# ESG Key Issues in Financial Institutions: Perspectives from MSCI & SASB

## Introduction

Environmental, Social, and Governance (ESG) factors are now central to evaluating financial institutions' sustainability and risk management. Both MSCI and SASB explicitly highlight a series of ESG issues—such as data security, financed emissions, and lending policies—as material. Their consistent emphasis forms a strong rationale for why we must also prioritize these issues internally.

## MSCI Perspective on Key Issues in Financial Institutions

Privacy & Data Security: MSCI includes this as a Key Issue under the Social pillar, assessing firms on data volume collection, regulatory exposure, vulnerability to breaches, and data protection systems [MSCI ESG Ratings – Privacy & Data Security Key Issue].

Financing Environmental Impact: Under the Environmental pillar, MSCI evaluates banks on the environmental risks of their lending and underwriting practices, and their engagement in green financing [MSCI ESG Ratings – Financing Environmental Impact Key Issue].

Social-Focused Key Issues: MSCI also emphasizes Access to Finance (financial inclusion scoring) [MSCI ESG Ratings – Access to Finance Key Issue] and Consumer Financial Protection (ethical lending and transparency) [MSCI ESG Ratings – Consumer Financial Protection Key Issue].

Additionally, Responsible Investment is recognized as a social pillar key issue examining how firms integrate ESG into asset management [MSCI ESG Ratings – Responsible Investment Key Issue]. Notably, these same themes form the top-weighted items in MSCI’s sector-specific scoring examples for banks and investment banks.

### Example: MSCI ESG Weightings for Diversified Banks

|  |  |
| --- | --- |
| Key Issue | Weight (%) |
| Lending Guidelines | 0.6 (not financed emissions) |
| Company-Specific Carbon Emissions | 20.2 |
| Human Capital | 15.2 |
| Responsible Investment (SRI) | 15.2 |
| Privacy/Data Security | 35.4 |
| Governance | 13.3 |

### Example: MSCI ESG Weightings for Investment Banking

|  |  |
| --- | --- |
| Key Issue | Weight (%) |
| Lending Guidelines | 8.7 |
| Carbon Emissions | 1.2 |
| Human Capital | 23.2 |
| Responsible Investment (SRI) | 15 |
| Privacy/Data Security | 11 |
| Governance | 40.9 |

## SASB Perspective on ESG Materiality for Financial Firms

SASB (Sustainability Accounting Standards Board) leverages a materiality framework based on financial impact and investor relevance. For the financial sector, SASB mandates disclosures for topics including:

- Data Security – protecting customer data amid expanding mobile/cloud banking [SASB Data Security Topic – Commercial Banks].

- Financed Emissions – disclosing emissions tied to lending/investment activities [SASB Financed Emissions Disclosure Developments].

- Lending Guidelines & Risk Analysis – credit risk control mechanisms [SASB Standards for Financial Sector].

- Responsible Investment Practices – ESG integration in portfolios [SASB Standards for Asset Management].

- Human Capital – employee retention and training [SASB Financials Standard].

- Governance & Accountability – oversight structures and compliance [SASB Governance Framework].

## Alignment & Why It Matters

The following table summarizes the alignment between MSCI and SASB across several critical ESG issues:

|  |  |  |
| --- | --- | --- |
| Issue | MSCI (Rating Emphasis) | SASB (Disclosure Emphasis) |
| Data Security | Major key issue affecting Social scores | Stand-alone disclosure requirement |
| Financed/Financing Emissions | Assessed under 'Financing Environmental Impact' | Required disclosure on financed emissions |
| Lending Standards / Consumer Protection | Access & Consumer Protection key issues | Embedded in risk analysis topics |
| Responsible Investment | Key issue in Social pillar | Disclosure standard in asset management sector |

## Conclusion

Because both major frameworks independently emphasize these as material concerns for financial institutions—whether via scoring or disclosure—we must likewise prioritize them in our ESG evaluation and reporting systems. Ignoring these areas would mean misaligning with global best practices and potentially overlooking significant risk and performance drivers.

## References

- MSCI ESG Ratings – Privacy & Data Security Key Issue

- MSCI ESG Ratings – Financing Environmental Impact Key Issue

- MSCI ESG Ratings – Access to Finance Key Issue

- MSCI ESG Ratings – Consumer Financial Protection Key Issue

- MSCI ESG Ratings – Responsible Investment Key Issue

- SASB Data Security Topic – Commercial Banks

- SASB Financed Emissions Disclosure Developments

- SASB Standards for Financial Sector – Commercial Banks, Investment Banking & Brokerage

- SASB Standards for Asset Management

- SASB Financials Standard

- SASB Governance Framework