

# Chartered Banker

## The Chartered Banker Institute Response to the UNEP FI Principles for Responsible Banking

Note to readers: The United Nations Environment Programme Finance Initiative [Principles for Responsible Banking](#) provide the first global framework to enable banks to integrate sustainability across all business areas, from strategic, to portfolio, to transaction level. The transparency and accountability mechanism of the Principles requires signatories to address their most significant impacts, set public targets and report back on progress. The Principles provide guidance for banks to create value for their customers, shareholders and society.

A global public consultation on the Principles was open until 31<sup>st</sup> May 2019. The final version will become available for signature from September 2019, during the UN General Assembly.

Below follows the Institute's response to that consultation.

### ***Q1. Are there any gaps or elements that the Principles do not cover? How should this be addressed?***

The Chartered Banker Institute is proud to be one of the UK's first supporters of the UNEP FI's Principles for Responsible Banking [PRB]. There is significant alignment between the desired impact of this initiative and the Institute's purpose and mission. For example, this year we will complete work to revise two of our key education programmes: the Green Finance Certificate and the revised Professional Banker Certificate. Both now include significant coverage of the PRB. More details about these can be found below under Q6 Additional Comments.

We have also demonstrated a long-term commitment to enhancing and sustaining standards for knowledgeable, accountable and responsible bankers and, through this work, our support of the responsible banking agenda.

We understand that the Principles are intended to help change the cultural mindset within banks and through their implementation work to reconnect banks and bankers with society.

It is our view, however, that there could be more done to highlight the importance of the latter: linking the individuals that comprise banks with the customers they serve.

In their application, our professional codes of conduct and programmes of initial and continuing professional development, not only compel individuals to do the best for their customers and society, they also hold them accountable to each other in

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upholding the highest standards of ethical professionalism, regardless of organisation or location.

Research commissioned by our Institute (Chartered Banker Professionalism Index 2018: <https://www.charteredbanker.com/news>) found that for the second year in a row, professional pride amongst our members is increasing. From this we can infer that despite the many challenges faced by banks and bankers since the global financial crisis and more recently, the pace of technological change, professional bankers have drawn strength from their professionalism.

We would therefore suggest that the UN encourage professional bodies and similar associations to review their own codes of conduct, and programmes of initial and continuing professional development, and ensure they are aligned to include an emphasis on the role of the individual. For example, we are currently considering a revision within our own code which would commit our members to being *'responsible stewards of our natural resources and planet, for current and future generations'*.

Indeed, the Principles might go further and explicitly state the need for organisations to support individuals in developing and demonstrating a personal commitment, who understand they must do the right thing by their customer and that in serving that customer well they also serve wider society. We believe the knowledge, confidence, support and stability professional bodies, like ours, provide to these individuals empowers them to collectively change the culture of financial services for the better and drive forward ethical standards that increase and sustain public trust.

Our Institute was founded on banking's societal purpose. We believe that we can help to ensure that 'responsible banking' is clearly understood as more than just sitting within the context of green/sustainable finance. At its heart lies responsible lending, treating our customers fairly, ensuring access to financial services for all, championing diversity and inclusion, and providing financial education. To quote from a recent speech by the Governor of the Bank of England Mark Carney, *"The new finance must be inclusive, allowing everyone to be better connected, better informed and more empowered."* (see <https://www.bankofengland.co.uk/-/media/boe/files/speech/2019/a-platform-for-innovation-remarks-by-mark-carney.pdf>).

We believe "responsible banking" is professional banking. So, whilst the issues of green and sustainable finance should form a significant part of the effort, these wider issues should not be lost in the development and implementation of these Principles.

**Q2. Do the current target setting requirements provide an effective mechanism for driving banks' alignment with and contribution to society's goals? Do you see elements in the target setting requirements or the Principles more broadly that could be strengthened/introduced to drive change even more effectively?**

Our feedback here is limited to the question of the lack of targets with regard to education.

In order for there to be a sustainable culture shift in the desired direction, this will need to be led by increasing numbers of finance professionals with an understanding of the critical role of financial services in supporting the transition to a sustainable, socially just world. These individuals must have the knowledge and skill of finance to be able to develop and deploy products, services and tools that will mobilise capital to support that transition, and address climate-related risks. Stakeholders too will therefore need to have an awareness and knowledge on these matters and be educated and trained on the firm's strategy.

We note that in the UN's Principles for Sustainable Insurance under Principle 2 (see UNEP FI Principles for Sustainable Insurance - <https://www.unepfi.org/psi/the-principles>), which can be read as comparable to Principle 3 here, there is a specific possible action identified and promoted. It outlines that:

*"Insurers, reinsurers and intermediaries support the inclusion of environmental, social and governance (ESG) issues in professional education and ethical standards in the insurance industry."*

We recommend inclusion of a similar action to enhance the proposed implementation guidance and to ensure bank leaders and key stakeholders have the critical knowledge to underpin and drive forward the change in mindset.

**Q3. Does the Implementation Guidance provide clear guidance on what is expected from banks and on how to implement the Principles? If not, what gaps do you see and how could they be addressed?**

With regard to Principle 1, whilst there is much that is positive about the guidance on strategic focus, we would also suggest consideration should be given here to risk appetites and decisions. These will naturally be changing in nature over time, therefore a strategic focus and material assessment should regularly consider these, not only in the context of the firm itself, but also with regard to that of their customers, and indeed society in general. In this way banks, and their customers will not only be better placed to avoid harm, but to take full advantage of the opportunities responsible banking can offer.

With reference to Principle 3, we suggest the guidance could go much further when looking at the bank/retail customer relationship. This could promote the inclusion of positive action, such as 'nudges' to retail customers to encourage them to make better decisions. Banks clearly have the opportunity, and therefore a responsibility for motivating and encouraging changing behaviour amongst their customers. Nudges are already being used in this positive way. For example; Ant Forest, the initiative in China from payment app Alipay, where customers are rewarded for making small, environmentally friendly decisions in their daily lives through "green energy" points. These points can be redeemed to plant trees in areas of the country in need of vegetation. So far, 100 million real trees have been planted. Details about this initiative can be found at 'How Alipay users planted 100m trees in China' - <https://www.alizila.com/how-alipay-users-planted-100m-trees-in-china>.

**Q4. Is the reporting template clear about what banks are required to report on?**

**Q5. Is the information required in the Reporting template helpful for assessing a bank's sustainability performance? Is there any additional information that should be requested for this purpose?**

We address questions 4 and 5 together.

As noted above in response to Q2, just as education should form part of the implementation and target setting, it follows that it should also form part of the reporting mechanism. Under Principle 6, the guidance calls on banks to publicly outline how they are planning to foster a culture of responsible banking, but does not include measure of the progress. We recommend that the UN ensure the template includes reporting on the related training and development activities which should exist to underpin this.

It would further benefit banks, and their customers, if the UN would encourage and endorse appropriate programmes: those that demonstrate alignment, offer independent accreditation, external verification and monitoring and can confirm that these plans are actually happening. Such qualitative reporting should help avoid a 'tick-box' approach to ensuring effective implementation of each bank's plans to foster the desired culture shift.

Such a measure is fundamentally important as the Principles imply a change in mindset is needed. But firms are not sentient and therefore really what is implied is that the people within firms behave better. We have frequently challenged regulators and supervisors to focus on whether those in executive authority are encouraging and listening to upwards challenges, given the fact that many of those reporting to them may be guardians of "superior technical competence" (see *Talcott Parsons, 'The Professions and Social Structure' (1939) 17 Social Forces 457, 460*). This competence is achieved, for example, through professional qualification, continuing professional development and affiliated codes of conduct. These guardians are committed to making a positive culture change, often independently of their organisation; a commitment that holds the best interests of society and customers at its heart.

We therefore reiterate that the change that is needed requires individuals; and we believe that it is important their efforts are clearly monitored and recognised through the public reporting requirements of this initiative.

**Q6. Please provide any additional comments, inputs and suggestions for changes. This could include suggestions for additional links to relevant resources to include in the Implementation Guidance.**

We note that there is no definitive measure of success included in the supporting literature so it remains unstated what key factors will indicate that the PRB have been implemented. These are not for us to determine. However, what is clear, is that in

order to be successful, the Principles, when implemented, will need to work at three levels:

- At industry level: where government agencies and/or trade associations lead a collective approach to endorsing and implementing the Principles;
- At the institutional level: where banks themselves lead by example and share good practice; and
- At the individual level: where professional bodies and educators, bring the Principles to life for bank staff; embedding them in professional standards and qualifications, and setting out how the Principles can be demonstrated in day-to-day professional banking practice.

Throughout this response we have offered suggestions for enhancing the Principles, and more specifically their implementation, at this third, individual level. It is here that we believe bodies such as ours, working together with those at industry and organisational levels can drive and support fundamental change.

The expectations we place on our members remind them of the “societal purpose” of their role; individually, as part of their organisations, beyond this as part of this wider community of professional bankers and, ultimately, as members of society themselves. We therefore see a very central role to be played by professional bodies such as ours in helping individuals discharge the obligations placed upon them; whether by law and regulatory principles, or by our own codes.

We would also emphasise that there are important lessons to be learned from the implementation of other initiatives aimed at affecting a cultural shift. Success will require:

- reinforcement, encouragement, and celebration;
- the feeling of being part of a community of like-minded individuals;
- the embedding of culture and professional norms;
- changing not only the organizational culture, but that of the entire industry

These are areas where professional bodies, such as ours, stand ready to play our part.

Finally, and in line with our recommendations for a focus on learning within the Principles and their implementation guidance, we have given thought to some practical solutions for how banks at all stages of their evolution and engagement with the Principles:

*For Starter banks:* - this could take the form of introductory e-learning or similar for staff to introduce the Principles, with more specialist qualifications supported for key teams and responsible individuals.

*Intermediate banks:* A foundation course would benefit the great majority of, if not all, bank staff. Additional training should be made available for specialist teams and for leadership populations. Internal learning and development / Human resources teams

could also work with learning partners to embed the Principles in other learning programmes.

*Advanced banks:* The principles should be embedded throughout the bank's learning & development curriculum. This should not take the form of an add-on but be included in all; executive education programmes for leaders [including board members]; annual refresher training; and on-boarding for new hires, etc. The target should be thought of widely, i.e. technology colleagues involved in product design, customer experience, etc. This training should not just be for the "bankers".

Furthermore, to support transparency, moderation, verification and reporting requirements, the curriculum should be accredited by a suitable institution to publicly demonstrate alignment.

As mentioned in our response to Q1 above, we mean to lead by example and have scheduled reviews of all our initial and continuing development programmes to ensure the Principles are covered. In 2019 this will see the relaunch of two significant education programmes:

- the Chartered Banker Institute's Green Finance Certificate: designed to develop financial services professionals' knowledge of the science behind, and the principles and practice of Green Finance. The revised version to be launched in July 2019 introduces the Principles for Responsible Banking alongside other UN and international initiatives including the SDGs and PRI, and course participants are expected to be able to explain the Principles and apply them to their own activities and organizations. More information can be found at <https://www.charteredbanker.com/qualification/certificate-in-green-finance.html>
- the Professional Banker Certificate: offering a broad foundation of learning suitable for individuals new to or already working in retail, business and private banking environments. The revised version due for launch in September 2019 will have an increased emphasis on responsible and digital banking, and introduces the Principles for Responsible Banking to all bank staff.

We trust our comments are helpful in ensuring the success of this initiative and we are committed to offering our fullest support to driving forward sustainable change in professional banking culture.