as a first step, “the directive will have to be transposed into the national law of the member states before the end of 2024, the reporting standards (the so-called ESRS) will be progressively published from 2023 onwards, the first applications of sustainability reporting based on the principles of the CSRD will take place in 2025 for the financial year 2024 for listed companies, then 2025 for other large companies, and from 2026 onwards, listed SMEs will be required to comply with the CSRD principles, although they will be able to obtain derogations” (Youmatter, 2023).

The extension of the NFRD into CSRD is part of the Green Deal's overall framework. This regulation is therefore mandatory for all large companies, including banking institutions in Europe. It is also based on numerous European legislative instruments such as the framework on taxonomy and the SFDR.

2.4. SFDR

Sustainable Finance Disclosure Regulation is a regulation that came into effect in 2021 in Europe to help promote sustainability in the finance sector. It applies to all ISPs, investment services providers and asset managers in Europe.

The SFDR applies primarily to financial institutions (banks, insurance companies, asset managers and investment firms) operating within the EU. Non-EU entities will be indirectly affected by their EU subsidiaries, the provision of services within the EU and market pressure.

This regulation imposes certain obligations and is based on three different important elements. Indeed, since 2021, the SFDR imposes the disclosure of information on the sustainability of financial products of companies.

In addition, companies are obliged to describe the process of integration of their sustainability factors in their decision making as well as to classify their funds according to the different sustainability criteria.

Finally, annual reports must be published to explain how they comply with the SFDR regulation and thus oblige financial actors to report on Principal Adverse Impacts (PAI). This forces them to reveal the main negative impacts of their investments (Degroof Petercam).

Depending on the sustainability category of the financial products, they are classified into three. This will provide clear and comparable information on the sustainability of the different investments.

“**Article 6**” funds are funds that have no sustainability objectives. These funds can invest in any company without taking ESG aspects into account or having to be transparent about their sustainability system.

Secondly, there are “**Article 8**” funds, which have a sustainability objective in their objectives, but which on the other hand are not constrained by sustainability criteria. However, “Article 8

funds must provide clear information on their sustainable investment policy and on how they take ESG criteria into account in their investment selection process.”

Finally, “**Article 9**” funds are 100% sustainable funds. They have binding sustainability criteria and clear sustainability objectives. “Article 9 funds must provide detailed information on how they integrate ESG criteria into their investment selection process, as well as on the results of their sustainable investment policy.” (Youmatter, 2023)

2.5. ESG Pillar 3 reporting

The Basel Committee on Banking Supervision (BCBS) has drawn up measures at international level to strengthen the regulation, risk management and supervision of the banking sector. The Basel Accords are a series of 3 Basel, international recommendations, for regulations within the banking industry. These recommendations are enforced through national (or EU-wide) laws and regulations.

After the 2008 financial crisis, Basel III was created and consists of 3 different pillars:

- Pillar 1: minimum capital requirements
- Pillar 2: prudential supervision
- Pillar 3: market discipline

In fact, it is this third pillar that we will be focussing on as it forces banks to disclose information and therefore promotes market discipline. In order to strengthen market discipline, the EBA (European Banking Authority) has set up a system to promote transparency and improve public disclosure by financial institutions. In 2018, the EBA is updating Pillar 3 with a new strategy to increase the effectiveness of institutions’ disclosures and creating a comprehensive framework with comparable and consistent information to best strengthen market discipline. The banks are expected to publicly disclose more information, namely related to capital structure, capital adequacy, risk management and risk measurement. Beyond that, the EBA also addresses ESG risks by encouraging institutions to strengthen their risk management and encouraging them to become more aware of a greener economy.

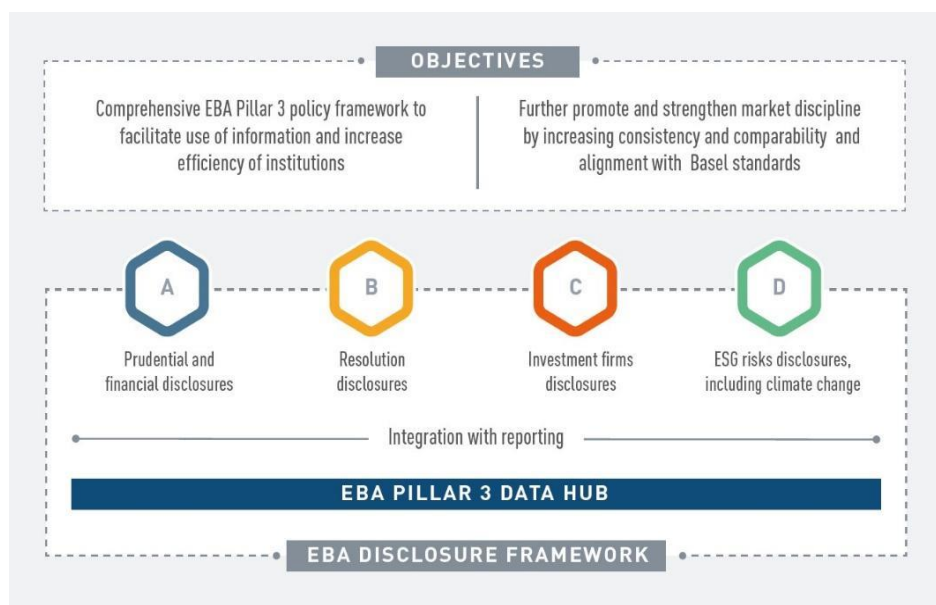


Figure 14: Objectives of EBA Pillar 3, 2022

“In a nutshell, Pillar 3 disclosures cover the following aspects from both a qualitative and a quantitative standpoint:

- Scope of application of the capital adequacy framework;
- Capital structure and capital adequacy;
- Credit risk (requirements are very extensive for banks adopting the more advanced Internal Ratings-Based, or IRB, approaches);
- Securitisation;
- Market risk;
- Equities;
- Interest rate risk in the banking book;
- Operational risk (requirements are more onerous for banks adopting the Advanced Measurement Approach, or AMA).” (Basel, 2022)

Finally, the EBA was mandated to produce disclosure templates, the Implementing Technical Standards (ITS) of the so-called Pillar III disclosures on ESG risks, which were published at the end of January 2022. Indeed, from 2023 onwards, banking institutions will have to disclose their qualitative and quantitative ESG information through tables.

In this report, on the one hand, the bank will have to publish 3 tables with qualitative explanations on its environmental, social and governance risks. For each aspect, three themes will have to be described: risk management, governance and business strategy & processes.

On the other hand, for quantitative information, it will have to disclose 10 templates, 4 of which are on transition risks, 1 on physical risks and 5 on mitigating actions. For more details, here are the 10 templates per risk:

- Transition risks :
 - “Gross carrying amount of loans and advances provided to non-financial corporations , classified by NACE sector codes and residual maturities, as well as counterparties’ scope 1, 2, and 3 greenhouse gas (GHG) emissions.
 - Energy efficiency of real estate collateral in the loan portfolio.
 - Alignment of counterparties’ scope 3 emissions with sectoral ‘net zero by 2050’ scenarios created by the International Energy Agency (IEA).
 - Exposure to the top 20 carbon-intensive firms in the world.
- Physical risks:
 - Degree of exposure towards non-financial corporates and real estate collaterals exposed to chronic and acute climate-related hazards.
- Mitigation actions:
 - Summary of Green Asset Ratio (GAR) templates 7 and 8.
 - GAR: Breakdown of exposures by sectors and proportion of these exposures that are Taxonomy-eligible and Taxonomy-aligned.
 - GAR: Template built upon the information on exposures included in Template 7 with an additional distinction between a GAR for the stock of exposures, and a GAR for newly originated (‘flow’) exposures.
 - Banking Book Taxonomy Alignment Ratio (BTAR): Breakdown of exposures by sectors and proportion of these exposures that are Taxonomy-eligible and Taxonomy-aligned including exposures towards corporates not subject to NFRD disclosure obligations (as opposed to the GAR).
 - Information on other actions (not included in the EU Taxonomy) put in place by the institution to mitigate climate-change-related risks.” (Greenomy, 2023)

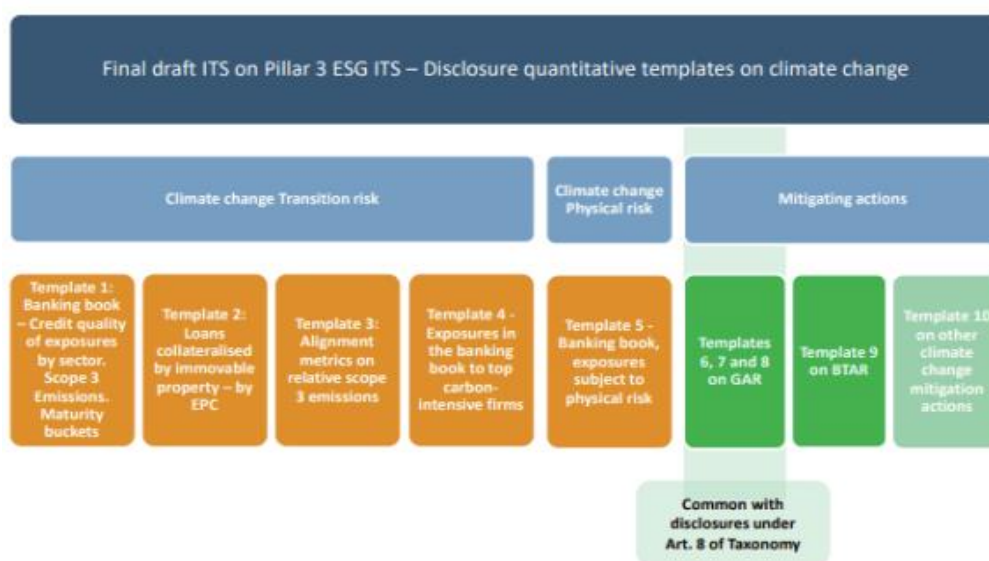


Figure 15: Illustration of a template on Pillar 3 ESG

For credit institutions, the Green Asset Ratio (GAR) has been established by European regulators as a key performance indicator (KPI) to measure the proportion of taxonomy-aligned balance sheet exposure relative to total assets.

Banks will have to report once in the first fiscal year and then twice a year in subsequent years

2.6. GRI

The GRI, Global Reporting Initiative, is an NGO created in 1997 by the Nations of the world to establish a reference system of indicators to measure the level of progress of companies' sustainable development programmes. The first publication of the GRI was in 2000, followed by several revisions until 2014, when a 4th edition was published: the G4. Companies around the world actually make extensive use of these guidelines to produce their corporate social responsibility reports.

The GRI takes into account different areas such as the economy, human rights, the environment, social relations and working conditions, society and finally product responsibility.

To ensure that companies report well, the GRI has developed a guide with quality principles. “The Quality Principles provide guidance on choices relating to the quality of the information provided in the report, including its presentation. The quality of this information is fundamental to enabling stakeholders to assess the organisation's performance accurately and legitimately and to take appropriate action”. Various criteria must be respected:

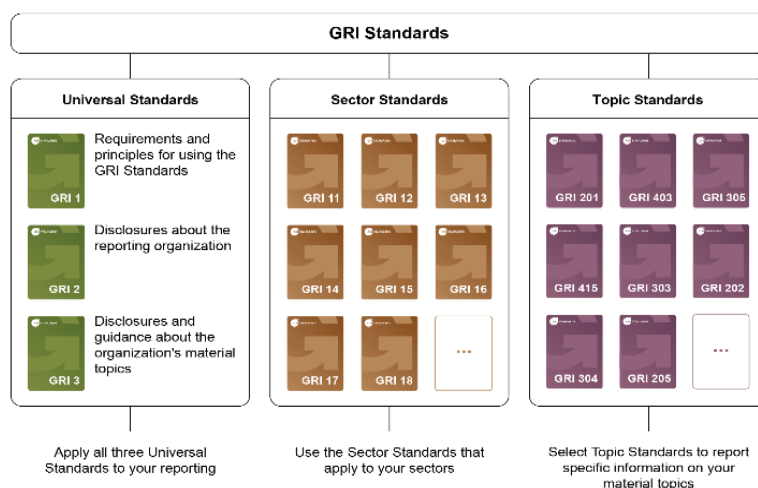


Figure 16: GRI Standards, Youmatter

- “Balance: no aspect of the organisation's sustainable development performance should be neglected, whether good or bad.
- Comparability: present the data in a form that allows analysis of changes and the value of changes in the organisation.
- Accuracy: “the information reported should be sufficiently precise and detailed to enable stakeholders to assess the organisation's performance”.
- Punctuality: publish your report at regular intervals
- Clarity: present the information in an understandable and accessible way
- Reliability: “the organisation should collect, record, compile, analyse and communicate the information and processes used in preparing the report in a way that allows verification and demonstrates the quality and relevance of the information” (Youmatter).

2.7. Link with accounting - ISSB

The ISSB, in other words the **International Sustainability Standards Board**, was announced for 2021 at COP 26 in Glasgow by the Trustees of the IFRS Foundation. This standard is being developed with the aim of unifying comprehensive, high-quality global standards for all sustainability-related information, focusing on the needs of investors and financial markets. Indeed, investors are increasingly interested in sustainability factors before investing, so creating global standards makes it easier to compare and understand the opportunities and risks associated with sustainable development on a global scale. This new standard has the international support of the G7, the G20, the International Organisation of Securities Commissions, the Financial Stability Board, African finance ministers and finance ministers and central bank governors from over 40 countries and jurisdictions.

“The ISSB has four key objectives:

- Develop standards for a global basis of sustainability disclosure;
- Meet the information needs of investors;
- Enable companies to provide comprehensive sustainability information to global capital markets; and
- Facilitate interoperability with disclosures specific to a jurisdiction and/or aimed at wider stakeholder groups.

The ISSB is committed to providing cost-effective, decision-useful and market-informed standards.

- Standards are developed with efficiency in mind, helping companies to report what is needed globally to investors in global markets.
- The standards are designed to provide the right information, in the right way, to support investor decision-making and facilitate international comparability to attract capital.
- A company can avoid double reporting by applying the ISSB standards. Where jurisdictional requirements are based on the global benchmark, companies are able to meet jurisdictional requirements while benefiting from the efficiency and comparability of the global benchmark.” (IFRS website)

ISSB members met in February this year to create the technical content of the initial standards, IFRS S1 and S2 relating to sustainability risks and opportunities.

IFRS 1 is the baseline for sustainability reporting that applies to companies in all sectors worldwide. It allows for greater unification of information on subjects such as emissions and waste. The standard also explains how to link financial and sustainability information in reports.

IFRS 2 is a more detailed standard that addresses specific topics such as climate change mitigation and adaptation. It builds on frameworks we analysed in the previous section such as the Task Force on Climate-Related Financial Disclosures (TCFD).

These two new standards should be published by the end of the second quarter of 2023 (George, 2023).

3. In the financial sector

3.1. Introduction

If we now look at the implementation of ESG in companies in the financial sector, we can observe a growth. In fact, for the last ten years, the social aspect has become very important in the management of companies and for a few years now (since the arrival of Covid), the environmental aspect is more and more considered in the strategy of companies.

Indeed, as shown in the figure below, if we look at an analysis of the bibliometric of more than 271 publications of ESG indices present in the banking sector, this one has experienced a strong growth recently. Even the companies in the banking sector are trying to bring the

A bibliometric analysis of ESG performance in the banking industry: From the current status to future directions

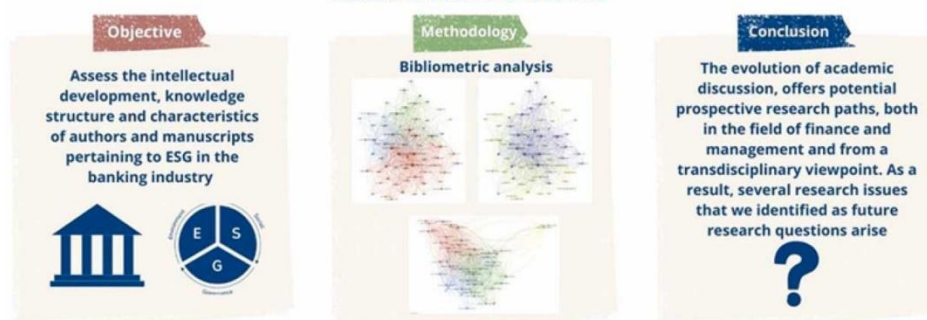


Figure 17: Illustration of a bibliometric analysis of ESG performance in the banking industry, Galletta-Mazzù-Naciti 2022

environmental aspect into their businesses. According to the European Central Bank (ECB, 2020) guidelines on sustainable finance, a company aims to develop value while adhering to relevant ideals, such as fair compensation for employees, respect for ethical and social values and preservation of the environment (Galletta, S., Mazzù, S., & Naciti, V; 2022).

3.2. Principles to take into account in ESG reporting

Sustainable finance instruments have been developed and market practices have become identifiable, with industry associations such as ICMA and LMA providing principles and guidelines to help market participants move forward with their ESG ambitions.

3.2.1. International Capital Market Association

“The **International Capital Market Association** or ICMA is the global trade organisation with the *de facto* regulatory authority for investment banks and securities firms participating in the international bond market ” (Wikipedia, 2021).

3.2.2. Loan Management Account

“The **Loan Management Account** (LMA account) is a demand line of credit provided by Bank of America, N.A., Member FDIC. Equal Opportunity Lender. The LMA account requires a brokerage account at Merrill Lynch, Pierce, Fenner & Smith Incorporated and sufficient eligible collateral to support a minimum credit facility size of \$100,000 ” (Loan Management Account: Flexible Line of Credit).

Some standards on green finance have been inspired by the principles of the two concepts defined above. The European Union is paying more and more attention to environmental aspects by creating concepts that encourage green finance.

For example, the European standard on green bonds is clearly inspired by the ICMA principles for green, social and sustainable bonds. As a result, we can observe a growth of ESG in the financial market. (Driessen, 2021).

3.2.3. Principles for Responsible Investment

This framework, called the UN **Principles for Responsible Investment (PRI)**, is defined by the PRI website itself: “ The PRI, a UN-supported network of investors, works to promote sustainable investment through the incorporation of environmental, social and governance issues” (PRI website).

Two important objectives of this framework are to support the international network of signatory investors and to understand the investment implications of ESG factors. Indeed, its aim is to improve the society that wishes to act but also to improve the markets in which it operates (in the European Union market) because it is the most important promoter of investment responsibility. (Worldfavor)

3.2.4. Green Loan Principles

We can also add the **Green Loan Principles (GLP)** which for a few years now have been increasing strongly, aiming to identify the cases in which a loan can be classified as “green”. (Worldfavor)

In the Guideline of Green Loan, the Green Loan is defined as “ any type of loan instrument made available exclusively to finance or refinance, in whole or in part, new and/or existing

eligible Green Projects. Green loans must align with the four core components of the GLP, as set out below. Green loans should not be considered interchangeable with loans that are not aligned with the four core components of the GLP.” And there are many advantages to implementing the Green Loan. These benefits could potentially include, but are not limited to:

- “Positive impacts on the environment and/or climate change mitigation and/or adaptation;
- positive impact on reputation and credibility;
- building stronger, values-based relationships with stakeholders;
- gaining access to new markets, providing greater resilience to market disruption caused by climate change and decreasing risk across portfolios;
- gaining access to a wider/more diverse pool of investors, particularly those seeking investment with a positive environmental or environmental, social and governance (ESG) focus;
- meeting regulatory and policy targets/commitments;
- increasing ability to attract and retain staff who see SDG contribution as an important part of their personal and working lives.” (Guideline Green Loan Principles, 2021)

3.2.5. Equator Principles

The Equator Principles are a risk management framework adopted by financial institutions to identify, manage and assess environmental and social risks in projects. Its main purpose is to provide a minimum standard of due diligence and monitoring to support responsible risk decision-making. The Equator Principles are adopted and applied by financial institutions in accordance with the Equator Principles, EPFI. There are currently more than 116 EPFIs in 37 countries. “This covers the majority of international project finance debt in developed and emerging markets. The EPs apply globally to all industry sectors and to five financial products: 1) project finance advisory services, 2) project finance, 3) project-related corporate loans, 4) bridge loans and 5) project-related refinancing and project-related acquisition.” (UNEPFI)

These are the 10 Equator Principles. They are the basis on which financial institutions implement their projects and financial products.

OVERVIEW OF THE 10 EQUATOR PRINCIPLES

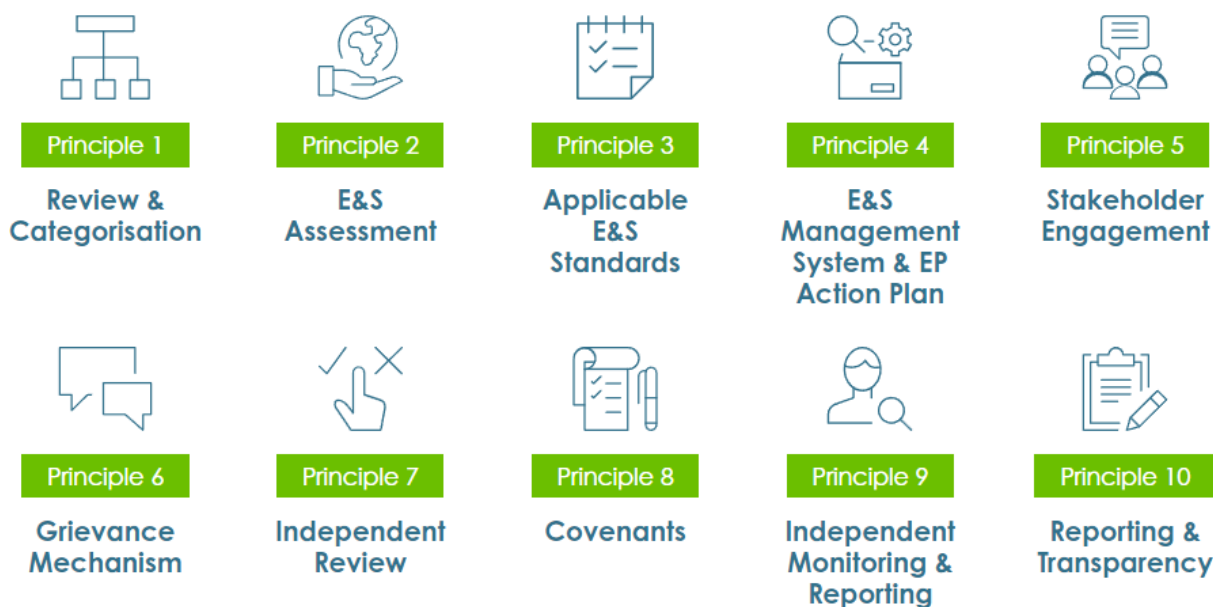


Figure 18: Overview of the 10 Equator Principles, UNEPFI

3.3. Positive impacts of ESG reporting in Banks

The importance of ESG considerations is growing worldwide, whether in the financial sector as seen above by many executives and established concepts, or even today in the banking sector. This may seem like a contradictory association, as banking and sustainability are completely opposite worlds.

However, today we can say that it is high time that the banks' strategies change their priorities and objectives to make them more concerned with the current social and ecological changes. Climate change, governance failures and social inequalities must be taken into account within our banks to make things happen together. Indeed, everyone contributes today to the world of tomorrow and it is together that we will make things happen.

We will see why it is in the interest of banks to involve ESG aspects in their strategy. They will benefit from better risk management, regulatory compliance, improved reputation, increased innovation, and increased access to capital.

3.3.1. Risk Management:

To better anticipate and manage risks such as natural disasters due to climate change, political and legal risks related to greenhouse gas emissions, governance and social issues such as human rights violations, banks should integrate ESG considerations into their risk management framework. This will have a positive impact on their financial performance. Indeed, if they do not integrate this into their strategy quickly, they could face asset freezes or lawsuits that would negatively impact their bottom line. This is why the European Banking Authority requires banks to disclose several data related to their ESG risks. (Phidi, 2023)

3.3.2. Regulatory Requirements:

The European Union has been very concerned about ESG issues for several years, hence it introducing bank regulations. There is now a regulation on sustainable financial reporting (SFDR) and one on GRI as seen before. These regulations require banks to disclose ESG-related information under penalty of sanctions and fines if they fail to do so. This would have a negative impact on their reputation, limit access to capital and their financial performance (Phidi, 2023).

3.3.3. Reputation:

As mentioned many times before, the world is increasingly concerned about social and environmental aspects and this is also the case for investors, customers and stakeholders who want to join a bank. They want their own bank to be a responsible corporate citizen and show a commitment to sustainability and social responsibility.

By doing so, it will also attract and retain other customers who have a personal commitment to ESG as well as ESG-conscious investors. The bank's reputation will therefore be more popular than a bank that does not prioritise ESG (Phidi, 2023).

3.3.4. Increasing Innovation:

To respond to the new environmental and social challenges, it is in the interest of banks to prioritise ESG and this will result in the development of new products and services and therefore be more innovative. Indeed, in order to reduce their carbon footprint and greenhouse gas emissions and by respecting human rights and social inclusion as much as possible, banks will become more equitable and sustainable. For example, banks simply have to slightly change

their strategy by investing in ecological projects or projects that contribute to help disadvantaged social classes (Phidi, 2023).

3.3.5. Increasing Access to Capital:

The growth of the green bond market has been very impressive reaching 269.5 billion dollars in 2021: in other words, an increase of 4.6% compared to the year 2020. We can justify this increase by investor demand and regulatory measures as seen above favouring sustainable finance.

By issuing green bonds, it attracts investors who are socially responsible and by linking with the point on reputation, it increases their popularity rating as a sustainable financial institution (Phidi, 2023).

3.3.6. Conclusion

We can conclude this section on integrating ESG in banks by saying that there are only advantages to thinking about including ESG in the strategy and management of banks. This would allow to change the bad habits that have been formed for years and to slowly turn towards a more sustainable economy and green finance.

3.3.7. Agencies extra-financial: MSCI, S&P

MSCI ESG Research LLC evaluates companies by rating them from AAA to CCC according to the quality of their company's management and the difficulty to implement ESG aspects within them. Recently, this organisation has decided to become transparent to all stakeholders, investors, or others and disclose the rating of over 2800 companies. This is a continuation of the campaign for better dissemination of information and transparency to everyone. Investors can more easily get an idea of the strategy of a typical company and the company itself can see where it stands against the competition.

MSCI's ESG ratings are based on 1,000 data points from company disclosures and alternative data sets as well as 37 key ESG issues that are reviewed weekly.

We can read a more precise definition from Bloomberg to better understand MSCI:

“MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyse key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.” (Bloomberg, 2019)

On the table on the right, we can see that companies with a CCC or B rating (the Laggard) are not very good at ESG. In fact, these companies are very late on ESG risk management, whilst companies with an AAA rating (the Leader) are at the top of the ranking. This implies that they are socially and environmentally involved within the company and have an

excellent management of their risks. For companies in the middle range, this means that they are already well established but can still go further in their ESG risk management and implement it even better in their company (Scrivana, 2021).

How do MSCI ESG Ratings work?

ESG risks and opportunities can vary by industry and company. Our MSCI ESG Ratings model identifies the ESG risks, (what we call Key Issues), that are most material to a GICS® sub-industry or sector. With over 13 years of live track history we have been able to examine and refine our model to identify the E, S, and G Key Issues which are most material to an industry.

[View our Key Issues framework](#) | [Methodology Excerpt](#) | [What MSCI's ESG Ratings are and are not](#)



Figure 19: Illustration of how do MSCI ESG Ratings work, Scrivana 2021

Standard & Poor's (S&P) refers to S&P Global, a business intelligence company that provides

LETTER GRADE	GRADE	CAPACITY TO REPAY
AAA	Investment	Extremely strong
AA+, AA, AA-	Investment	Very strong
A+, A, A-	Investment	Strong
BBB+, BBB, BBB-	Investment	Adequate
BB+, BB	Speculative	Less vulnerable in the short-term, faces major ongoing uncertainties
B	Speculative	Solvent in the short-term, but adverse events could impact its ability to meet its financial commitments
CCC	Speculative	Currently vulnerable
CC	Speculative	Currently highly vulnerable
C	Speculative	Currently highly vulnerable, and a lower obligation debt at high risk of not being paid
D	Speculative	In default

Figure 20: Table of S&P Grade, Amadeo 2022

research and analysis. It is best known for its credit ratings, including S&P bond ratings.

“An S&P credit rating is a letter grade on a scale that differs depending on whether the rating is long-term or short-term. For long-term ratings, the best grade is AAA, which means that the company is highly likely to meet its financial obligations. The worst is “D”, which means the issuer has already defaulted. Ratings can also include a plus sign (which is better than standalone letters) or a minus sign (which is worse than standalone letters).” (Amadeo, 2022)

4. Conclusion of the literature review

Through this literature review, we have analysed in depth and theoretically the integration of the ESG pillars (environment, social and governance) and the evolution of regulations on ecology and sustainability, as well as the integration of ESG in the financial sector.

In this analysis, we have seen that many principles and regulations have been put in place in recent years. The European Union has been a major player in this transition to a more sustainable world and a greener economy.

The many changes in climate, economy and health have changed many mindsets and people are increasingly taking ESG aspects into account in their way of life. For companies, this has also changed many things and they have had to review their business strategy and their main objectives. The financial aspect is becoming less important compared to the social and environmental aspects. And this, even if many companies continue to practise greenwashing in order to make people believe in a change of mentality, but in reality, this is false.

Certain extra-financial agencies have started to disclose their ratings based on a lot of ESG data to rank them.

All these elements are still to be taken with a pinch of salt, as the world is still in a transformational phase and process. As we have seen with the emergence of the ISSB, which is in the process of being created, banks are going to have to reinvent themselves and adapt on an almost constant basis .

It is important to remember that these analyses focus mainly on Europe, which is the most advanced continent in terms of regulations. More importantly, the banking world is a fairly comprehensive sector in terms of its importance to investors and its many customers. Finally, the importance of changing our way of life as a result of climate change is becoming a priority, even for businesses. This is why we have analysed the integration of sustainability regulations and voluntary actions in the banking sector. Naturally, this section is non- exhaustive and the world is ever-changing.

Part 2 : Empirical Part

1. Introduction

The integration of environmental, social and governance aspects into the banking sector has become a major concern in our ever-changing world. Having just explored the theoretical underpinnings of this approach, it is now time to move on to the practical part and find out how financial institutions are implementing these principles in their day-to-day work.

In theory, integrating ESG into the banking sector is a necessary response to the climate emergency, social issues and the growing demand from stakeholders for more responsible management of financial resources. However, turning theory into concrete action can often be a major challenge. Banks have to navigate between regulatory constraints, financial risks and customer expectations, all this whilst remaining profitable.

Yet, despite these challenges, many financial institutions have taken ambitious steps to integrate ESG into their operations. They have recognised that aligning their investments and operations with sustainable criteria is essential to ensure long-term growth and to make a positive contribution to society and the environment.

Together, we are going to take a look at what four well-known bank institutions - ING, BNP Paribas, KBC and Belfius - have recently put in place in response to changes in sustainability and ESG regulations.

2. Research question:

In the second part of this thesis, we will focus on the analytical part. After having seen in the theoretical part of the paper the numerous regulations that are gradually emerging to increase ESG reporting in the banking sector and in general in Europe and worldwide, we will focus on the reality behind all these rules.

Do banks disclose ESG performance, risk management, ambition in the right way?

Do the banks have standards and are they comparable?

Do banks already publish CSRD or ESG pillar 3 reporting?

We will try to answer these questions as objectively as possible.

In a second part, we will compare the implementation of ESG performance reporting in the banking sector with the startup sector.

Why compare these two different sectors (the banking and startup sectors)?

A comparison between the banking and startup sectors related to the integration of environmental, social and governance aspects highlights the differences in both context and size. Banks, because of their size and systemic role, are often subject to greater regulatory and public pressure to integrate ESG criteria. Startups, on the other hand, often have the opportunity to develop business models focused on social or environmental impact from the outset but may also face resource and governance challenges in fully implementing these objectives.

By confronting and comparing these two environments, we will be able to see whether startups that are less constrained by regulations and are a little freer in their business creation are also thinking about integrating ESG aspects into their startups.

3. Methodology:

In an attempt to provide the best possible answers to the various questions relating to the subject of this thesis, we will carry out two analyses.

Firstly, we will carry out a **qualitative analysis** based on interviews conducted in two banks (BNP P and Belfius). This will enable us to develop and compare these two banks from inside.

Moreover, we are going to carry out another **qualitative analysis** based on the reports published by the banks themselves. The four banks (BNP P, Belfius, ING and KBC) represent the vast majority of Belgian banks on the financial market. An in-depth analysis of their published reports would enable us to compare what they have published with the regulations that are coming into force more and more. Therefore, you are able to see whether the banks comply with all the directives and whether they are aligning their strategies and objectives with what the European Union or the national government is implementing.

Secondly, we are going to carry out a **quantitative analysis** based on a sample of responses to a questionnaire completed by startups. Why compare this sector with the banks? We are going to try to see whether startup companies, which are much smaller in size, consider ESG aspects in the same way as banks and are already thinking about them during their creation phase.

Indeed, comparing large institutions that are given more ESG rules with a fast-growing sector that has little or no financial backing is a way of seeing whether each company is thinking about implementing ESG on its own scale within companies outside the financial sector.

To carry out this quantitative study, we first drew up a questionnaire on the subject of ESG. After correcting and validating this survey, we sent the questionnaire to around 80 startups in Wallonia. Twenty startups responded to the survey, providing us with a large enough sample of startups to compare their responses with those of the banking sector. The startups surveyed are French speakers, so we translated their answers from French into English. This is why the questions on the graphs are written in French. Thanks to this study, we were able to see where the integration of startups in the sector stands and compare it with that of banks.

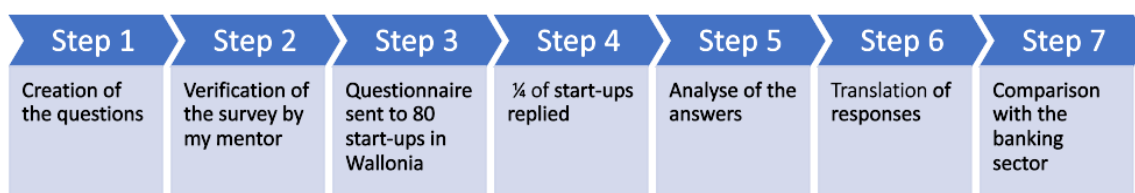


Figure 21: Steps for the quantitative analysis

4. Qualitative analysis: scope banks

4.1. Introduction and explanation

For our first analysis, we will therefore take a qualitative approach. BNP Paribas, ING, Belfius and KBC alone represent 68.22% of the Belgian market share (The Banks, 2021). That is more than half of the market share in Belgium. On this basis, we decided to analyse and study these 4 banks in order to be as representative and comprehensive as possible. Each bank must therefore disclose a certain amount of extra-financial information in addition to the usual financial information. We are going to review the reports that the banks published last year to see whether they comply with the new regulations and whether they include everything that the European Union has been putting in place over the last few years.

Then, based on the interviews conducted at BNP Paribas and Belfius, we will be able to analyse the responses obtained and compare them with the reports that the banks have published previously. In addition, by interviewing a person of the bank, we are able to gain an overview of the bank as a whole. This gives us greater reliability and confidence in the answers.

4.2. Analysis of the Banks' reports

The analysis of the reports published by banks on environmental, social and governance aspects plays a crucial role in assessing their performance and commitment to sustainability. As key players in the financial system, banks are increasingly aware of the importance of integrating ESG considerations into their business practices. ESG reports provide detailed information on the policies, objectives and measures taken by banks to reduce their environmental footprint, promote social well-being and ensure sound and ethical governance. By analysing these reports, investors, regulators and stakeholders can assess Banks's transparency and commitment to sustainable business practices. Analysing Banks's ESG reports is thus an essential tool for encouraging corporate social responsibility and fostering a more sustainable and inclusive economy.

We are therefore going to analyse the reports of the 4 banks, ING, BNP, Belfius and KBC and observe whether they are as transparent as they should be. This will allow us to see where they are in the transition towards more ESG aspects, if they have already adopted different strategies or if they intend in the future to change their objectives to become banks that integrate environmental, social and governance concepts to the maximum.

ING:

For several years, the ING bank has been trying to get involved in environmental and more sustainable aspects. Indeed, it is currently the only bank to have introduced an interactive tool allowing companies and individuals to boost the energy performance of their buildings. Recently, ING wanted everyone to find the best solutions to make their homes more energy efficient. To make this possible, ING has created a tool that everyone can use to give advice on what to change first in old, non-energy efficient homes. At the moment, a study shows that half of the Belgians would no longer buy an energy consuming house.

Since 2022, ING has a specific goal: “to act for the climate”. This bank says that in order for the world to change, everyone has a role to play and concrete actions to take. And ING includes itself in this plan: The bank actually seeks to reduce its carbon footprint (the main cause of climate change) but also seeks to develop financing solutions that society and businesses need to make things happen.

This being said, ING still faces several challenges. Firstly, they want to improve their environmental performance by offsetting their carbon footprint since 2007. In fact, ING replenishes everything it emits. In addition, ING buys sustainably from its suppliers and tries to manage its waste as well as possible.

Its concrete objectives since 2014 are to reduce:

- “Its water consumption and waste by 26% by 2022
- Its direct CO2 emissions by 80% by 2022; and by 25% by 2022 for emissions related to business travel
- Its energy consumption by 65% by 2030”

Secondly, ING wants to finance the change. As a bank, ING has a portfolio of credits that can help support low-carbon projects. This bank advocates for sustainable projects and tries to push its customers in this direction. Here are its concrete objectives:

- “ING wants to help make the private housing market energy positive by 2050
- ING will double (by 2022 compared to 2017) financing to companies and sectors that contribute to the goal of keeping global warming below 2 degrees Celsius
- ING will not provide new financing to coal-fired power plants. Existing credits will be reduced to almost zero by 2025
- ING will reduce its upstream oil and gas financing portfolio by 19% by 2040.”

Thirdly, ING wants to be transparent in terms of its commitment. To that end, in 2021, it published its first integrated climate report. In addition, ING has developed the Terra approach, which aims to make the climate impact of its loan portfolio transparent. Finally, the bank is collaborating with experts, other banks and governments to try to push the entire financial sector to act on climate change. ING has also joined the Net Zero Banking Alliance and is leading its clients towards the goal of keeping global warming below 1.5° Celsius instead of 2° Celsius, in order to achieve climate neutrality by 2050 instead of 2070 (ING website).

If we now focus on ING's sustainability report made in 2022, we can see in the figure below, ING's different objectives in relation to climate actions as well as their graduation according to the progress of each objective.

Snapshot: climate action



Figure 22: Snapshot: climate action, ING Sustainability Report 2022

With its numerous commitments in all ESG aspects, we can find in their 2022 ESG report that ING has been rated well by three tools. As seen before MSCI rated ING with an AA rating. This means that it has a strong interest in environmental and social issues and aims to be more sustainable by putting a concrete strategy in place.

ESG ratings ING Groep N.V.



- Evaluation: ING's management of ESG material risk is "Strong"
- Position: in the 22nd percentile of 406 banks
- Updated: August 2022



- Rating AA
- Updated: September 2022



- ESG evaluation 'Strong' (score 84/100)
- Updated: June 2022

Figure 23: ESG ratings of ING, ING Report 2022

BNP P:

BNP Paribas’ slogan - “the bank for a changing world” is not just a pretty catchphrase or motto. BNP Paribas truly aspires to change things for the better and has been contributing to a low carbon transition for a decade already. It started with its strategic plan GTS 2025 (Growth, Technology & Sustainability).

Indeed, BNP P is part of the Net Zero Banking Alliance (NZBA) but it goes beyond that. It has aligned its entire business with the transition, it is evolving with sectoral policies on fossil fuels, it is involved in the intensification of renewable energies and the development of sustainable financing products.

All of this means that it has created innovative solutions for clients and scaled up a data-driven approach to transition. In addition, it has developed a set of sector policies that are among the most progressive.

As a leading bank with operations in more than 65 countries, BNP Paribas has a duty to keep up with societal changes. Their commitment has been illustrated by the creation of the Low-Carbon Transition Group which aims to bring together more than 250 experts from the bank to advise clients on sustainability issues. In addition, it has launched the NEST (Internal Network of Experts in Sustainable Transition) which proves that BNP is accompanying the change by developing a new, more sustainable strategy. 200,000 employees have been trained in sustainable finance through a training program that aims to create a common knowledge base. (BNP Paribas CIB, 2023)

In these two figures, we can see that BNP Paribas is ranked extremely well by the extra-financial agencies. Indeed, we can see that MSCI gives a rating of AA which is one of the maximum scores, S&P gives it a rating for 2022 of 84/100 which is also very good. So, BNP Paribas is not greenwashing, but rather applying all its promises and commitments to move towards a

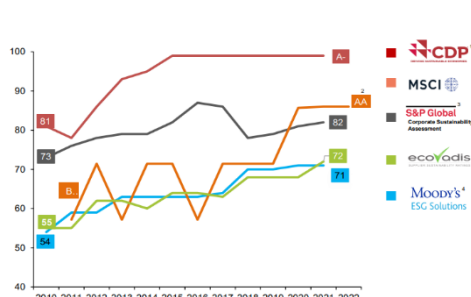


Figure 25: Graph of BNP ESG Ratings, BNP report 2022

AGENCY (RATING)	RATING (YEAR OF LATEST RATING)	RATING (PREVIOUS YEAR)	RATING (PREVIOUS YEAR)	INCLUSION IN THE RELATED INDEXES
FTSE Russell	4.4/5 (2022)	4.4/5 (2021)	4.9/5 (2020)	FTSE4Good Global Index Series
ISS (ESG Corporate Rating)	C+ (2022)	C+ (2021)	C+ (2020)	Prime (best-in-class status)
MSCI (ESG Corporate Rating)	AA (2022)	AA (2021)	AA (2020)	
Standard & Poor's CSA*	84/100 (2022)	82/100 (2021)	81/100 (2020)	DISI World - DISI Europe
Moody's ESG Solutions** (ESG Profile)	71/100 (2022)	71/100 (2021)	71/100 (2020)	Euronext-Vigeo Eiris World 120, Europe 120 and France 20

* Formerly SAM
** Formerly Vigeo Eiris (V.E.)

Figure 24: Table of BNP ESG Ratings, BNP report 2022

low-carbon world. All of its efforts have allowed it to be elected the first French bank to be more sustainable and the 5th in Europe. Moreover, for the 9th consecutive year, it has been awarded the prize of the Top Employer Europe but also elected as the Best Bank in the world in terms of sustainable finance. (BNP Paribas-CSR strategy, 2022)

If we look at BNP's 2022 annual report, we can see that in addition to the mandatory financial information that the bank must disclose in its report, there is a "Corporate Social Responsibility" section. This section is based on 4 themes which are the transition to carbon neutrality, natural capital and biodiversity, the circular economy and inclusion.

Firstly, as mentioned above, BNP is seeking to become carbon neutral by 2050. By joining the Net Zero Banking alliance, the bank has aligned its greenhouse gas emissions with the Paris Agreement target.

The report states that 7 other stages will follow between now and next year.

The second theme that BNP considers important is the preservation of nature and natural resources. It is committed to this by putting in place dedicated policies, by participating in coalitions such as the Taskforce for Nature-related Financial Disclosures, which aims to establish global consistency in the reporting by companies on their nature-related risks and opportunities, and by financing actions that contribute to the protection of biodiversity.

The third theme highlighted by BNP is the circular economy, thanks to its partnership with CO2 Value Europe. The aim is to capture CO2 in order to recycle it and use it as a raw material.

Finally, BNP is promoting digital inclusion within its bank. In 2020, it is launching DigitAll, the first Belgian ecosystem designed to combat digital exclusion.

Following on from its CSR management part in the report, we can see that BNP is focusing its sustainability policy on 5 strategic priorities:

- 1) Sustainable and responsible investments: by the end of 2022, 38.30 billion euros had been invested in "Towards Sustainability" assets and 64.6% of new fund investments made in 2022 were in products meeting "Towards Sustainability" criteria.

- 2) Sustainable real estate: for customers opting for sustainable real estate projects, BNP offers differentiated credit conditions. In fact, it is the first Belgian bank to apply for the European EEM (Energy Efficient Mortgage Label.)
- 3) Sustainable mobility: BNP supports its customers and businesses by offering them credit conditions for electric vehicles.
- 4) Sustainable transition for businesses: at the end of 2022, the amount of ESG loans granted to BNP customers totalled €15.1 billion. Customers can draw on the expertise of the Sustainable Business Centre (SBCC) and thus benefit from its support in carrying out their sustainable projects. As mentioned above, NEST also makes its expertise available to BNP customers. In addition, BNP refuses to finance or invest in companies that do not meet human rights and environmental standards.
- 5) Social inclusion: BNP supports banking inclusion via *microStart*, of which the bank is a founder. This makes it possible to support and grant microcredits to people who do not have access to financing from the traditional banking sector. Through this initiative, BNP is helping to develop and create businesses for those who do not necessarily have the means to do so.

Finally, by moving its head office to Brussels, the building is seven times less energy-consuming than the old one (BNP Annual report, 2022).

As well as explaining what BNP has put in place to move towards a more ESG transition, it describes each challenge in detail on its website so that it is both public and accessible to all. Everyone has thus access to the same information and the emphasis is on transparency.

In fact, on the bank's website, there is an SFDR section which discloses all the information about the bank's sustainable development. It is therefore accessible to everyone.

Belfius:

Belfius' objective is to be both “meaningful and inspiring for Belgian society. Together”. Belfius, the Belgian bank, wishes to contribute to a sustainable economy and society. To this end, Belfius adheres to the principles of the United Nations Global Compact, the UNEP FI Principles for Sustainable Insurance (PSI), the UNEP FI Principles for Responsible Banking (PRB) and the UNEP FI Principles for Responsible Investment (PRI). It aims to create a better society today and for future generations.

In the 2022 annual report, towards the end of the report, there is a section on the UNEP Principles for Sustainable Insurance Reporting. If we analyse this section in more detail, we can see that Belfius has implemented 4 principles in relation to their integration and management of ESG.

These 4 principles are the following:

- 1) Principle 1: *We will embed in our decision-making, environmental, social and governance issues relevant to our insurance business.*
- 2) Principle 2: *We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.*
- 3) Principle 3: *We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.*
- 4) Principle 4: *We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.*

Then, to prepare for the changes and the introduction of the CSRD regulation in banks, Belfius has prepared itself and we can read in its annual report the following: “*In Q4 2021, running through to the beginning of 2022, Belfius, with the support of an independent third-party, conducted a materiality assessment with a two-fold objective: to confirm that its strategy and sustainability commitments are tackling issues that its stakeholders consider to be relevant and to identify any additional topics that are a priority for those stakeholders. In anticipation of the mandatory application of the Corporate Sustainability Reporting Directive (CSRD), our assessment was carried out from a “double materiality” lens considering the impact of sustainability-related topics on Belfius as well as Belfius’ impact on sustainability-related issues*”.

In addition, in the Sustainability report of 2022, the bank wrote that Belfius had woven the sustainable nature of its Inspire 2025 strategy around two principles: “Walk the talk” and “Customers in the driver’s seat” by adapting solutions, services and products for everyone.

The 6 fundamental commitments are written as follows:

1. Continuously reduce and offset the footprint of our own activities;
2. Opt for 100% renewable electricity, a choice we have made since 2008;
3. Support Belgian society year after year through local charities;
4. Give women every opportunity and guarantee equal pay;
5. Ambition to offer only meaningful investments;
6. Give absolute priority to a future-proof infrastructure for Belgian society.

Below, we can see a dashboard with the evolution of the important points that Belfius wanted to improve or implement in its bank. We can see that the figures are moving in the right direction and augur well for the future.

Belfius ESG dashboard

		2020	2021	2022	Target 2025
CARBON FOOTPRINT (OWN OPERATIONS)	% decrease of carbon footprint (tons of CO ₂ e) of Belfius' internal operations (initial 2019 baseline) ⁽¹⁾	-	-30%	-30%	-25% vs 2019 ⁽²⁾
GREEN ELECTRICITY (OWN OPERATIONS)	% of electricity consumption from renewable sources for own operations ⁽⁴⁾	100%	100%	94% ⁽³⁾	100%
GOOD CAUSES	Cumulative Mio EUR support to Belgian good causes since 2015 (pure & commercial charity)	22	25	30	50
(GENDER) DIVERSITY	% of women in management position	34%	36.7%	40.3%	44%
MEANINGFUL INVESTMENTS	% of production in investments in scope ⁽⁵⁾ that is meaningful (SFDR art 8 & 9)	-	83%	87%	100%
MEANINGFUL FINANCING INFRASTRUCTURE	Bn EUR cumulative loan production in meaningful infrastructure projects since 2020	1.7	2.7	3.8	5.8

Figure 26: Belfius ESG dashboard, Belfius report 2022

By signing the United Nations Global Compact, an international convention on sustainable business development that takes precedence over all others, it encourages companies to become more socially responsible by committing to integrate and promote the 10 principles relating to human rights, international labour standards, the environment as well as the fight against corruption.

This requires Belfius to no longer support companies that do not respect these principles. Furthermore, this bank has the following concrete objectives:

- to encourage companies active in several sectors to opt for a more sustainable and forward-looking operating model
- to avoid supporting (or only under strict conditions) controversial activities.

To achieve this, Belfius has created a system that shows on each product sheet whether the products comply with the Belfius vision or not. Thanks to this, the customers are all in the know. Three statuses have been represented:

According to our analysis, the activities of this company are in line with our vision on environmental, social and good governance (ESG).

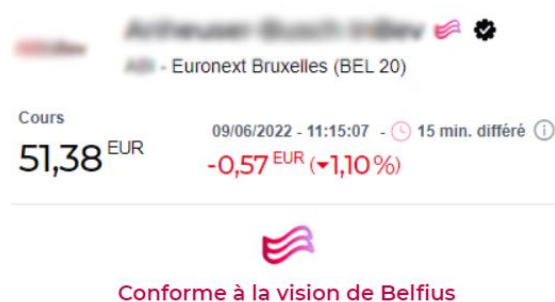


Figure 27: Example of activities in line with the vision of Belfius, Belfius website 2023

Due to insufficient data, Belfius is unable to determine whether the activities of this (these) company(ies) are aligned with our environmental, social and good governance (ESG) vision.

Not all trackers are currently assessed.



Figure 28: Example of activities where Belfius is not able to determine, Belfius website 2023

According to our analysis, the activities of this company are not in line with our environmental, social and good governance (ESG) vision. Indeed, this company is active in one or more controversial and sensitive sectors as defined by Belfius.



Figure 29: Example of activities not in line with vision' Belfius, Belfius website 2023

Finally, Belfius has taken radical measures in terms of investments in the various sectors. Indeed, in these sectors, the activities are not considered to be fully sustainable. For Belfius, these sectors are to be avoided at most, and therefore exclusion and/or restriction criteria have been integrated.

Belfius does not support, or only supports under strict conditions, the following sectors:

- Tobacco
- Gambling
- Unconventional oil and gas extraction and coal mining
- Conventional oil and gas extraction
- Electricity generation
- Agricultural raw materials
- Mining industry
- Palm oil
- Soybean

By not supporting the sectors that emit the most greenhouse gases and pollute the most, the world can change.

Agence de notation	Notation long terme	Perspective	Notation court terme
Standard & Poor's	A	Stable	A-1
Moody's	A1	Stable	P-1
Fitch	A-	Stable	F1

Belfius has been rated in 2023 with A grades by these 3 agencies. This shows that Belfius is well rated in terms of sustainability criteria.

Figure 30: Table of Belfius ESG Ratings, Belfius report 2022

KBC:

KBC Group is a bancassurer that believes in making a difference in the field of sustainability. KBC's General Manager Corporate Sustainability advocates transparent communication on social and sustainability issues. Responsible behaviour, underpinned by integrity and risk awareness, has long been the basis of our approach to sustainability. Indeed, KBC has developed a strategy based on 3 pillars to best integrate sustainability into the company. It wants to increase the positive impact on society, limit any negative impact and encourage responsible behaviour at all levels of the organisation.

Its strategy is based on these principles:

- The customer is at the heart of everything we do.
- We want to offer our customers a unique bancassurance experience.
- We take a long-term view of our Group's development and aim to achieve sustainable, profitable growth.
- We take our responsibilities towards society and local economies seriously.
- We deploy our strategy within a rigorous framework of risk, capital and liquidity management.

Furthermore, with their acronym PEARL+ encapsulating their corporate culture: Performance, Empowerment, Accountability, Responsiveness and Local Embeddedness, this enables all employees to work in a responsible, respectful and results-oriented manner. PEARL+ is clearly a state of mind, a working culture that unifies the harmony of KBC in a simple way.

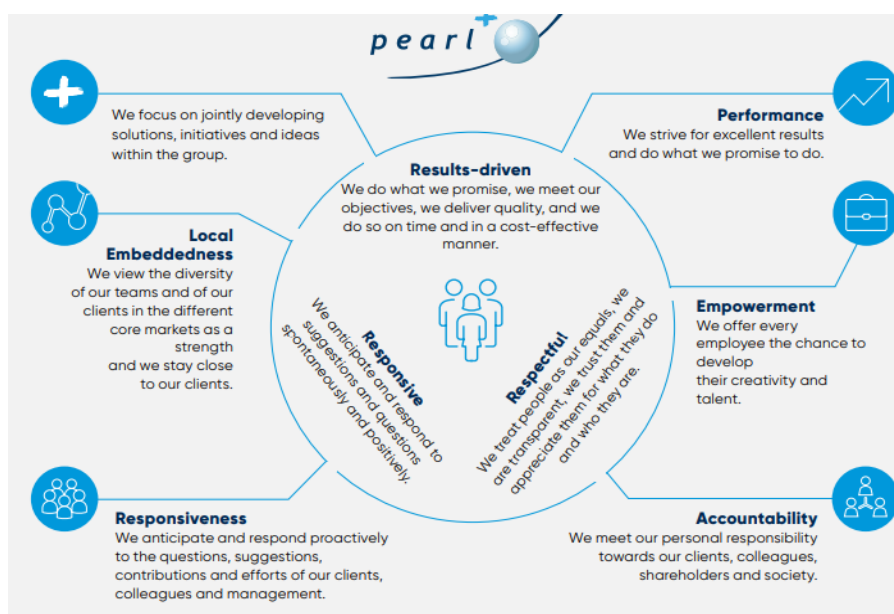


Figure 31: Illustration of PEARL+ culture, KBC report 2022

KBC does not fail to blacklist companies and sectors that they will no longer fund in order to stay within their new sustainability policy.

KBC has a dual materiality approach to climate risk: Financial materiality (outside-in view), Environmental and social materiality (inside-out view).

In addition, the 2022 annual report states that: “*Since data are important to further monitor and steer our portfolios, to set targets and to be able to meet the various regulatory requirements (e.g., from EU Taxonomy disclosure regulation, EBA Pillar 3 requirements, Corporate Sustainability Reporting Directive (CSRD)), a dedicated Data and Metrics Project within the Sustainable Finance Programme is coordinating the data collection in all of our core countries. As of this year, the EBA templates on Pillar 3 disclosures on ESG-risk are included in the Risk Report, where a full overview of these templates can be found.*”

This means that KBC is already thinking about the future of the bank and the next steps to be taken in relation to the new regulations that will be introduced.

KBC has described in its 2021 ESG report each element of ESG, environment, social and governance, in the form of points that we can read in the table. KBC tries to respect both the planet and the well-being of its employees as well as have a positive impact on society. It also strives to respect its new strategy.

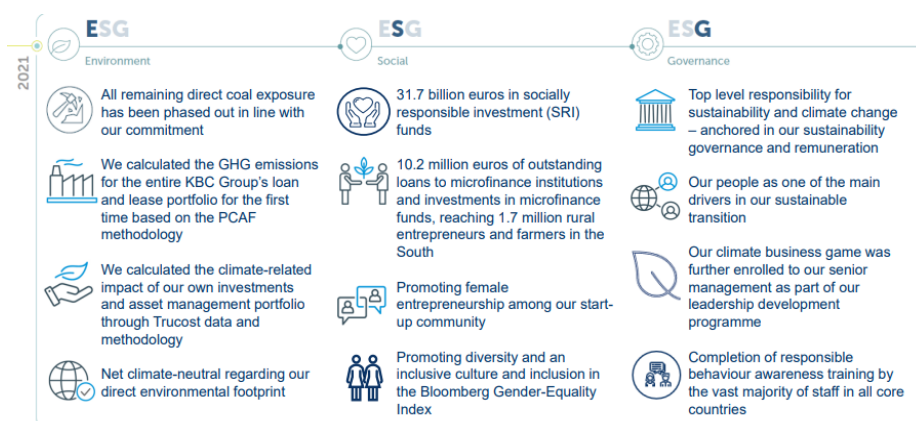
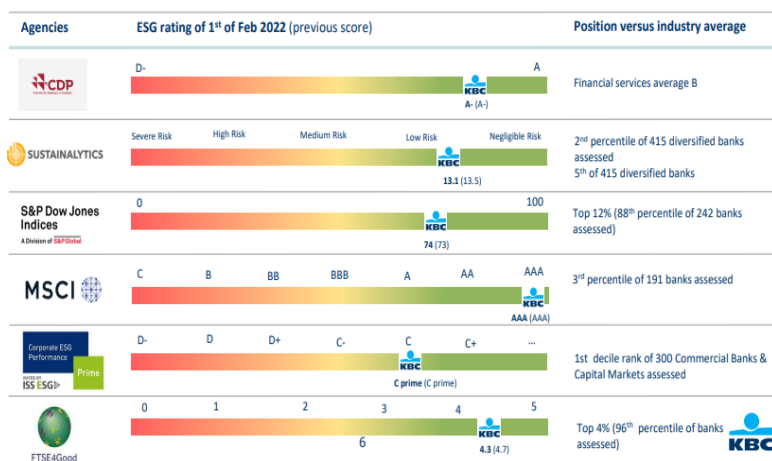


Figure 32: ESG description, KBC ESG report 2021

As for the other banks, we will look at how this bank is ranked in terms of its sustainability impact and its implementation of ESG in its co-marketing strategy.

Looking at this, we can directly say that KBC is in the green by all agencies. This provides a good trend on KBC's reputation as well as its involvement and dedication in its business strategy.



MSCI has given it a rating of AAA. This means that KBC has the highest rating according to MSCI. This places it above the other 3 banks analysed previously. On the other hand, according to S&P, KBC has a rating of 74, which is a bit lower than BNP and ING. (KBC Group ESG, 2021)

Figure 33: KBC ESG Ratings, KBC group ESG 2021

In terms of regulations, KBC is ahead of the three other banks analysed above. For the first time, KBC has published pillar 3 reporting for the general public. Although the ESG pillar 3 reporting is not mandatory for banks for another year, KBC has already published its Excel pillar 3 on its website for the year 2022. In addition, KBC is part of the Equator Principles and therefore joins ING, BNP as a European bank following these principles.

4.3. Interviews with BNP and Belfius banks

Some interviews were conducted with people working in the Belfius and BNP P banks in order to obtain more complete answers about the evolution of the regulations and how the banks are preparing for this change. The employees will remain anonymous. A transcript of the interviews is appended to this report (appendix 4 and 5).

If we summarise the answers received from Belfius, we can clearly see that the development of their sustainable criteria is a priority for them. They fully agree with new regulations such as the CSRD and ESG Pillar 3. However, they note a number of problems that can complicate the task, such as “*the lack of ESG-data from companies, the inconsistency in terms of the timings and deadlines of the different regulations*”.

With regard to the implementation of the CSRD, which is due to come into force in 2025 for the 2024 financial year, Belfius has already begun its preparations since last year and is therefore already taking future changes into account. In fact, it has defined several approaches and project plans with what they will have to disclose in terms of quantitative and qualitative data, and it has already planned a gap analysis and a plan to close the gap. The bank specifies

that this will require a change of mindset and the deployment of a lot of resources. As the interviewee said, *“We are focusing now on capacity building, acquiring knowledge, combining departments in a steering committee”*.

From a data identification point of view, Belfius does not find it complicated. However, it explains that data extraction is not yet simple due to the lack of maturity in the market, but this will be harmonised thanks to the integration of the CSRD.

In general, Belfius is fully in favour of transparency on ESG aspects within its bank in order to be honest with its customers and investors. It already discloses quite a few criteria in its reports, but for Belfius, the integration of the CSRD will make it possible to harmonise and compare data with other banks as effectively as possible.

On the other hand, if we look at BNP's answers to the same questions, we can see several similarities. Firstly, BNP also believes that the introduction of the CSRD will lead to greater transparency and standardisation of ESG aspects. BNP creates achievable objectives and thinks it is a good idea to disclose them because it is a bank that finances the energy transition and is a sustainable bank.

Like Belfius, BNP is also preparing its plans for the integration of CSRD in 2025. The challenges are data challenges, organisation challenges, governance, system aspects.

BNP also explains that it must manage the risks and avoid green and social washing. In addition, like Belfius, BNP does not find it a waste of time to write sustainability reports, BNP said: *“No, there are regulatory requirements, but on the other hand there is certainly an opportunity to contribute to the energy transition and help our customers to make this transition. There are also opportunities to develop business in this context.”*

If we compare these two points of view from two different banks, we can conclude that they share the same ideas: to be a sustainable bank and to be transparent with customers and investors. In addition, both say that it is a positive element that the CSRD will soon come into force in order to harmonise information and allow for better comparison. Finally, these two banks have very specific ESG objectives, and they want to contribute to achieving them. They have already written sustainability reports and are not stopping there. Both banks already have a plan to take the best possible action when the CSRD is introduced.

4.4. Conclusion of this analysis

Banks comply with all measures and regulations relating to the disclosure of ESG performance. As we saw in the theoretical section, more and more regulations are emerging so as to centralise banks' extra-financial information and make it easier to compare them. In terms of standards, we can affirm that the banks all share the same. These four banks disclose a great deal of information about their bank's sustainable development, the way they manage their ESG, etc. More importantly, they are showing their desire to make a difference and their willingness to create more and more objectives that are in line with the Paris agreements and the EU Green Deal in order to remain and become even greener and more sustainable banks.

However, answering the question of whether the banks are comparable in this respect remains rather complex. Each bank discloses its data in its own way, either directly on its website or in its annual report, or like KBC, which is ahead of its competitors by already publishing its ESG pillar 3 reporting. Basically, as of today, NO, the banks are not easily comparable from the point of view of sharing ESG criteria with the general public. If we look at the comparative table below, we can see that the four banks have more or less the same regulations, but there are a few differences. Belfius and KBC are not part of the NZBA and Belfius does not follow the Equator principles compared to the other banks.

Finally, to answer the question of whether banks are already publishing their CSRD and ESG pillar 3, the answer varies from bank to bank. Belfius, BNP and ING are waiting for these regulations to become mandatory for the CSRD in 2024, replacing the NFRD which is currently mandatory but not uniform for each bank. Secondly, the ESG pillar 3 is only published for 2022 by KBC, which is therefore ahead of the other banks analysed. What we can conclude from each bank's regulations is that the entry into force of the CSRD and ESG pillar 3 reporting will harmonise all non-financial information within banks, making it much easier to compare them.

	BNP	Belfius	ING	KBC
NFRD	In the sustainability report and annual report	In the sustainability report and annual report	In the sustainability report and annual report	In the sustainability report and annual report
CSRD	In preparation	In preparation	/	/
ESG Pillar 3 reporting	NO	NO	NO	YES
TCFD	Yes in the TCFD report	Yes in the sustainability report	Yes in the annual report and in the climate report	Yes in the sustainability report (section TCFD report)
SFDR	YES	YES	YES	YES
GRI	YES	YES	YES	YES
Net-Zero Banking Alliance	YES	NO	YES	NO
Equator principles	YES	YES	YES	YES
MSCI (2022)	AA	/	AA	AAA
S&P (2022)	84	A	74	84

Figure 34: Table comparing 4 banks

5. Quantitative analysis scope Startups

5.1. Introduction and explanation

In this section, we will compare the banking sector with the startup sector. Startups are new companies that are in the process of being set up and want to develop an innovative idea. Startups are often characterised by the fact that they have little or no investment funds, and few resources to develop their idea. After three years, a startup can be said to have succeeded in establishing itself and creating a market strategy and a business model. They therefore become small businesses that will try to survive in the world of the market and new competition.

The integration of environmental, social and governance criteria has become a growing concern in the business world. Whilst large companies have begun to take steps to integrate these criteria into their business practices, it is essential to examine how this approach could also be applied to the startup sector. Startups play a crucial role in the global economy because of their innovative nature and potential for rapid growth. Their ability to integrate sustainable and responsible practices can have a significant impact on our society and environment.

There are several **advantages** and incentives for a startup to integrate ESG from the very beginning of its business creation. Here are five general benefits that a startup can gain by considering ESG .

Firstly, the startup can gain a competitive advantage by applying ESG criteria in its strategy. This can further differentiate it from the competition and attract the attention of investors, future customers and other external parties.

Secondly, by considering sustainable aspects more, investors and financial institutions will be more inclined to help them by granting them credit and financing compared with other small startups that make no effort at all.

Thirdly, startups can reduce their environmental, social and governance risks by, for example, reducing their carbon footprint or preventing regulatory compliance problems.

Fourthly, when startups have a mission and vision aligned with ESG principles, consumers and employees are more attracted to sharing the same values. By focusing on these aspects, a startup can attract and retain customers who are concerned about the social and environmental impact of their purchases. Similarly, a corporate culture based on ethics and sustainability can attract talent motivated by broader objectives than mere financial profitability.

Finally, by integrating ESG aspects from the outset, a startup can lay solid foundations for long-term sustainable growth. Environmental, social and governance considerations are key to building a resilient business that can adapt to future challenges, such as stricter regulations, changing consumer preferences and the pressures of climate change.

It is important to note that integrating ESG aspects must be a genuine and committed process, rather than mere ‘greenwashing’ or superficial action. Startups need to understand the specific issues related to their business sector and commit to concrete actions to improve their ESG impact. But it is not always as simple as that. When launching a business on the scale of a startup, the founders sometimes have many intentions and desires, but often have few means of achieving everything they would like to.

Although there are many advantages, there are also certain **risks** that need to be considered and understood before integrating ESG into a startup compared to a large institution. The fact that startups have limited resources due to their recent launch complicates the integration of ESG. The lack of financial, technical or human resources does not help them compared to large companies. In addition, ESG-related regulations can be complex and ever-evolving. Startups need to understand and comply with the standards and regulatory requirements relevant to their industry, which may require additional research and compliance efforts. Penalties for non-compliance can be financially costly for startups. Finally, larger institutions often have more ESG experience and knowledge, as well as dedicated ESG teams. Startups may face gaps in internal skills to develop and implement effective ESG strategies.

This is what motivated us to interview **20 startups**, at various stages of development and in different fields, to gather concrete data for analysis.

We will explore a quantitative approach to obtain accurate and easily analysable figures of startups. We will examine the different methods used to measure the ESG performance of startups. A quantitative approach offers the possibility of objectively assessing a startup's ESG performance, by providing clear, measurable data. In fact, it is more relevant to take a larger sample of startups than banks in order to receive and study more precise responses. It was therefore necessary to send out a detailed questionnaire to twenties of companies less than 3 years old and startups in order to be able to generalise the answers and receive the most objective and accurate response possible.

A questionnaire containing ten questions on ESG was sent to around 80 startups (cfr appendix 3: survey for Startups). Twenties responded to the survey.

The aim of this approach is to determine whether startups are able to reconcile their business objectives with sustainable and responsible practices. We will also address the crucial question of whether such ESG integration is feasible for startups, given their specific constraints and challenges. By examining the potential benefits and barriers, we will be able to better understand the implications of ESG integration in the startup sector and assess its potential impact on the sustainability and overall performance of these companies.

5.2. Survey answers

After questioning these twenty startups, we analysed the results. First of all, we have a sample of different startups from very different fields and at different stages of creation. If we look at the graph, we see that 40% of the startups that responded are startups that have been in existence for less than 3 years. Then 30% are in the creation phase. Finally, 10% are established businesses and 10% are companies in the process of being set up.

Quel type de Startups avez-vous ?
20 réponses

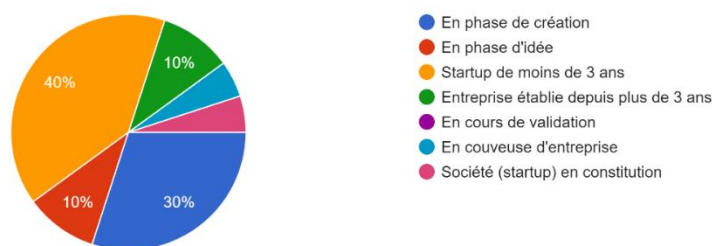


Figure 35: Graph of responses to the question "What type of Startup are you?"

And the main areas of the companies surveyed are in the technology, media, pharmaceutical, mobility and social and welfare sectors. This gives us a very eclectic sample.

Based on this information, we can analyse the rest of the questions.

On the general question of whether startups are familiar with the concept of ESG, only $\frac{1}{4}$ are not at all familiar with this concept and the rest are more or less

Quel est votre niveau de connaissance des critères ESG (Environnement, Social, Gouvernance) ?
20 réponses

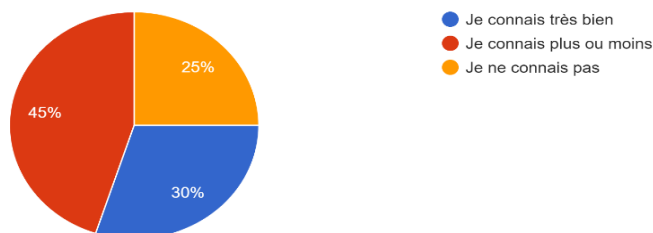


Figure 36: Graph of responses to the question "What is your level of knowledge about ESG?"

familiar. This proves that 75% of startup founders have some knowledge of ESG and therefore know what it is.

Votre startup intègre-t-elle les critères ESG dans ses activités ?
20 réponses

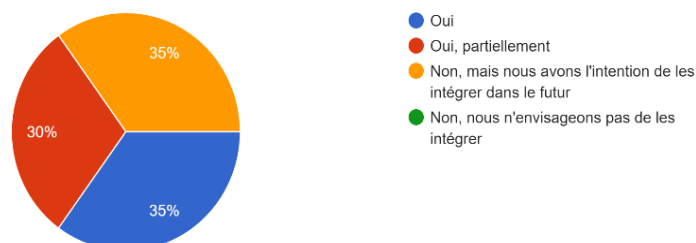


Figure 37: Graph of responses to the question "Is your Startup integrate ESG in your activities?"

More importantly, without exception, all the startups are considering or already incorporating ESG aspects into their strategy and business model. This demonstrates a real desire and willingness on the part of new companies to think about environmental, social and governance performance. This is a first step towards integrating more sustainable aspects into new businesses. Now it remains to be seen whether companies have the resources to integrate them.

Whether they are in the technology, social or media sectors, whatever the business they are setting up, they all think it would be important to integrate ESG. As this graph shows, only 15% of startups surveyed think it is not very important to integrate ESG into their company's strategy. This confirms the willingness and interest that start-ups have in ESG criteria.

Dans quelle mesure les critères ESG sont-ils importants pour votre startup ?
20 réponses

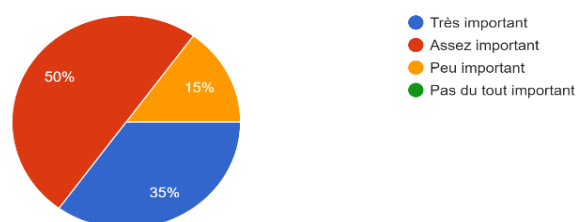


Figure 38: Graph of responses to the question "How important are ESG criteria for your Startup?"

If we look at the priorities given to the elements to be integrated into ESG in their startups, a large majority relate to environmental and climate aspects, then governance comes in second place and finally more or less half of the startups plan to integrate aspects to improve the social point of ESG such as promoting diversity and inclusion in the company and respecting fair labour standards and the protection of human rights.

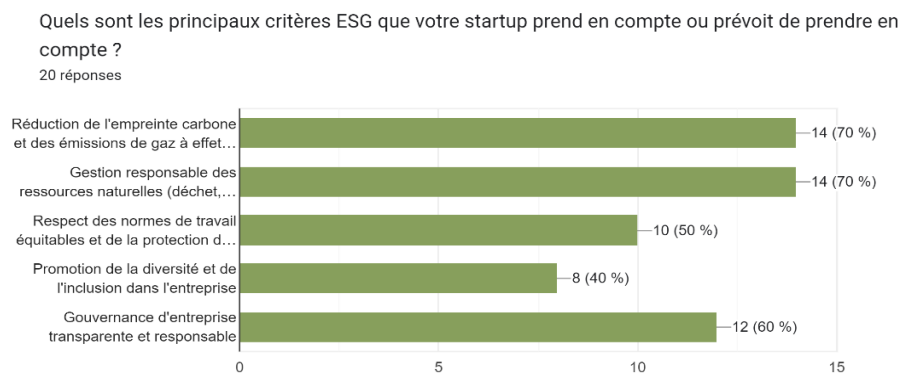


Figure 39: Graph of responses to the question "What are the main ESG criteria that your startup takes into account or plans to take into account?"

Climate issues are becoming increasingly important in the banking world, but also in small businesses, as seen in the graph. ESG is almost a priority for everyone these days.

But we can see that there are many limits for startups and that it is sometimes difficult to fulfil everyone's wishes. The main reason why startups have not yet been able or willing to fully integrate ESG criteria and aspects into their business model is that they prioritise other aspects of their startup over this one. This then results in a lack of financial resources destined to help

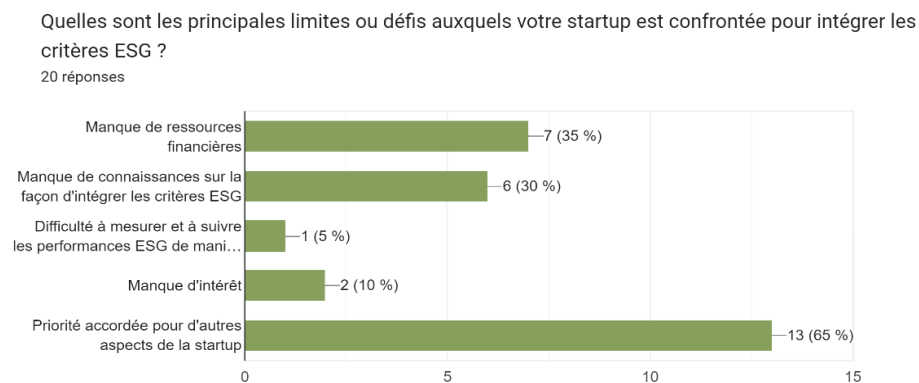


Figure 40: Graph of responses to the question "What are the main limitations or challenges your startup faces in integrating ESG criteria?"

startups integrate and perform. The lack of knowledge about how to integrate ESG criteria is also one of the reasons why not all startups have yet managed to implement ESG criteria in

their startups. Finally, with only 2 startups out of 20 responding that they had a lack of interest in ESG, we cannot characterise this as a reason for the difficulty startups have in integrating ESG into their businesses in the early stages of their creation.

If we compare this to the banking sector, we can say that startups do not yet have regulations requiring them to integrate ESG, unlike banks (with the CSRD, SFDR, etc.). So, they are not obliged to do so, and their priority is given to other aspects of their business. What's more, the fact that startups have very few resources when they set up their business means that they are not particularly well placed to integrate ESG aspects into their businesses. Funds do not keep up with the big financial institutions.

At this time, startups that have integrated ESG have done so mainly for governance and social aspects. Indeed, 65% of them have put in place policies for transparency and accountability in governance, and just under half (45%) have promoted work-life balance and the mental health of employees. On the other hand, only 25% and 35% have considered introducing recycling and waste reduction policies.

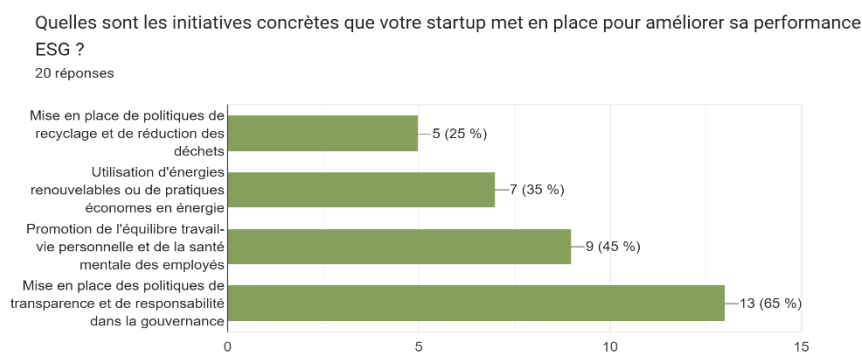


Figure 41: Graph of responses to the question "What concrete initiatives is your startup taking to improve its ESG performance?"

This result is linked to the ease with which certain initiatives can be integrated with others. Being transparent within a company is very easy to put in place and requires little or no use of means or resources on the part of the startup. On the other hand, wanting to reduce energy consumption, waste or greenhouse gas emissions requires the use of costly means such as installing photovoltaic panels or using electric cars. Significant funding is involved and it is therefore more difficult to put this in place quickly in the space of not even 3 years of setting

up a business. Banks, which have been in existence for decades, have no difficulty in financing this type of major project, so they find it easier to integrate aspects that respect the 3 themes of the environment, social responsibility and governance.

The concern that can arise, and which we can see from this survey, is that very few startups see any direct advantage in incorporating ESG criteria. This can quickly discourage small companies, compared with large institutions that see a direct change and concrete benefits.

Avez-vous rencontré des avantages en intégrant les critères ESG dans votre startup ?

20 réponses

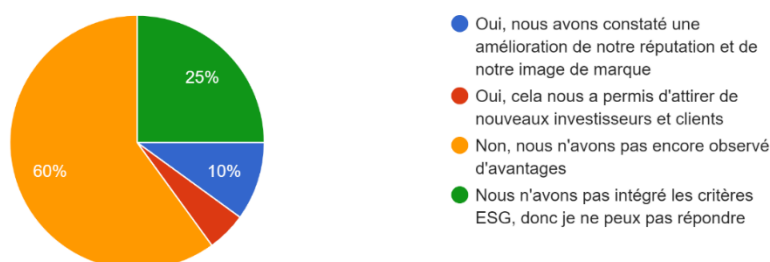


Figure 42: Graph of responses to the question "Have you seen any benefits from integrating ESG criteria into your startup?"

Future objectives in terms of ESG integration are mainly to strengthen the integration of ESG criteria into all the startup's activities, to regularly measure and monitor ESG performance for continuous improvement and to establish partnerships with other companies or organisations to promote ESG practices. Very few startups voted to maintain ESG integration, precisely because few startups have already managed to integrate many ESG factors into their business. So, it makes sense that they would prefer to establish partnerships rather than reinforce the few criteria they have already had the opportunity to implement.

Quels sont vos objectifs futurs en matière d'intégration des critères ESG dans votre startup ?

20 réponses



Figure 43: Graph of responses to the question "What are your future objectives in terms of integrating ESG criteria into your startup?"

For small companies, the most effective ways of communicating their ESG commitments to the general public are via social networks and collaborations with partners. Very few startups produce sustainability and social responsibility reports because, firstly, it is not compulsory for them to do so and, secondly, they do not necessarily have the time or resources to write these reports. Banks in contrast are obliged to disclose non-financial information in their annual reports and do not communicate very much via social networks.

Comment votre startup communique-t-elle ses engagements et ses performances ESG aux parties prenantes externes ?

20 réponses

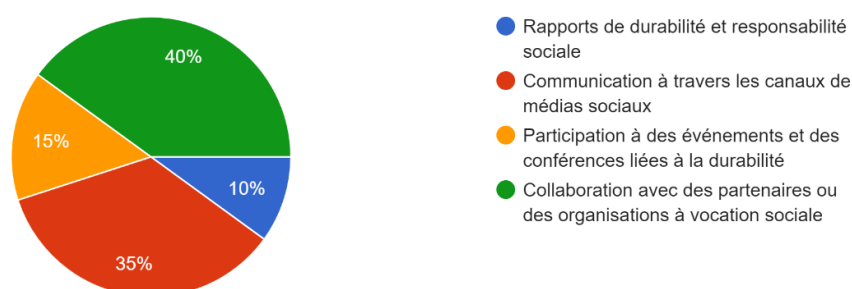


Figure 44: Graph of responses to the question "How does your strategy communicate its ESG commitments and performance to external stakeholders?"

We ended this questionnaire by asking the 20 startups whether they thought it was more important for banks to integrate ESG concepts rather than the startup sector. In response, 60% thought that both sectors should integrate ESG concepts in a similar fashion. A further 30% thought that it was more important for banks to integrate ESG than for them to do so. Finally, the remaining 10% do not think that banking institutions should integrate ESG more than startups and that it is more important.

Pensez-vous qu'il est plus important que les banques intègrent au mieux les concepts ESG comparé aux startups?

20 réponses

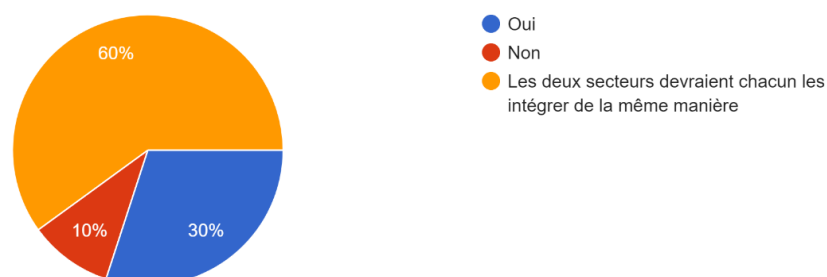


Figure 45: Graph of responses to the question "Do you think it's more important for banks to integrate ESG concepts than startups?"

4.5. Conclusion of this analysis

To conclude this section, the analysis of the 20 startups has enabled us to see where the startup sector stands in relation to ESG concepts and therefore to compare this sector with the banking sector.

The key points that we can summarise are that the majority of startups are aware of and wish to integrate ESG into their company and business model. However, the lack of financial resources and the priorities given to other aspects of the startup do not allow many small companies to fully integrate ESG. Secondly, very few startups see any benefit in implementing ESG into their strategy, and this does not encourage them to do so in the future. Finally, the majority of startups consider environmental criteria to be more important than social criteria, but contrary to what you might think, the startups that do include ESG only include governance-related criteria. These are easier to integrate and require very little financial resources or time.

To conclude, more than half of the startups surveyed believe that it is equally important for banks and startups to integrate ESG into their strategy and business. For the time being, startups have no regulations requiring them to publish and integrate ESG into their business. More essentially, the lack of funding and the fact that they are fledgling businesses mean that they are not always able to incorporate ESG directly.

Compared with the banking sector, the latter has far more means and resources to integrate ESG into their business. In fact, they are obliged to disclose their non-financial information and thus be transparent with everyone.

What we can learn from this survey is that the startup sector has an undeniable desire to integrate more ESG criteria into their objectives, but their size and lack of resources make this difficult.

Could we perhaps, in the future, increase bank credit financing for startups that want to integrate ESG into their business?

Part 3: General conclusion

1. Conclusion

In conclusion, this research has delved into the current status of ESG reporting and the evolution of requirements at the level of banks. The study aimed to examine the motivations behind the adoption of ESG reporting, the existing frameworks and standards, and the evolving regulatory landscape surrounding ESG reporting for banks.

The findings of this research indicate that ESG reporting has gained significant momentum in recent years. Banks, as key players in the global economy, have recognized the importance of incorporating ESG factors into their decision-making processes. The motivations for banks to engage in ESG reporting are multi-faceted and include reputational enhancement, risk mitigation, and alignment with stakeholder expectations.

Furthermore, the research highlights the existence of various frameworks and standards for ESG reporting, such as the Global Reporting Initiative (GRI), the NFRD, the Task Force on Climate-related Financial Disclosures (TCFD), the SFDR. These frameworks provide guidance and structure for banks to disclose their ESG performance, ensuring transparency of reported information.

However, it is evident that the current ESG reporting landscape is characterised by a lack of harmonisation and consistency. The absence of a unified reporting framework has resulted in fragmented reporting practices and difficulties in comparing and benchmarking banks' ESG performance. This lack of standardisation hinders the effective integration of ESG factors into investment decisions and undermines the credibility of ESG reporting.

Recognizing these challenges, regulators and standard-setting bodies have taken steps to address the evolving landscape of ESG reporting. Regulatory developments, such as the EU Sustainable Finance Disclosure Regulation (SFDR) and the proposed Corporate Sustainability Reporting Directive (CSRD) and the ESG pillar 3 reporting, aim to establish a comprehensive and consistent framework for ESG reporting across industries. These initiatives will likely drive greater transparency, accountability, and comparability in ESG reporting, enabling stakeholders to make informed decisions.

Furthermore, the research reveals that banks are proactively adapting to the evolving ESG reporting requirements. Many financial institutions have committed to aligning their reporting practices with internationally recognized frameworks. Additionally, banks are increasingly integrating ESG considerations into their risk management frameworks, product offerings, and corporate strategies as we have seen in the annual, sustainable report.

The evolving requirements and expectations around ESG reporting also extend beyond traditional financial disclosures. Stakeholders, including investors, customers, employees, and regulators, are increasingly demanding comprehensive and forward-looking information on banks' ESG performance. This shift towards more holistic reporting is driving banks to enhance their data collection capabilities, improve data quality, and strengthen internal governance mechanisms.

However, challenges remain on the path to achieving robust and reliable ESG reporting. These challenges include data availability and quality, standardisation of metrics and methodologies, and the need for increased assurance and verification of reported information. Overcoming these hurdles will require collaboration among stakeholders, including banks, regulators, standard-setters, and industry associations.

In summary, the current status of ESG reporting in banks reflects a growing recognition of the importance of sustainability and responsible business practices. Although progress has been made in integrating ESG considerations into banks' reporting practices, there is still work to be done to achieve a harmonised and standardised approach. The evolving regulatory landscape, along with banks' proactive efforts, holds promise for driving greater transparency, accountability, and comparability in ESG reporting such as ISSB.

It is crucial for banks to embrace the opportunities presented by ESG reporting and use it as a catalyst for positive change. By leveraging ESG data and insights, banks can better manage risks, identify new business opportunities, and contribute to the transition towards a more sustainable and inclusive economy. Ultimately, the successful implementation of robust ESG reporting practices will benefit not only banks but also their stakeholders and society as a whole.

What we can learn from this is that banks are ready for change and have the will to change the world by becoming even more sustainable.

2. Limitation and further work

In this thesis, we were able to analyse many different points, but it has of course been impossible to cover all the points relating to ESG and regulations, to analyse all the geographical regions or even to compare more different sectors.

Firstly, the list of non-mandatory actions and regulations relating to the introduction of ESG and more particularly the environmental point is not an exhaustive list. Through this work, we have focused on the letter E of ESG. In order to be as comprehensive as possible, it was preferable to focus on just one or two ESG criteria. This is precisely what we did: we focused on climate change, with the emphasis on reducing greenhouse gas emissions. In addition, we have seen that the pandemic caused by Covid 19 has had an influence on the integration of ESG and the well-being of employees at work. We therefore set aside and analysed less the regulations in terms of governance and employee management. This is the first limitation of this thesis.

Secondly, we have limited our research mainly to the European continent in order to focus on banks in the same region. We did, however, get a glimpse of the regulations and certain actions taken by the United Nations. This enabled us to see if there were any comparisons to be made. The European Union is clearly ahead of the rest of the world, which is why we chose to base ourselves on this continent, so as to have a fairly large number of regulations, but also to limit our research and avoid spreading ourselves too thinly over too many different sets of legislation.

Thirdly, we chose to compare the integration of ESG in the banking sector with the startup sector, as this seemed relevant to us given the major differences in the general regulations of these two sectors. Startups are small companies in the process of being launched and created, with very few resources. Comparing them to financial institutions contrasts with all the obligations they already have to bear. We have therefore limited ourselves to a comparison to avoid having to do too much analysis.

Finally, we decided to limit the analysis of the financial reports to 4 banks implemented in Belgium (KBC, ING, BNP and Belfius). This made it easier for us to interview two of these 4 banks directly.

For future work, it would be relevant to focus a little more on the social and governance aspects of ESG. Secondly, further research could be carried out in regions other than the European Union. An additional analysis could be to compare the banking sector with other sectors such

as pharmaceuticals or the automotive sector. This would extend research on ESG integration beyond financial institutions. Finally, a study of different banks would make it possible to see whether other banks from different horizons and not necessarily implemented in Europe are paying as much attention to integrating ESG and being sustainable banks.

Bibliography

Adams, C. A., & Abhayawansa, S. (2021). Connecting the COVID-19 pandemic, environmental, social and governance (ESG) investing and calls for 'harmonisation' of sustainability reporting. *Critical Perspectives on Accounting*, 82, 102309. <https://doi.org/10.1016/j.cpa.2021.102309>

Amadeo, K. (2022). *What Is Standard & Poor? The Balance*. <https://www.thebalancemoney.com/what-are-sandp-credit-ratings-and-scales-3305886>

Angelova, D., Bosello, F., Bigano, A., & Giove, S. (2021). Sovereign rating methodologies, ESG and climate change risk: an overview. *Social Science Research Network*. <https://doi.org/10.2139/ssrn.3841948>

Atkins, J., Doni, F., Gasperini, A., Artuso, S., La Torre, I., & Sorrentino, L. (2022). Exploring the Effectiveness of Sustainability Measurement: Which ESG Metrics Will Survive COVID-19? *Journal of Business Ethics*. <https://doi.org/10.1007/s10551-022-05183-1>

BNP Paribas CIB. (2023, 20 janvier). Low-Carbon Transition - BNP Paribas CIB. Corporate & Institutional Banking. https://cib.bnpparibas/low-carbon/?utm_source=brand_be&utm_medium=paid_search&utm_campaign=low_carbon_sea&gclid=CjwKCAjw6vyiBhB_EiwAQJRopvD2wES2Qr_DZnzTli7XpuQXnuHQ7rkCITH90waXk21uEjN3HgEusxoCMaoQAvD_BwE

Brühl, V. (2023). The Green Asset Ratio (GAR) : a new key performance indicator for credit institutions. *Eurasian Economic Review*. <https://doi.org/10.1007/s40822-023-00224-0>

Comprendre la Sustainable Finance Disclosure Regulation (SFDR). (2022, 29 septembre). <https://greenly.earth/fr-fr/blog/actualites-ecologie/comprendre-la-sustainable-finance-disclosure-regulation-sfdr>

Contributeurs aux projets Wikimedia. (2021). International Capital Market Association. [fr.wikipedia.org. https://fr.wikipedia.org/wiki/International_Capital_Market_Association](https://fr.wikipedia.org/wiki/International_Capital_Market_Association)

Corporate Finance Institute. (2023). ESG (Environmental, Social and Governance). Corporate Finance Institute. <https://corporatefinanceinstitute.com/resources/esg/esg-environmental-social-governance/>

Corporate sustainability reporting. (s. d.). Finance. https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

Cortez, N. (s. d.). What do the CSRD and the NFDR mean to your business? <https://blog.libryo.com/what-do-the-csrd-and-the-nfdr-mean-to-your-business>

CSRD : définition, seuils, et application. (2023). Youmatter. [https://youmatter.world/fr/definition/csr-definition-seuils-application-tout-savoir/#:~:text=La%20CSRD%20\(acronyme%20de%20C2%AB%20Corporate,reporting%20extra%2Dfinancier%20des%20grandes](https://youmatter.world/fr/definition/csr-definition-seuils-application-tout-savoir/#:~:text=La%20CSRD%20(acronyme%20de%20C2%AB%20Corporate,reporting%20extra%2Dfinancier%20des%20grandes)

Driessen, M. (2021). Sustainable Finance: An Overview of ESG in the Financial Markets. In EBI Studies in Banking and Capital Markets Law (pp. 329-350). Springer International Publishing. https://doi.org/10.1007/978-3-030-71834-3_10

Dye, J., McKinnon, M., & Van der Byl, C. (2021). JSR-An Open Access Journal from Hapres. https://sustainability.hapres.com/Upload/PdfFile/JSR_1344.pdf

ESG and climate change | Insights | Torys LLP. (s. d.). <https://www.torys.com/Our%20Latest%20Thinking/Publications/2021/03/esg-and-climate-change/#:~:text=Climate%20change%20as%20a%20central%20pillar%20of%20ESG&text=Physical%20climate%20change%20risks%20include,rising%20temperatures%20or%20sea%20levels>.

European green bond standard. (s. d.). Finance. https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/european-green-bond-standard_en

European Green Deal. (2021, 14 juillet). European Commission. https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

EU Green Deal. (2020, décembre). ESDN Report 2020. https://www.esdn.eu/fileadmin/ESDN_Reports/ESDN_Report_2_2020.pdf

Explore BNP Paribas ESG score, report and breaking news. (2023, 12 mai). KnowESG. <https://www.knowesg.com/esg-ratings/bnp-paribas>

Finalyse. (s. d.). *A PRACTICAL VIEW ON THE ECB'S GUIDE ON CLIMATE-RELATED AND ENVIRONMENTAL RISKS.* Finalyse - [www.finalyse.com](https://www.finalyse.com/blog/eba-publishes-binding-standards-on-pillar-3-disclosures-on-esg-risks). <https://www.finalyse.com/blog/eba-publishes-binding-standards-on-pillar-3-disclosures-on-esg-risks>

Financial Software Architects GmbH. (2022, 13 octobre). *EU Taxonomy Overview.* EU Taxonomie Info. <https://eu-taxonomy.info/info/eu-taxonomy-overview>

Financial Software Architects GmbH. (2023, 14 mars). *Application of the EU Taxonomy for Financial Institutions.* EU Taxonomie Info. <https://eu-taxonomy.info/info/eu-taxonomy-for-financial-institutions>

Förster, P. (2022). *The Double Materiality Principle (Article 19a NFRD) as Proposed by the Corporate Sustainability Reporting Directive: An Effective Concept to Tackle Greenwashing?* Dans Springer eBooks. https://doi.org/10.1007/8165_2022_90

Galletta, S., Mazzù, S., & Naciti, V. (2022). A bibliometric analysis of ESG performance in the banking industry: From the current status to future directions. *Research in International Business and Finance*, 62, 101684. <https://doi.org/10.1016/j.ribaf.2022.101684>

George, S. (2023, 20 février). *ISSB to launch first two sustainability standards by June*. edie. <https://www.edie.net/issb-to-launch-first-two-sustainability-standards-by-june/>

Governance and CSR | Investors & Shareholders | BNP Paribas Bank. (s. d.). <https://invest.bnpparibas/en/governance-and-csr>

IFRS - International Sustainability Standards Board. (s. d.). <https://www.ifrs.org/groups/international-sustainability-standards-board/>

ING. (2021, 16 septembre). *ING publishes its first integrated climate report*. ING.com. <https://www.ing.com/Newsroom/News/Press-releases/ING-publishes-first-integrated-climate-report.htm>

ING. (2022). *ESG presentation*. ING.com. <https://www.ing.com/Investor-relations/Presentations/ESG-presentation.htm>

Innovations, A. (2018). *ESG Investing and Climate Change - ADEC ESG*. <https://www.adececg.com/resources/blog/esg-investing-and-climate-change/#:~:text=ESG%20investing%20refers%20to%20investments,main%20causes%20of%20climate%20change>.

L'Accord de Paris. (s. d.). unfccc. <https://unfccc.int/fr/a-propos-des-ndcs/l-accord-de-paris>

La SFDR (Sustainable Finance Disclosure Regulation) c'est quoi ? Explications, enjeux. . . . (2023, avril). Youmatter. Consulté le 3 mai 2023, à l'adresse <https://youmatter.world/fr/definition/sfrd-sustainable-finance-disclosure-regulation-explications-enjeux/#:~:text=Qu'est%20ce%20que%20la,de%20la%20finance%20en%20Europe>

Les SDGs. (2016, 26 octobre). sdgs. <https://sdgs.be/fr/sdgs>

Loan Management Account (LMA): Flexible Line of Credit Account. (s. d.). Merrill Lynch. <https://www.ml.com/solutions/lma-account.html#:~:text=The%20Loan%20Management%20Account%20%28LMA%20account%29%20is%20a,support%20a%20minimum%20credit%20facility%20size%20of%20%24100%2C000.>

MSCI ESG Research Makes MSCI ESG Ratings of Over 2,800 Companies Publicly Available. (2019, 25 novembre). Bloomberg.com. <https://www.bloomberg.com/press-releases/2019-11-25/msci-esg-research-makes-msci-esg-ratings-of-over-2-800-companies-publicly-available>

Net-Zero Banking Alliance – United Nations Environment – Finance Initiative. (s. d.). <https://www.unepfi.org/net-zero-banking/>

Notre politique environnementale, sociale et de bonne Gouvernance (ESG) - Belfius. (s. d.). <https://www.belfius.be/retail/fr/produits/epargner-investir/rebel/tap/index.aspx>

Nouveau Coronavirus (Maladie: COVID-19, Virus: SARS-CoV-2) | Coronavirus Covid-19. (2023). https://covid-19.sciensano.be/sites/default/files/Covid19/COVID-19_Weekly_report_FR.pdf

OECD (2021), ESG Investing and Climate Transition: Market Practices, Issues and Policy Considerations, OECD Paris, <https://www.oecd.org/finance/ESG-investing-and-climatetransition-Market-practices-issues-and-policy-considerations.pdf>

Ould Daoud Ellili, N. (2022). Impact of ESG disclosure and financial reporting quality on investment efficiency. College of Business. https://www.emerald.com/insight/content/doi/10.1108/CG-06-2021-0209/full/pdf?casa_token=UedrjA2OcCUAAAAA:fFkc0nloAjOeX_oGsV SXIYA0hN6Lq19S-u6gCeFFBa_SMY4gm4HAN9P7SN46x8lho2WfLjEpD10ehdKzWze5aebcYbf1HUm7kY_tnaiBilZV4vuMNGZsZA

Park, J. G., Park, K., Noh, H., & Kim, Y. G. (2023). Characterization of CSR, ESG, and Corporate Citizenship through a Text Mining-Based Review of Literature. *Sustainability*, 15(5), 3892. <https://doi.org/10.3390/su15053892>

Patel, S. (2023). Five key ESG risk considerations investors care about. Conservice ESG. <https://www.gobyinc.com/five-esg-risk-considerations-investors-care-about/>

Peter, F. (2022, décembre 20). L'incroyable impact de la pollution numérique en 60 chiffres [2022]. Grizzlead. <https://www.grizzlead.com/lincroyable-impact-de-la-pollution-numerique-et-les-bonnes-pratiques-a-adopter-tres-vite/>

Phidi. (2023). ESG and the Banking Industry: Why Sustainability Matters | The Creditinfo Chronicle. The Creditinfo Chronicle | We Facilitate Access To Finance. <https://chronicle.creditinfo.com/2023/04/18/esg-and-the-banking-industry-why-sustainability-matters/>

Pillar III Disclosures on ESG risks: A new tool for bank investment transparency. (2023, 16 mai). <https://greenomy.io/blog/pillar-3-disclosures-on-esg-risks>

Pollman, E. (2022, 31 octobre). The Making and Meaning of ESG. <https://deliverypdf.ssrn.com/delivery.php?ID=540098104119125010003087081075018078020085041085039068101087098081116022111066084112045124038031110010003102107126002122087078119011028066032103065008108084104027081017016025015086010083081013103125087091125117074101088070012007103069008070107074020&EXT=pdf&INDEX=TRUE>

Pollman, E. (2021). Corporate Social Responsibility, ESG, and Compliance. Social Science Research Network. <https://doi.org/10.2139/ssrn.3479723>

Pourquoi la CSRD a-t-elle été adoptée? - Entreprises engagées. (s. d.). *Entreprises engagées.* <https://entreprises-engagees.fr/pourquoi-la-csrd-a-t-elle-ete-adoptee/#:~:text=La%20CSRD%20a%20%C3%A9t%C3%A9%20adopt%C3%A9e,le%20p%C3%A9rim%C3%A8tre%20des%20entreprises%20concern%C3%A9es.>

PRI | Home. (s. d.). PRI. <https://www.unpri.org/>

Qu'est-ce que le financement durable ? (s. d.). <https://www.degroofpetercam.com/fr-be/financement-durable>

Révision de la directive NFRD: vers une comptabilité non financière? (2021, 28 avril). <https://www.feb.be/domaines-daction/droit-justice/droit-financier/revision-de-la-directive-nfrd-vers-une-comptabilite-non-financiere-28-04-21/>

Savio, R., D'Andrassi, E., & Ventimiglia, F. (2023). A Systematic Literature Review on ESG during the COVID-19 Pandemic. *Sustainability*, 15(3), 2020. <https://doi.org/10.3390/su15032020>

Scoop: ING Belgium launches interactive tool empowering companies and individuals to boost their properties' energy performance. (2023). <https://newsroom.ing.be/scoop-ing-belgium-launches-interactive-tool-empowering-companies-and-individuals-to-boost-their-properties-energy-performance>

Scrivana, T. (2022). MSCI ESG Ratings (And Some Free ESG Tools!). *The ESG Investor*. <https://theesginvestor.com/msci-esg-ratings/>

A European Green Deal. (2021, 14 juillet). *European Commission.* https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

SDG / Statbel.
 (s. d.). <https://statbel.fgov.be/fr/themes/sdg#:~:text=Les%20Objectifs%20de%20d%C3%A9veloppement%20durable,%C2%BB%20d'ici%20%C3%A0%202030.>

Siggia, S. (2023). *How are ESG-related assets used for greenwashing?* Pideeco. <https://pideeco.be/articles/esg-assets-greenwashing/>

Singh, N., Makhija, P., & Chacko, E. (2021). Sustainable investment and the COVID-19 effect - volatility analysis of ESG index. *International Journal of Sustainable Economy*, 13(4), 357. <https://doi.org/10.1504/ijse.2021.118620>

Sisto, A. (2020). What is ESG and its three pillars? <https://www.ternplc.com/blog/what-is-esg-and-its-three-pillars>

Srivastava, J., Sampath, A., & Gopalakrishnan, B. (2022). Is ESG the key to unlock debt financing during the COVID-19 pandemic? International evidence. *Finance Research Letters*, 49, 103125. <https://doi.org/10.1016/j.frl.2022.103125>

Stallard, B. H. B. & E. (2022, 2 novembre). COP27 : Why is the Paris climate agreement still important ? *BBC News*. <https://www.bbc.com/news/science-environment-35073297>

S, S. (2022). Corporate Citizenship. *Business Jargons*. <https://businessjargons.com/corporate-citizenship.html>

Task Force on Climate-Related Financial Disclosures | TCFD. (2023, 27 février). *Task Force on Climate-Related Financial Disclosures*. <https://www.fsb-tcfd.org/>

Taxonomie européenne sur les activités vertes: pourquoi tout le monde en parle. (2021). <https://www.novethic.fr/actualite/finance-durable/isr-rse/taxonomie-europeenne-pourquoi-tout-le-monde-en-parle-149737.html>

Team, C. (2023, 4 avril). The Three pillars of ESG | Countable. Countable. <https://www.countable.com/blog/the-three-pillars-of-esg>

The EU Green Deal – a roadmap to sustainable economies. (2023). <https://www.switchtogreen.eu/the-eu-green-deal-promoting-a-green-notable-circular-economy/>

THE 17 GOALS | Sustainable Development. (s. d.). <https://sdgs.un.org/fr/goals>

Trahan, R. T., & Jantz, B. (2023). What is ESG? Rethinking the “E” pillar. Business Strategy and The Environment. <https://doi.org/10.1002/bse.3371>

Transparency and Pillar 3. (s. d.). European Banking Authority. <https://www.eba.europa.eu/regulation-and-policy/transparency-and-pillar-3>

Travailler ensemble pour faire des affaires de manière plus durable. (s. d.). <https://www.kbc.be/corporate/en/sustainability.html?zone=footer-3>

UNIDO. (s. d.). What is CSR? | UNIDO. <https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr>

Van Duuren, E., Plantinga, A., & Scholtens, B. (2016). ESG Integration and the Investment Management Process: Fundamental Investing Reinvented. Journal of Business Ethics, 138(3), 525-533. <https://doi.org/10.1007/s10551-015-2610-8>

What are the Three Pillars of Sustainable Development? (2023, 14 mars). <https://greenly.earth/en-us/blog/company-guide/3-pillars-of-sustainable-development>

What is the Paris Agreement? (2021). ebrd. <https://www.ebrd.com/paris-agreement#>

What is the Paris Climate Agreement? | Tree Aid. (s. d.). TREE AID. <https://www.treeaid.org/blogs-updates/paris-climate-agreement/>

X, S. (2023, 14 mars). Why greenwashing and competence greenwashing are risks to ESG integration and corporate sustainability. Phys Org. <https://phys.org/news/2023-03-greenwashing-esg-corporate-sustainability.html>

Yu, E. L., Van Luu, B., & Chen, C. Z. (2020). Greenwashing in environmental, social and governance disclosures. Research in International Business and Finance, 52, 101192. <https://doi.org/10.1016/j.ribaf.2020.101192>

5 frameworks to tackle ESG factors in the financial sector. (s. d.). <https://blog.worldfavor.com/5-frameworks-to-tackle-esg-factors-in-the-financial-sector>