

**UNITED IN SUSTAINABILITY**

# How credit unions can tackle ESG and climate risk in 2024

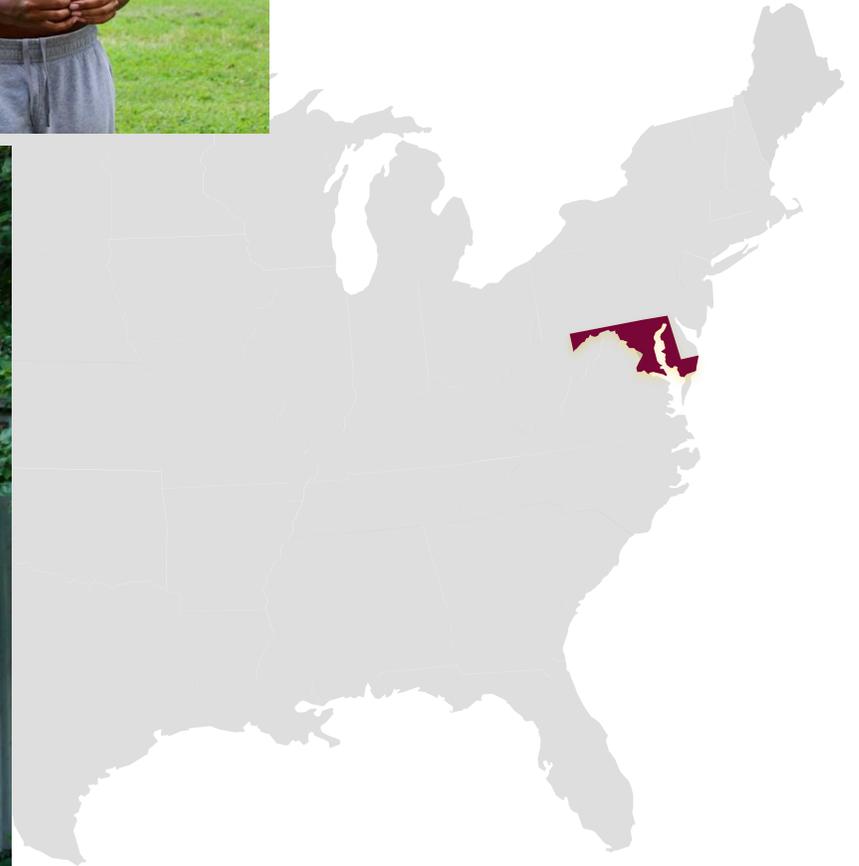
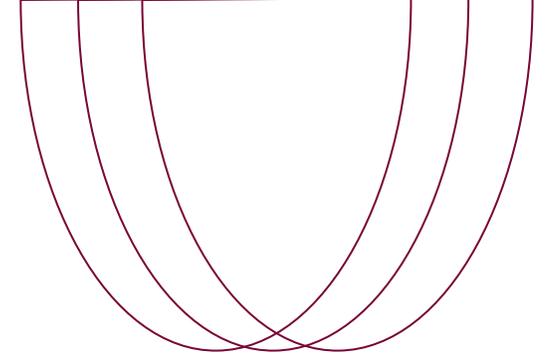
**Kimberly Kosmenko, co-CEO  
Futurepath ESG**

**November 30, 2023**

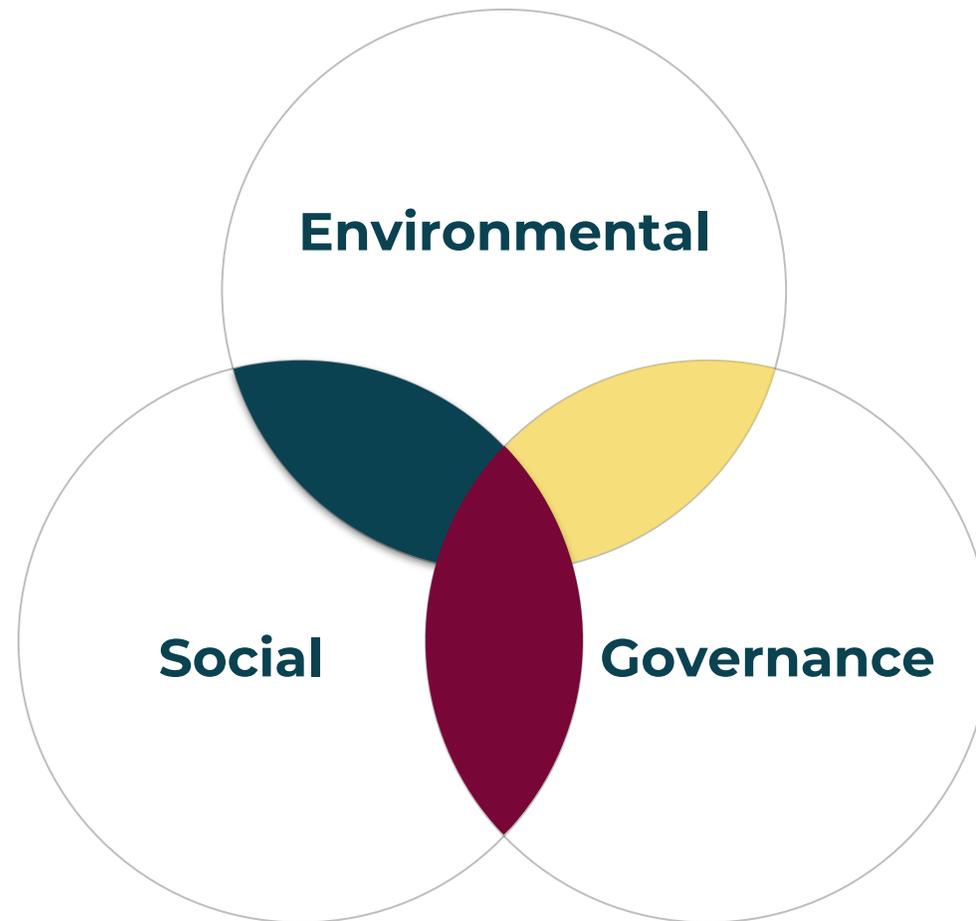


Photo credit: B.A. Parker/NPR  
*Student activists are pushing back against big polluters - and winning*  
4 October 2023

# South Baltimore Maryland, USA



# What is ESG?



# ESG in the news

Source: Credit Union Times  
Accessed: November 2023

EXPERT OPINION

**How Commercial Solar Lending Can Lead to a More Sustainable Future**

JOSH GOLDBERG | NOVEMBER 1, 2023

CUs can position themselves as industry leaders in the last untapped segment of the solar market.

EXPERT OPINION

**Can EVs Help Credit Unions Win Back Auto Market Share?**

PETER GLENN | NOVEMBER 06, 2023



DEVELOPMENT | DIVERSITY IN THE RAW | EXPERT OPINION

**Investing in Black Communities With the Greenhouse Gas Reduction Fund**

CATHIE MAHON | OCTOBER 25, 2023

Honor the legacy of Freedman's Bank by ensuring Black communities enjoy the full benefits of the GGRF.



BEST PRACTICES

**Cultivating Compassion: Strategies to Create a Caring Company Culture**

DAKOTA MURPHY

Showing your difference, and other.

NEWS

**\$4 Million Loan Coming to OnPath FCU to Help Serve Hispanic Communities**

PETER STROZNIAK | OCTOBER 18, 2023

The loan comes three months after the credit union lost an appeals court ruling to repay \$12 million in CDFI funds.



## Social



NEWS

**CDFI Funding Round to Open This Fall**

MICHAEL OGDEN

NEWS

**Credit Unions Support Children's Hospitals, Underserved Communities & More**

NATASHA CHILINGERIAN | OCTOBER 13, 2023

GoWest's MAXX results in \$1.2M for CMN Hospitals while Sacramento CUs surprise kids at a local CMN facility.



## Environmental

## Governance

EXPERT OPINION

**Mitigate Risk This Holiday Season: Train Your Employees & Members to Be Cyber Smart**

MICHAEL SEIDELMAN | DECEMBER 07, 2022

CUs must develop, monitor and evolve risk management strategies to reduce threats to members and their data.



NEWS

**Former CU CEO & Controller Plead Guilty in \$5 Million Fraud Scheme**

PETER STROZNIAK



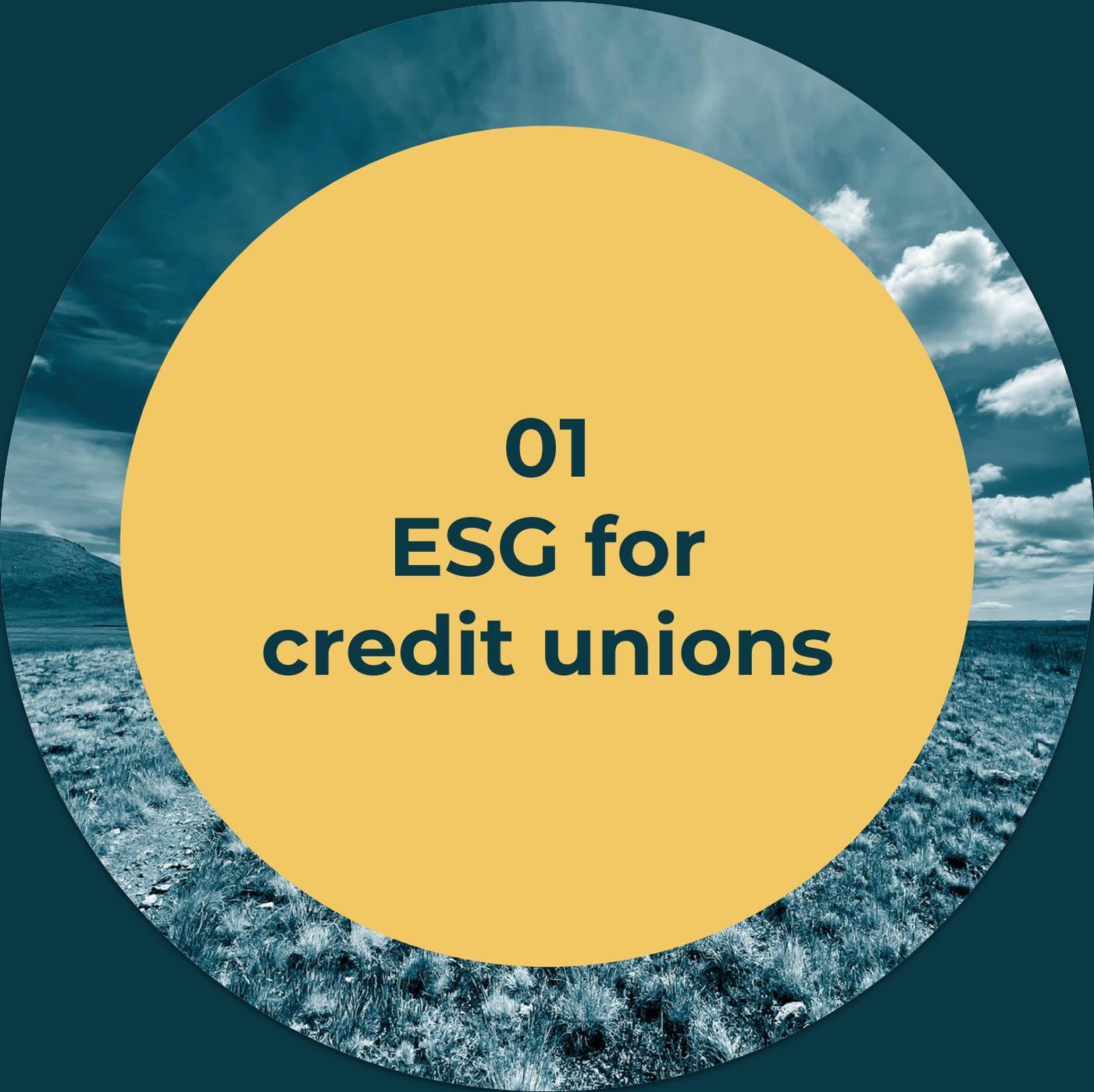
EXPERT OPINION

**Trends & Challenges in Protecting CUs From Cyber-Attacks in 2022 & Beyond**

DAVE DELVECCHIO | OCTOBER 28, 2022

A successful cybersecurity plan includes end-user and board training, budgeting, outsourcing and remediation plan prioritizing.





**01**  
**ESG for**  
**credit unions**

# What should a member-owned cooperative do?

- 01 **DEFINE ESG FOR YOUR CREDIT UNION**
- 02 **UNDERSTAND MARKET FACTORS DRIVING ESG**
- 03 **BE READY TO PROGRESS ON ESG & CLIMATE IN 2024**

## Pax World

First sustainable mutual fund, created by two ministers to avoid investing in war

1971

2000

## UN Global Compact Global Reporting Initiative (GRI)

Voluntary corporate social responsibility action and disclosure programs focused on human rights, labor, environment and anti-corruption

## Principles on Responsible Investing

UN initiative on sustainable & accountable investing. 5,372 signatories by 2023

2006

2011

## Sustainability Accounting Standards Board (SASB)

Industry-specific standards for corporate ESG reporting

## Paris Agreement

World leaders' consensus agreement to combat climate change

2015

# Why do we have **ESG** frameworks ?

01

**AVOID** NEGATIVE IMPACT

02

**AMPLIFY** POSITIVE IMPACT

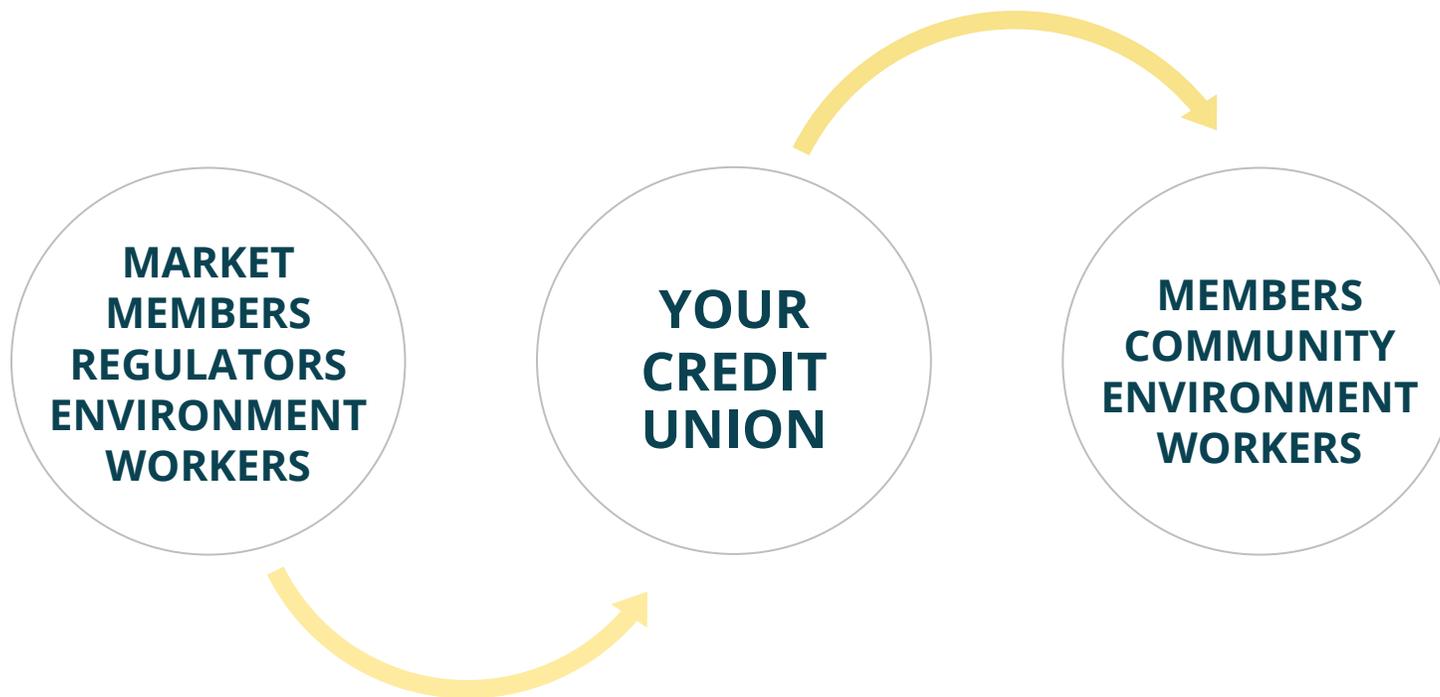
03

**PROTECT** THE VALUE OF YOUR INVESTMENTS

# Materiality

Impact **to** your credit union

Impact **from** your credit union



*Credit unions should conduct individual materiality assessments. Your credit union may have a different set of material topics depending on your region, member base, and other factors.*

# Material topics for credit unions

## Environmental

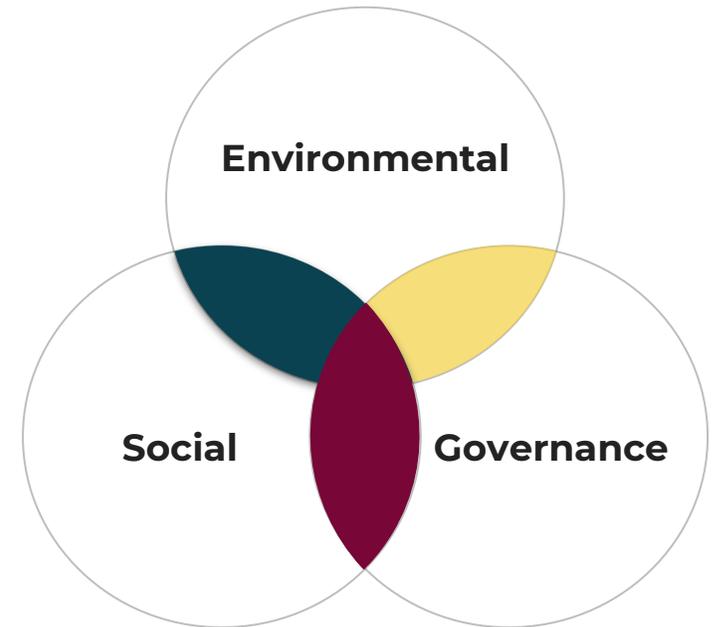
- Climate events and hazards
- Greenhouse gas (GHG) emissions
- Energy use and sourcing

## Governance

- Board transparency
- Management and board diversity
- Anti-corruption
- Financial governance
- Responsible lending

## Social

- Fair and living wages
- Diversity, equity, inclusion, and belonging (DEIB)
- Healthcare and wellness
- Disaster preparedness
- Community engagement
- Access to financial services
- Financial literacy
- Information security and privacy



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DIVERSITY IN THE RAW | EXPERT OPINION

### Investing in Black Communities With the Greenhouse Gas Reduction Fund

CATHIE MAHON | OCTOBER 25, 2023

Honor the legacy of Freedman's Bank by ensuring Black communities enjoy the full benefits of the GGRF.



EXPERT OPINION

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EXPERT OPINION

### Can EVs Help Credit Unions Win Back Auto Market Share?

PETER GLENN | NOVEMBER 06, 2023

Developing a comprehensive EV strategy could be the secret for CUs to win auto market share back.



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# How do we use ESG frameworks?

01

IDENTIFY MATERIAL TOPICS

02

DEFINE METRICS & KPIs FOR IMPACT

03

TRACK & REPORT PROGRESS ON EACH TOPIC



**02**  
**Market**  
**factors**  
**driving ESG**

# Why is everyone talking about ESG?



**Perfect storm** of visible climate change impacts + Black Lives Matter + #MeToo + pandemic = **call for accountability**



**Climate disclosure regulation** to provide governments and the markets with transparency about carbon emissions and the financial impacts of climate change.



**Pushback against public scrutiny** of climate and ESG practices. Greenwashing with vague sustainability and corporate responsibility claims can get challenged

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Sector Updates | ESG FinTech | ESG Intelligence & Data Analysis | FinTech News | Industry News

## Navigating the new norms: Understanding SFDR, CSRD, and EU Taxonomy

September 22, 2023

[f](#) [t](#) [in](#)

**REUTERS** World ▾ Business ▾ Markets ▾ Sustainability ▾ Legal ▾ Breaki

Sustainable Finance & Reporting | Industry Insight | ESG Investors | Boards | Climate Change

## ESG Watch: Investors hail end to 'alphabet soup' of sustainability disclosure with new ISSB standards

By Mike Scott  
 July 31, 2023 2:30 AM MDT · Updated 4 months ago

[Bookmark](#)

**HM**  
 Financial Management

## IFRS proposes accounting taxonomy changes

Also, IPSASB issues a benefit standard, and the UK FRC opens consultation on Actuarial Standard Technical Memorandum 1.

By **Steph Brown**  
 9 November 2023

English Edition ▾ Print Edition | Video | Audio | Latest Headlines | More ▾

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RISK & COMPLIANCE JOURNAL

## SEC's Climate-Disclosure Rule Isn't Here, but It May as Well Be, Many Businesses Say

Legal challenges to the regulator's proposed mandate for emissions tracking are all but certain, but many companies see value in assessing their suppliers even if so-called Scope 3 rules get watered down

**IFLR** Banking ▾ Corporate ▾ Capital Markets ▾

## From the NFRD to the CSRD: long story short

By *Diana Ribeiro Duarte, Sofia Araújo Matias* January 04, 2022

**npr**

NEWS CULTURE

CLIMATE

## The SEC is finalizing climate rules while California has its own regulations

October 19, 2023 · 5:11 AM ET

European Commission

Business, Economy, Euro

Finance

Home Regulation, Supervision ▾ Financial markets ▾ Banking & insurance ▾ Sustainable finance ▾ Digital finance ▾ Consumer finance ▾ Financial crime ▾

Home > Sustainable finance > Disclosures > Sustainability-related disclosure in the financial services sector

## Sustainability-related disclosure in the financial services sector

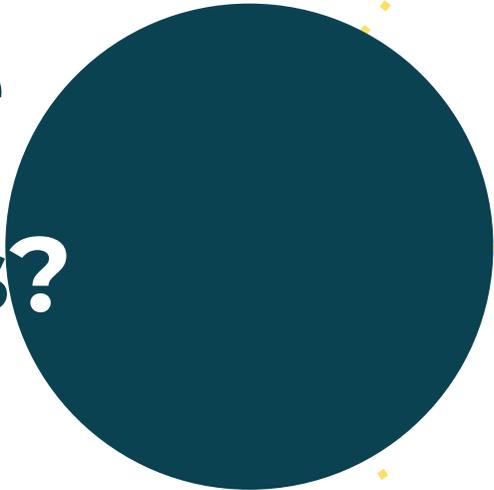
How financial market participants and financial advisers have to communicate sustainability information to investors.

US Crime + Justice Energy + Environment Extreme Weather Space + Science

## California seals its reputation as a climate juggernaut with a wave of legislation and head-turning lawsuit

By *Ella Nilsen*, CNN  
 Published 5:46 AM EDT, Sun September 24, 2023

# Why do we have these regulations?



### Economic & financial risk

In 2023, **23 \$1B+ losses due to climate events** in the U.S. Investors, businesses, and communities bear losses.



### Market transparency

Demand for **standardized accurate, relevant, and usable information**. Topics include climate, carbon accounting, ESG disclosure, products, and greenwashing.



### Public good & resilience

Future-proofing to mitigate climate migration, vulnerable supply chains, and public health risks.

Regulatory requirements are subject to change, and we recommend consulting with legal counsel for your specific circumstances. Summary is illustrative based on publicly available information as of November 2023.

# Climate disclosure regulations

	Scope 1&2 Emissions	Scope 3 Emissions	Climate Strategy	Scenario Planning
SB253 (California, US)	✓	✓		
SB261 (California, US)	✓	✓	✓	✓
CSRD (EU)	✓	✓	✓	✓
ESRS (EU)	✓	✓	✓	
SEC (Proposed) (US)	✓	✓	✓	✓

✓ Direct requirement

✓ Indirect requirement



**03**

**Be ready  
for ESG &  
climate in  
2024**



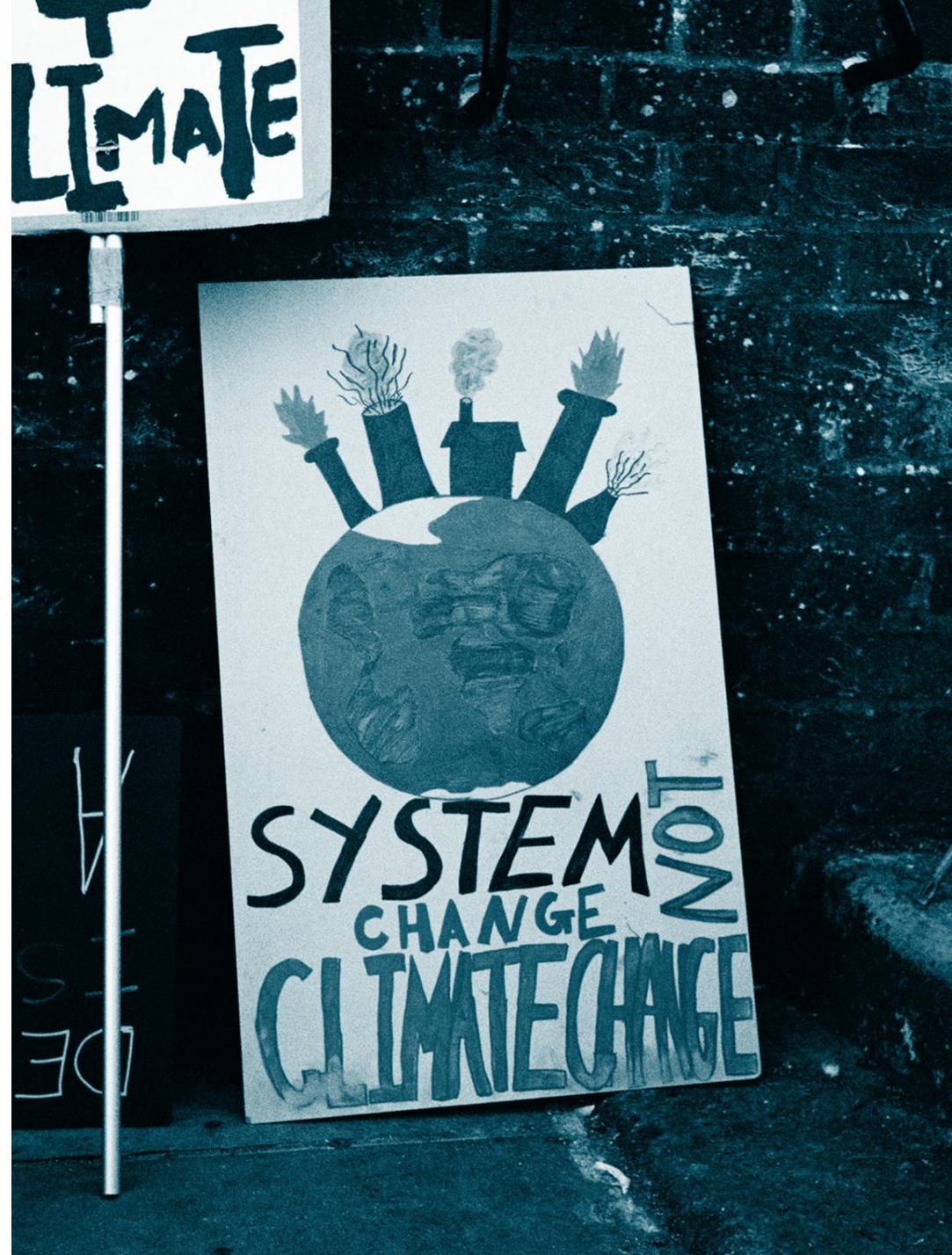
**We see a future where  
businesses thrive by being  
sustainable, equitable, and  
regenerative.**

**//**

**Futurepath**

**“More than 60% of all U.S. credit unions and at least \$1.2 trillion in credit union assets are at physical risk due to acute and chronic climate-related weather events and hazards.”**

*The Changing Climate for Credit Unions. Ceres/Filene Research Institute.*



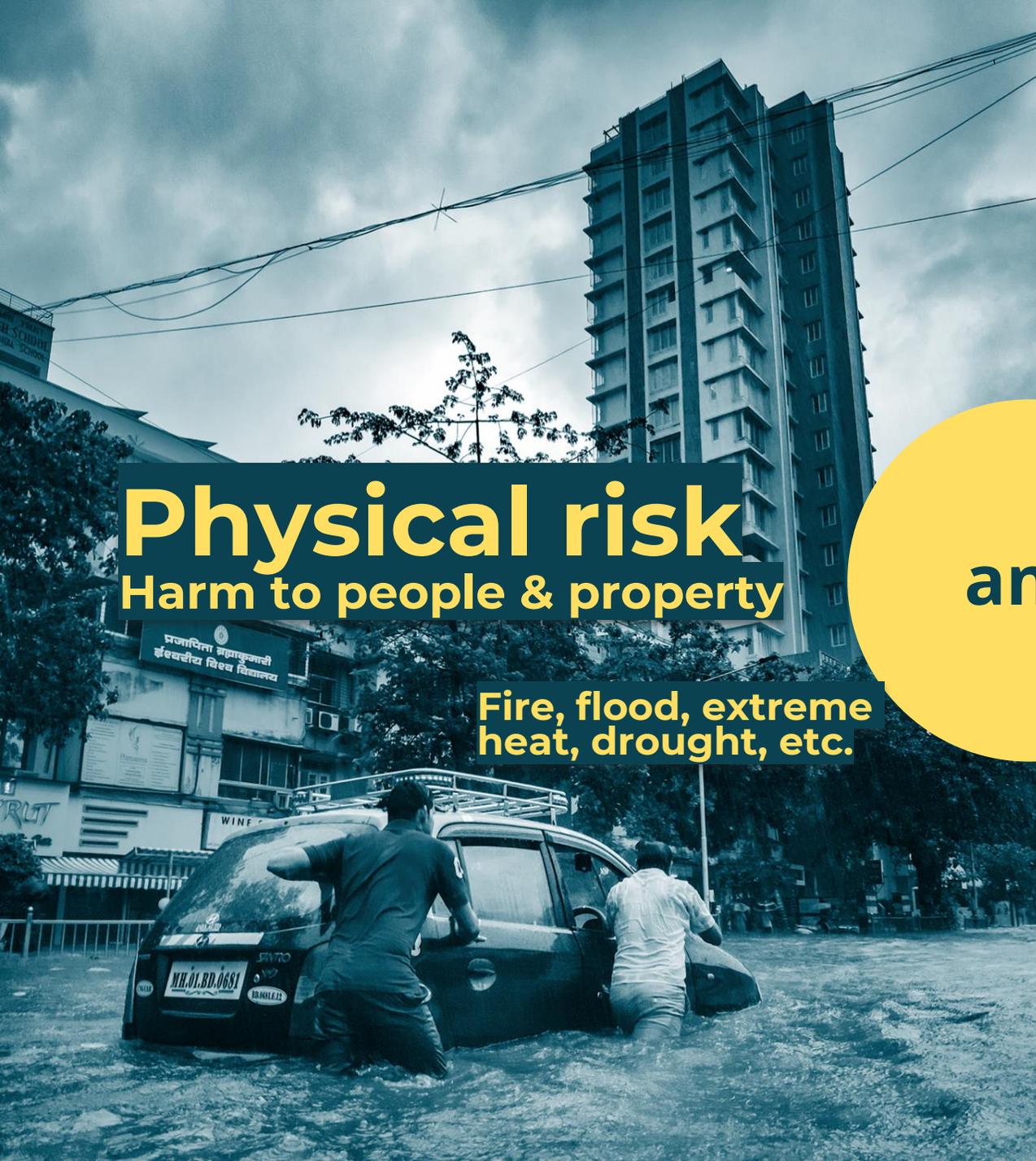
**Physical risk**  
Harm to people & property

Fire, flood, extreme heat, drought, etc.

and

**Transition risk**  
Economic & social change

Regulation, technology, community adaptation & resilience, reputation, etc.



# Begin by training key teams on ESG and climate

**ESG & climate strategy and disclosure is a new skillset**

**Prepare to learn, iterate, and adapt over time**

Provide training to key internal staff that need to address strategy, disclosure, and transition planning. Align with your financial disclosure, strategic planning, and enterprise risk management processes.



# Game plan for climate starting 2024

Recommendations align with:

A circular graphic with a teal-tinted brick wall background. In the center is a white circle containing text. A small yellow dot is positioned to the right of the circle.

**Gap  
assessment**

**Try this:** Make a matrix with boxes for climate strategy, risk, metrics, and transition plan. List your credit union's actions to date.



A circular image showing a high-angle view of a large crowd of people walking on a paved area, possibly a boardwalk or a public square, with long shadows cast across the ground.

**Governance**

**Try this:** Schedule a working session in 2024 to discuss how board and executives will review climate-related issues. E.g. regulatory readiness, asset risk, disclosure.

A circular image showing a dense field of interlocking puzzle pieces in various shades of blue and teal.

**Strategy**

**Try this:** Add a climate-related goal and KPI to your annual strategic planning.



A circular image with a cracked, dry earth texture. The cracks are dark and irregular, set against a lighter, blueish-grey background.

**Risk management**

**Try this:** Identify 3-5 enterprise risks related to climate. Initiate integration into existing enterprise risk management.

A circular image with a target and clock background. The target is in the foreground, and a clock face is visible in the background, suggesting a focus on goals and time.

**Metrics & targets**

**Try this:** Set metrics and targets for GHG emissions. Set a timeline to identify additional metrics.



A circular image of a map showing the Erlangen region in Bavaria, Germany. The map includes labels for various towns and districts such as Veldensteiner Forst, Lauf a.d.P., and Hersbruck. A white circle is overlaid on the map, containing text.

**Scenario Analysis**

**Try this:** Schedule a training session to learn about the iterative climate scenario planning process.

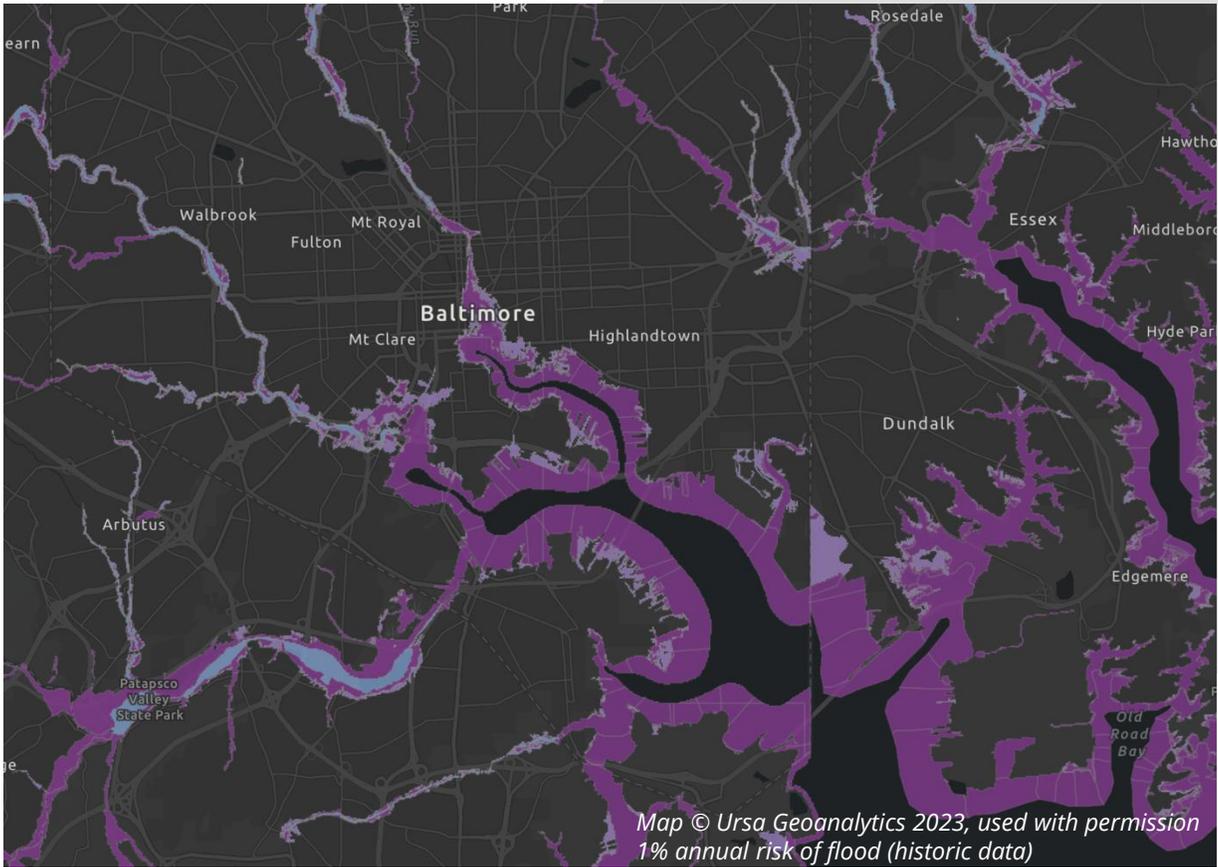
A circular image of a landscape with a blue sky, white clouds, and a green field of grass. A yellow circle is overlaid on the image, containing text.

**Transition Planning**

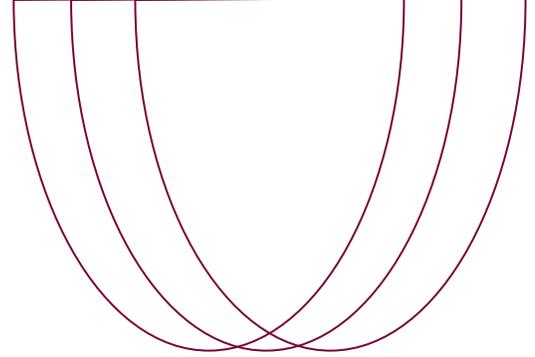
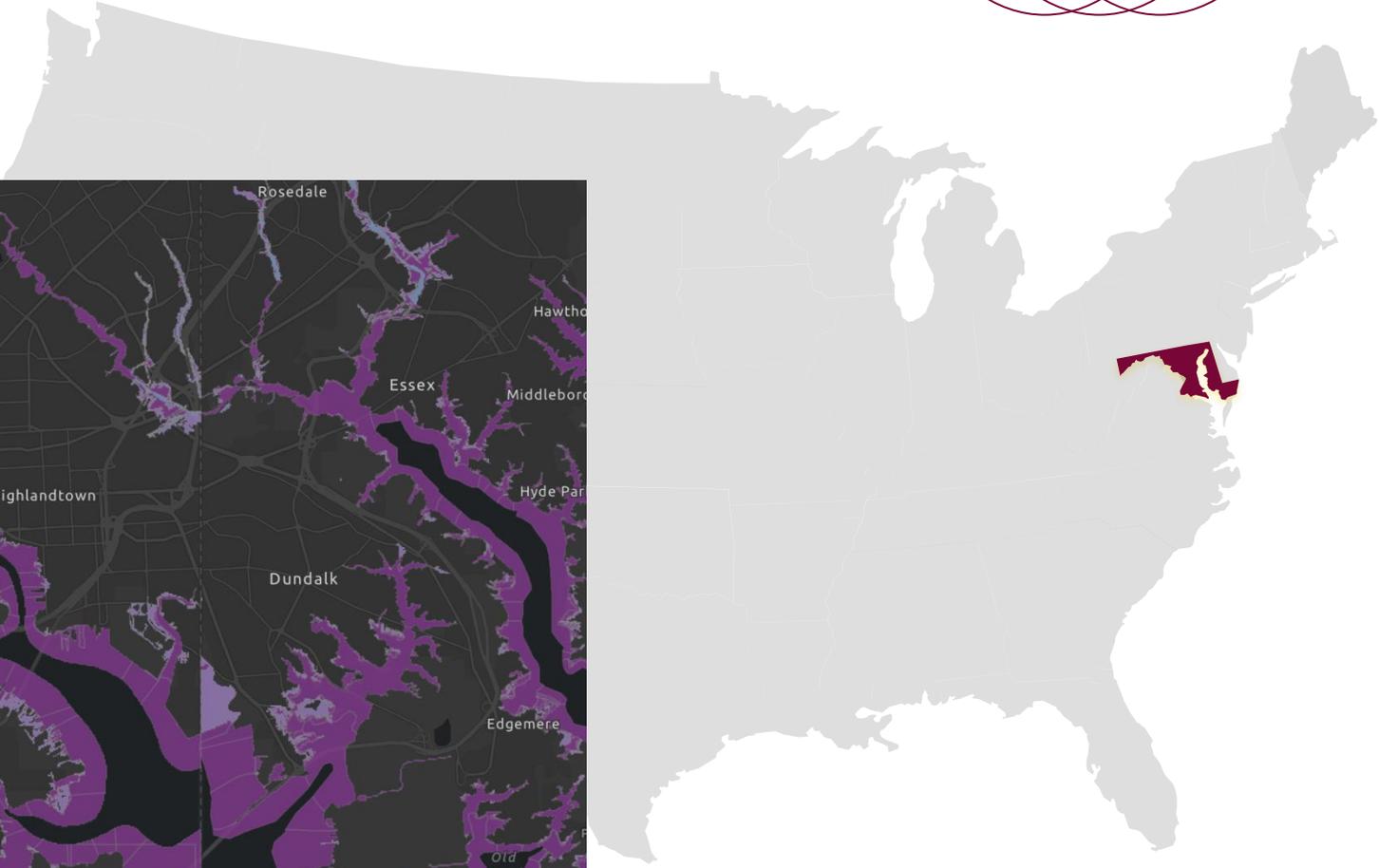
**Try this:** Read transition plans from financial institutions that lead on climate readiness.



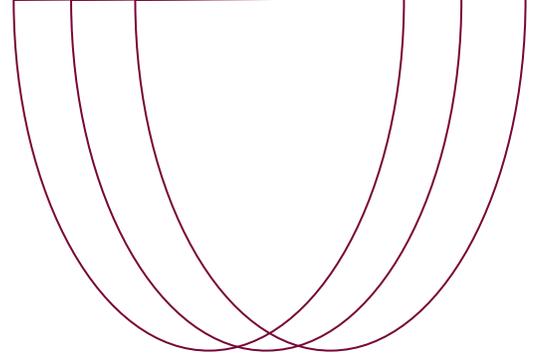
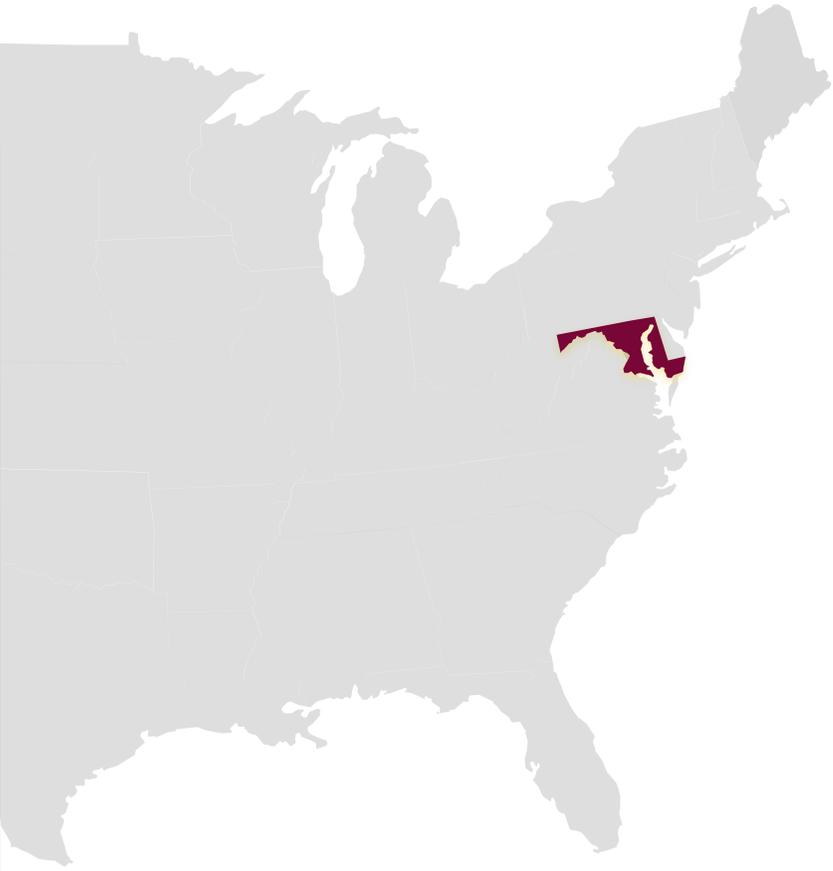
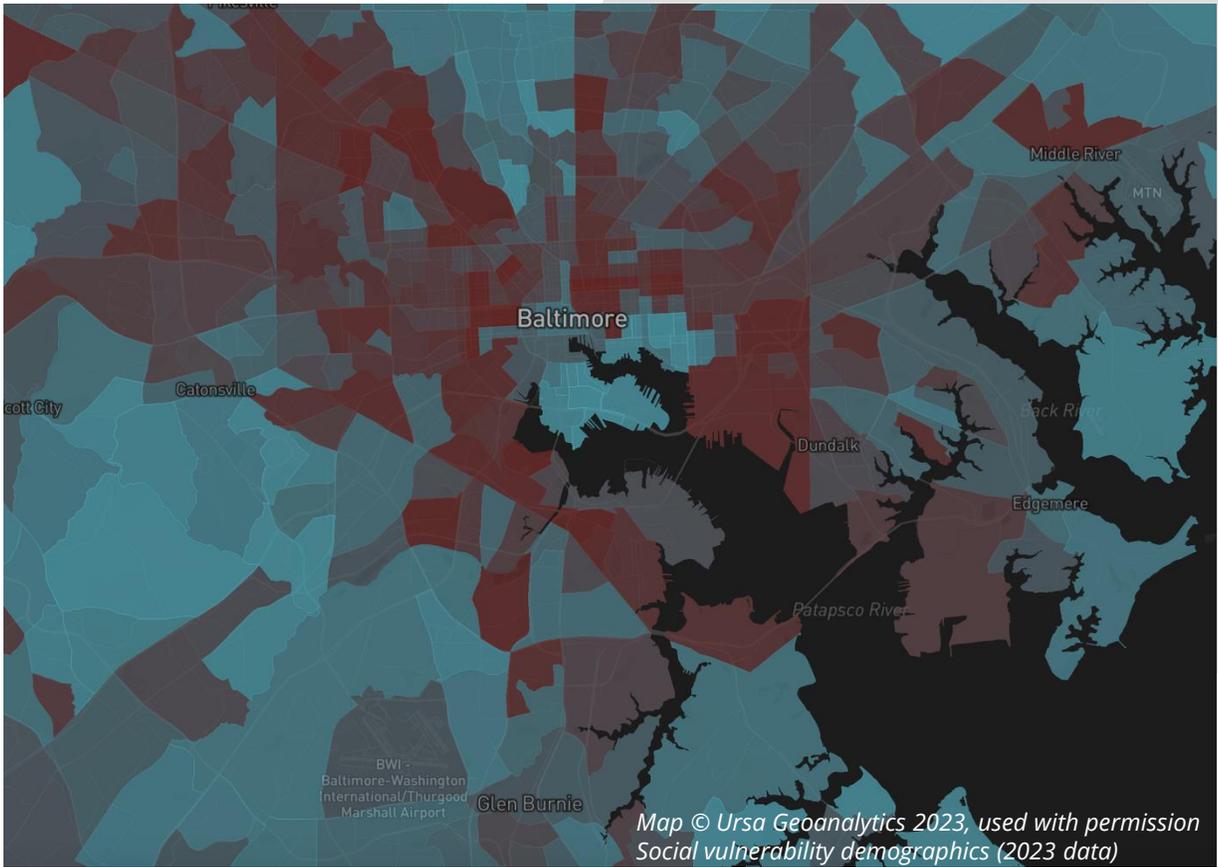
# Baltimore Maryland, USA



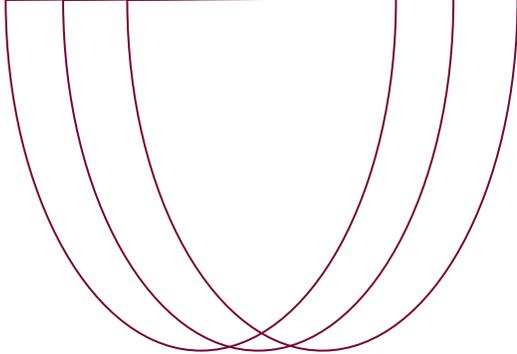
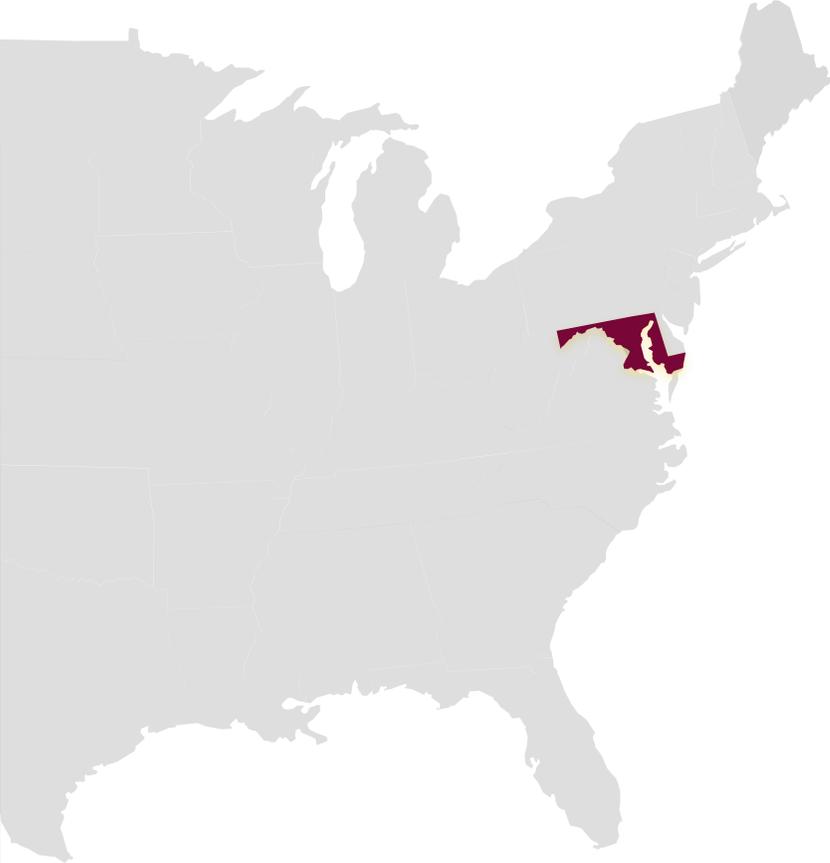
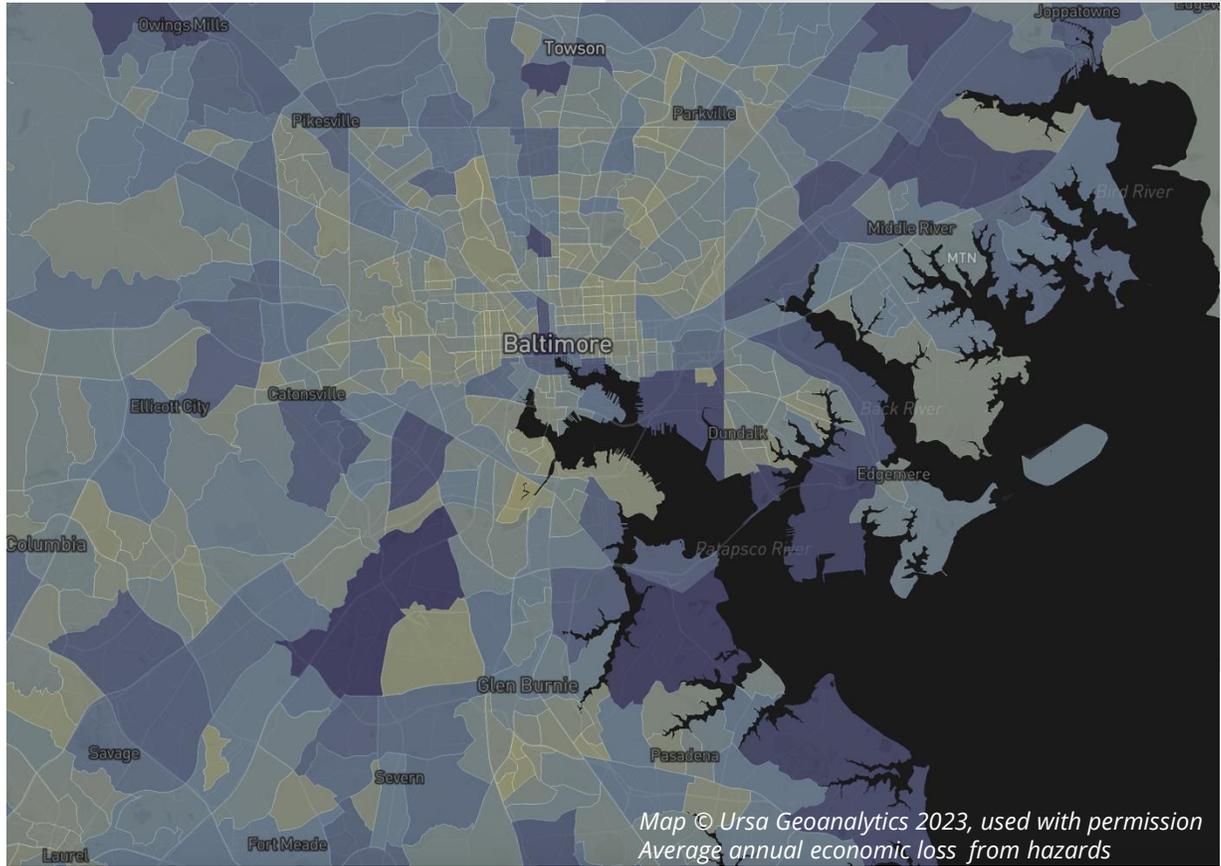
Map © Ursa Geoanalytics 2023, used with permission  
1% annual risk of flood (historic data)



# Baltimore Maryland, USA



# Baltimore Maryland, USA





**Public Disclosure & Reporting**

**Try this:** Read leading reports. Develop a 1-5 year disclosure plan, with iterative improvements.



# ESG & climate resilience serve credit unions' community mission



## Build for community and financial resilience

Assess material impacts and gaps, and prepare to collect ESG and climate information for public disclosure.



## Identify ESG and climate action steps

Use materiality and gap assessments to integrate into governance, strategic planning, and risk management.



## Train and upskill your team to take action

ESG and climate are new skills, and they can be learned when the training is engaging and relevant.

# Thank you!

Futurepath ESG  
[www.futurepathesg.com](http://www.futurepathesg.com)

**ESG is  
essential.  
And complex.  
We can help.**