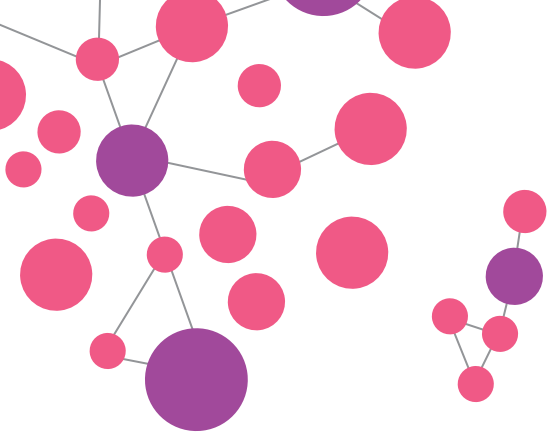


THE PRINCIPLES FOR RESPONSIBLE BANKING

The realisation that banks and other financial institutions have a vital role to play in bringing about essential environmental and social change has led to a flurry of regulation that sits alongside an abundance of voluntary guidelines which banks are expected to follow. The next major addition to these guidelines are the Principles for Responsible Banking which launched from New York with more than 150 of the world's biggest banks already signed up.

To understand this latest addition to the raft of sustainable banking measures Interlaw Head of Banking and Finance, Katharine Lewis, explains the Principles which will complement existing national and international regulation and voluntary guidelines and explains how this change will affect the banking and business worlds, encouraging greater sustainability and responsibility.





WHAT ARE THE PRINCIPLES FOR RESPONSIBLE BANKING?

The Principles for Responsible Banking (the Principles) have been developed by the United Nations Environment Programme - Finance Initiative (UNEP FI) working with a core group of 30 leading banks from around the world. The Principles are voluntary and are designed to guide banks to strategically align their business with the development and sustainability goals that the world has set for itself - internationally, regionally and nationally.

Any bank can commit to the ambitions set out in the Principles by becoming an official signatory.

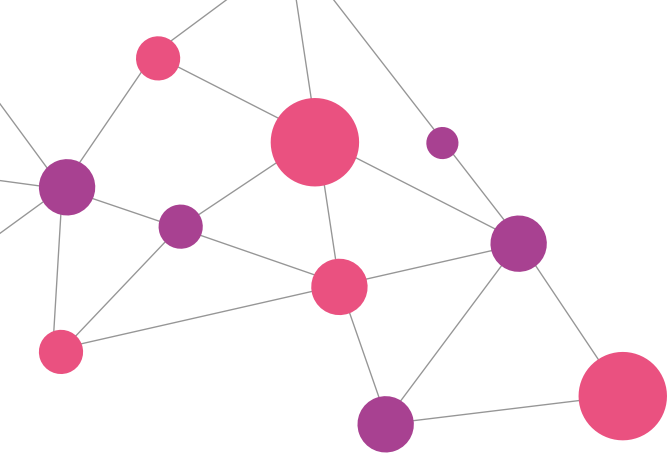
“*The Principles for Responsible Banking are a framework for all banks to show that they understand their purpose is to serve and contribute to meeting society’s needs and individuals’ goals.*”¹

Adam Garfunkel, Junxion

Banks that sign up to the Principles are making the following six commitments:

- 1 **Alignment:** To align their business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.
- 2 **Impact & Target Setting:** To continuously increase their positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from their activities, products and services. To this end, they will set and publish targets where they can have the most significant impacts.
- 3 **Clients & Customers:** To work responsibly with clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.
- 4 **Stakeholders:** To proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.
- 5 **Governance & Culture:** To implement their commitment to the Principles through effective governance and a culture of responsible banking.
- 6 **Transparency & Accountability:** To periodically review their individual and collective implementation of the Principles and be transparent about and accountable for their positive and negative impacts and their contribution to society’s goals.

¹ <https://wellbeingeconomy.org/banking-on-all-our-futures-the-new-principles-for-responsible-banking-guest-blog-by-adam-garfunkel-at-junxion>



WHY HAVE THE PRINCIPLES BEEN FORMULATED?

It is no longer enough to be in business just to make money for shareholders. The mantra of “*people, planet, profit*” is as relevant to banks as it is to any other business and the Principles acknowledge that the future success of banks is inherently linked to the long term prosperity of the societies they serve.

By responding in a meaningful way to both consumer and stakeholder demand, banks can position themselves to take advantage of the opportunities that the move to a more sustainable economy brings, so creating value for their shareholders.

HOW DO THE PRINCIPLES WORK?

Broadly, the Principles are designed to enable banks to “*integrate sustainability across all business areas - from strategic to portfolio to transaction levels*” and can be implemented no matter where a bank is on its journey towards becoming a more sustainable and responsible business.

The Principles recognise that for banks to assist clients in the transition to more sustainable business models, they must transform themselves, which requires buy-in from the top down.

To remain relevant and position themselves to take advantage of the opportunities that the transition offers, banks need to ensure that the impact of their activities and the products and services they offer support and further society’s goals.

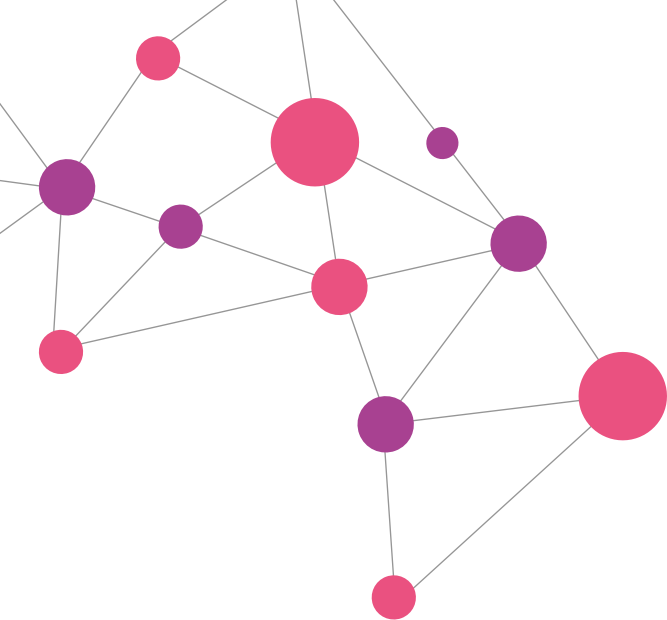
As well as ‘*talking the talk*’, banks must ‘*walk the walk*’ and for genuine progress to be achieved, transparency and public reporting are critical so that banks can be held accountable for the impact they have on society.

This why the Principles require banks to set targets which address their most significant impacts and to report their progress in meeting those targets.

EASILY SAID, NOT SO EASILY DONE

Banks who sign up to the Principles must publish their impact assessment and will have to report on their progress to demonstrate that they are taking meaningful steps to address their most significant impacts.

If a bank does not progress over time or if the targets which a bank sets are judged not to address these impacts or not to be in line with the Sustainable Development Goals or the Paris Agreement, then that bank can be removed as a signatory to the Principles.

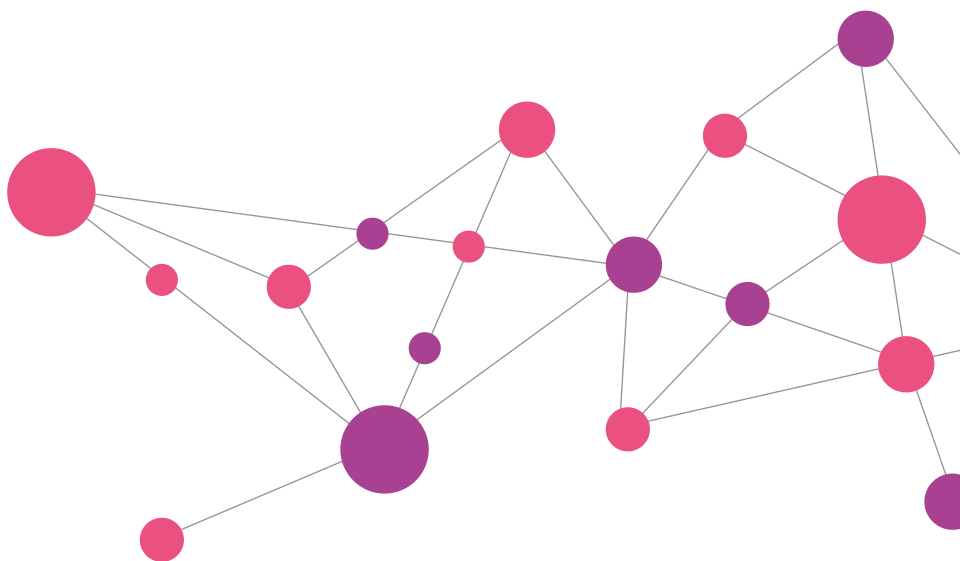


Q4.

WHAT'S IN IT FOR BANKS?

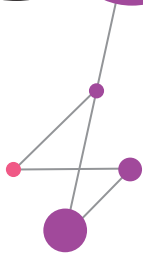
Signing up to, and implementing, the Principles is a real opportunity for banks to demonstrate that their commitment is more than mere lip service.

The finance sector has a vital role to play in helping to bring about the transformation that society needs. Signing up to these aspirational and ambitious principles shows a serious commitment to being part of the solution and demonstrates that *“businesses can and will collaborate for the common good”*².



² <https://wellbeingeconomy.org/banking-on-all-our-futures-the-new-principles-for-responsible-banking-guest-blog-by-adam-garfunkel-at-junxion>

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