

THE GLOBAL SUSTAINABILITY CONSULTING MARKET IN 2022-2023

What is the balance of demand from clients for support around the three parts of ESG?

“ *The environmental aspect dominates a lot of discussions, simply because we already have environmental-focused regulations.* ”

Within the financial services sector, regulation is currently the key driver for clients. The environmental aspect dominates a lot of discussions. The EU taxonomy on E (for environment) is already in place for sustainable activities. A draft has also been published for an S (social) taxonomy. And a taxonomy for G (governance) may follow at some point in the future. 'E' is also slightly more comprehensible than the other aspects of ESG: You can measure your CO2 emissions or water consumption, whereas everything that goes into the 'S' and the 'G' is more difficult to weigh, measure, compare, and therewith to understand, not only for the banks, but also for their clients.

Have you noticed any regional differences?

The EU, UK, and Switzerland have established regulations, with milestones and deadlines that need to be hit, and supervisory authorities scrutinising what banks are doing.

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The US and APAC are watching what's happening in Europe and are picking up the pace. In the US, the SEC has issued several requirements, and banks have started adhering to them. Despite a difficult political situation, I think that we will see a trend towards more sustainability in the US and APAC, like recently seen during COP27.

Are clients looking for more help with gathering the right data to deliver on ESG?

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Clients are struggling to get the data they need. Tech plays an important role here because models, algorithms, and AI may help to create the information and data needed. However, tech is only one part of the overall picture. It helps you get to the necessary data, but it's not the most important driver of demand.

How important is brand for winning work?

Brand is an important factor, but not the decisive one. Other firms might have slightly better brand recognition, but Capco has established a strong brand for ESG expertise and delivery in the market. We're seen as a bit of a challenger.

Do clients examine your internal ESG practices when selecting who to work with?

They very often do, partially they even have to by law. They are required to report on the ESG metrics of their own operations. They are very interested in how we, as a vendor, are walking the talk. For example, clients ask us for our ESG rating, and some are asking even for more granular data, which could go down to the CO2 emissions produced by a particular Capco team that worked for them in a given year.

What are the challenges for the wider market over the next 12–18 months?

Many clients are trying to figure out themselves how to address ESG and the related requirements internally so that they don't have to engage a consultant. While it's important that they commit to becoming ESG-compliant, some aspects of ESG demand detailed know-how, e.g., specific data, risk management or process expertise, that a bank or asset manager might not need all the time on this level of granularity. Here, our clients profit from the experience gained already from delivering projects at other clients. Overall, one of the key challenges will remain the availability of relevant data to be able to meet all the regulatory requirements kicking-in over the next 12-18 months, further intensified by closer scrutiny of the regulators and more attention on ESG and sustainability of investors and the public alike.

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