



# ESG: What should banks do in these times of uncertainty?

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Jim Costa  
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# Crowe speakers



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# Guest speakers



**Jim Costa**  
Chief Risk Officer  
Banner Bank

James Costa joined Banner Bank in 2021 as executive vice president and chief risk officer. He brings nearly 30 years of banking experience to his position. Prior to joining Banner, Costa served as chief risk and chief credit officer for a \$49B regional bank holding company, where he managed all credit and risk functions as well as operations – including leading the integration activities during the company’s merger of equals. Prior to that, Costa was executive vice president and head of credit strategy for two super-regional banks. A U.S. Air Force veteran, Costa earned his bachelor’s degree from Ohio State University and conducted his doctorate studies in economics with the University of Minnesota.



**Atul Malhotra**  
Managing Director, Enterprise Risk Management  
Fulton Bank (Fulton Financial Corporation)

Mr. Malhotra is a seasoned risk management executive with over 20 years of corporate governance, risk management, and regulatory strategy experience. In his current role, at a diversified midsize bank holding company in the U.S. mid-Atlantic region, Mr. Malhotra is responsible for oversight and delivery of the organization’s enterprise risk management program. The program includes a multidisciplinary approach to risk identification, assessment, monitoring, and reporting across all domains of risk inherent in the business.

# Agenda

1

Climate-related financial risk regulatory updates

2

Perspectives from banking risk professionals:  
ESG impact and stakeholder trends and expectations

- Interview with Atul Malhotra, Fulton Bank
- Interview with Jim Costa, Banner Bank

3

What does this all mean and next steps



CLIMATE-RELATED FINANCIAL RISK  
REGULATORY UPDATES

# Federal banking regulators climate risk activities

## □ Federal Reserve

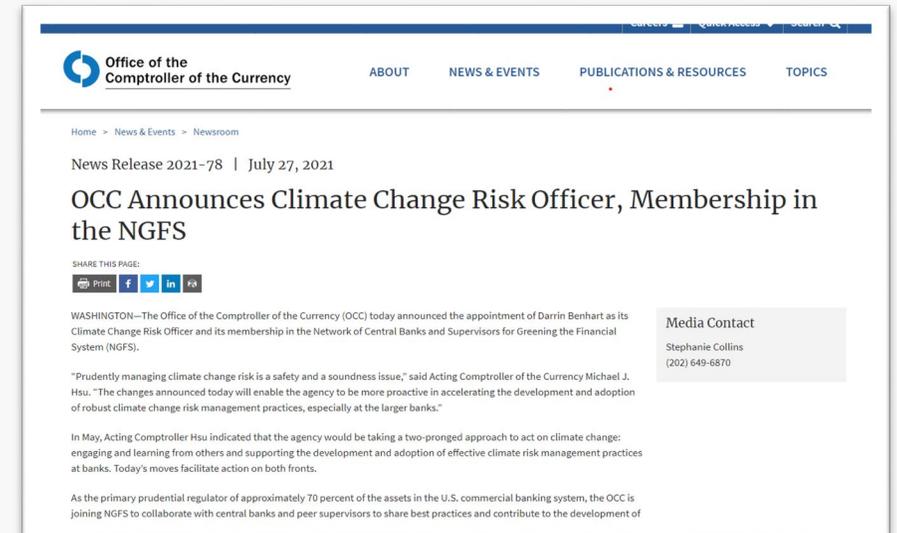
- Fed Governor Lael Brainard speech:
  - <https://www.federalreserve.gov/newsevents/speech/brainard20210218a.htm>
  - Created two climate-related committees
  - Supervision Climate Committee: Senior staff from the Federal Reserve System to ensure supervised firms are resilient to climate-related financial risks
  - Financial Stability Climate Committee (FSCC): Identify, assess, and address climate-related risks to financial stability. The FSCC will work from a macroprudential perspective.
- 2022 Supervision and Regulation Report designates climate as a key supervisory initiative.



# Federal banking regulators climate risk activities

## □ OCC

- Appointed climate change risk officer / OCC joins NGFS: <https://www.occ.gov/news-issuances/news-releases/2021/nr-occ-2021-78.html>
- Issued draft principles for public comment in December 2021 (\$100B+ in assets): <https://www.occ.gov/news-issuances/bulletins/2021/bulletin-2021-62.html>
- Acting Comptroller Hsu: *“Smaller & mid-sized banks should expect comparable requirements within the next 18-24 months and should use the time wisely to prepare.”*
- Semiannual risk perspective fall 2021 and spring 2022:
  - Highlighted OCC’s commitment to proactive and risk-based supervision of climate-related financial risk
  - Reviewing comments received on draft principles





# Federal banking regulators climate risk activities

## □ FDIC

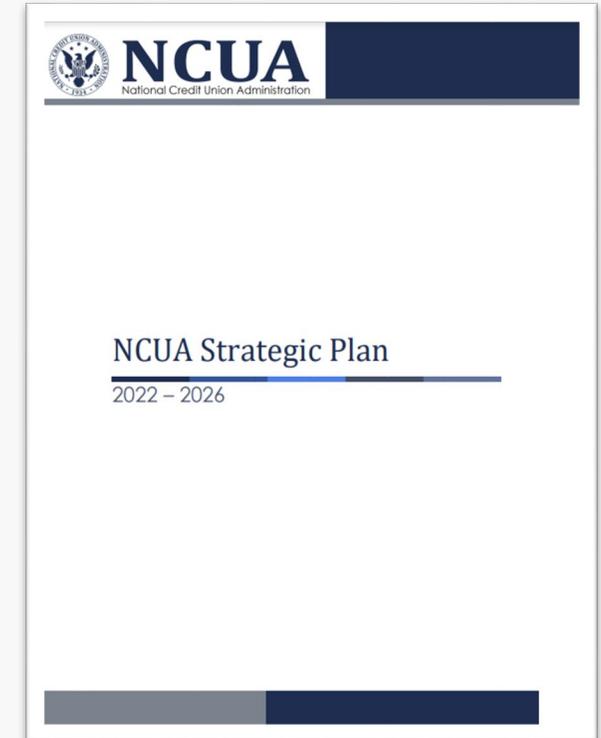
- Issued draft principles for public comment in March 2022 (\$100B+ in assets):  
<https://www.fdic.gov/news/financial-institution-letters/2022/fil22013.html>
- FDIC 2022 Risk Review
  - Flagged climate-related financial risk as an area of emerging risk for the banking industry, signaling that the FDIC will be increasing focus in the area during 2022 exams

# Federal banking regulators climate risk activities

## □ NCUA

### ○ Included climate financial risk in the 2022-2026 Strategic Plan

- Revised the narrative after comment period: *“Clarification that the NCUA does not intend to micromanage credit union lending decisions for climate-related financial risk”*
- *“Nothing in the Strategic Plan should be construed as discouraging activities related to agriculture or fossil fuels.”*
- <https://www.ncua.gov/files/agenda-items/strategic-plan-20220317.pdf>



# Federal banking regulators climate risk activities

## Climate risk global supervisors

- Basel Committee on Banking Supervision finalized 18 principles in June 2022:
  - <https://www.bis.org/press/p220615.htm>
- Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

## FSOC Report on Climate-Related Financial Risk:

- <https://home.treasury.gov/news/press-releases/jy0426>

## Ceres report on U.S. agency progress on climate initiatives:

- <https://www.ceres.org/news-center/press-releases/ceres-finds-us-financial-regulators-have-made-significant-progress>

**Opposing views:** <https://www.banking.senate.gov/newsroom/minority/toomey-gop-banking-members-caution-federal-reserve-against-climate-change-regulations>



PERSPECTIVES FROM BANKING RISK PROFESSIONALS:  
ESG IMPACT AND STAKEHOLDER TRENDS AND EXPECTATIONS

# Q&A with Atul Malhotra



**Alexa Stone**

Financial Services Consulting  
Crowe

Alexa Stone is a manager who specializes in financial services growth and intelligence, with a focus on regulatory compliance, enterprise risk management, and process improvement consulting. She has several years of prior experience in the audit business unit and talent solutions at Crowe. Alexa is a thought leader and people leader, offering unique perspectives based on her diverse professional background. Recently, Alexa has played a role in the firm’s ESG initiatives, including research, stakeholder education, and solution offerings.



**Atul Malhotra**

Managing Director, Enterprise Risk Management  
Fulton Bank (Fulton Financial Corporation)

Mr. Malhotra is a seasoned risk management executive with over 20 years of corporate governance, risk management, and regulatory strategy experience. In his current role, at a diversified midsize bank holding company in the U.S. mid-Atlantic region, Mr. Malhotra is responsible for oversight and delivery of the organization’s enterprise risk management program. The program includes a multidisciplinary approach to risk identification, assessment, monitoring, and reporting across all domains of risk inherent in the business.

## Q&A with Jim Costa



**Gregg Anderson**  
Managing Director, Financial  
Services Consulting, Crowe

Gregg Anderson, a managing director, has helped banks navigate a continually changing environment throughout his 35+ year career at Crowe. Mr. Anderson first explored the connection between sustainability and risk management in 2007 and most recently helped launch the Crowe ESG center of excellence (COE). Gregg received his bachelor's degree in systems analysis from Miami University and holds Certified Internal Auditor (CIA) and Certification in Risk Management Assurance (CRMA) credentials.



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A low-angle photograph of a tree with a trunk wrapped in blue material, set against a background of a modern building's curved glass facade. The text is centered over the tree's canopy.

**POTENTIAL IMPACTS OF ESG  
ON YOUR ORGANIZATION**

**NEXT STEPS**



# What does this all mean? And your next steps...

- ❑ Keep informed of regulatory climate-related updates and their impact to your organization.
- ❑ Consider proposed agency requirements and your organization's preparedness in meeting those requirements.
- ❑ Look at your organization with an ESG lens.
- ❑ Engage your ESG stakeholders.





# THANK YOU

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