

A greener way of working

Sarah Butcher focuses on how retail banks are embracing the idea of sustainability and training their staff to acquire new skills regarding ESG issues

If you work in a UK retail bank and you've been operating on the premise that sustainability is something for investment funds or 'woke' challenger banks, you're in for a shock. As sustainability goes mainstream, it's a concept that's spreading across all areas of finance. Retail banking is no exception: sustainability is poised to redefine jobs across the sector.

The breadth of the issue is enormous and can seem daunting. Sustainability in retail banking is about more than just traditional concepts of climate risk, says Elisa Moscolin, the London-based Head of Sustainability and Environmental, Social and Governance (ESG) issues at Santander.

"Sustainability is about embedding environmental and social factors in every decision the bank makes and ensuring we have the right governance in place to do so," she says.

These environmental and social factors are all-encompassing. Rattling off a list of sustainability's scope for retail bankers, Moscolin points to everything from financial inclusion to protecting customers from fraud and scams, fighting financial crime, tackling modern slavery, digital inclusion and, of course, combating climate change. What it ultimately comes down to is that retail banks are at the heart of communities, she says. Sustainable banking means helping those communities to thrive.

For the champions of sustainability, it will mean banks adopt a new way of working. "Sustainability means proactively pursuing better outcomes for people and the planet, in a way that's relevant to people's lives, money and banking," explains Joanna Finlay, the Sustainable Banking Manager at Virgin Money in Newcastle upon Tyne.

"True sustainability also means making the economics of it work for customers and the bank, otherwise the impact will be short-lived."

Sustainable purists point to Triodos, the Dutch bank that pioneered the concept of sustainability in retail banking in the 1980s. Triodos Bank UK opened in 1995 and now employs more than 200 people from its head office in Bristol.

Zoe Sear, Head of Marketing and Communications, says that, for Triodos, profit is not the primary objective but rather a 'yardstick' that shows the bank is working efficiently. "For us, sustainable banking means using money

with conscious thought about its environmental, cultural and social impacts," she adds.

The idea of a commercial business viewing profit purely as a yardstick raises some questions. In particular, what does it want to achieve and how does it know it is getting there? But the pursuit of sustainability doesn't mean casting aside existing banking principles and technical aptitude for something more holistic and nebulous.

In the same year that Triodos UK made 53% of its loans to the 'social sector' (defined as a mix of traditional businesses, non-profit organisations and innovative enterprises with

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clear social objectives), 32% to the environmental sector and 15% to the cultural sector, it also made a net profit of £3.7m, according to its most recently filed accounts.

When Triodos UK is hiring, Sear says the bank's first priority is technical banking expertise. "Our first job is to keep people's money safe." An awareness of and interest in sustainability comes second. Bevis Watts, the bank's Chief Executive, spent three years as Chief Executive of the Avon Wildlife Trust.

As retail banks prepare for a world in which sustainability is central, they are, therefore, likely to train existing staff in these skills rather than replacing current employees with some more sustainability-savvy new recruits.

HSBC is already following this route. Fernando de la Fuente, Group Head of Sustainability and Inclusion, at HSBC Wealth and Personal Banking, says the bank runs a Sustainable Investment Academy for staff in that business area as part of its strategy. "Sustainability modules are embedded in our main training curriculum," he says.

If you work in retail banking now, it's advisable to explore what sustainability means for your particular role and business area. "If you work in risk, it makes sense to

acquire some expertise on climate change,” says Moscolin. “If you work in procurement, it’s good to have a better understanding of ethical supply chains, or if you focus on product and service development, you could consider training in sustainability innovation and/or social inclusion.”

Lloyds Bank says sustainability criteria have already been introduced into its motor finance business. Risk assessors at mortgage firms are also already making climate-related judgments.

Mortgage lending is the single-biggest business line for ring-fenced UK retail banks. Nina Seega, Research Strategy Director at the Cambridge Institute for Sustainability Leadership, points to dangers, such as flooding, that can undermine the value of mortgage portfolios. She highlights a 2019 report from ClimateWise, a global network of insurers, that said floods could affect 180,000 properties in the UK if there were four degrees of warming above pre-industrial levels. That is expected to be an extreme scenario. If nothing else, with that level of climate change, flooding might be the least of our worries.

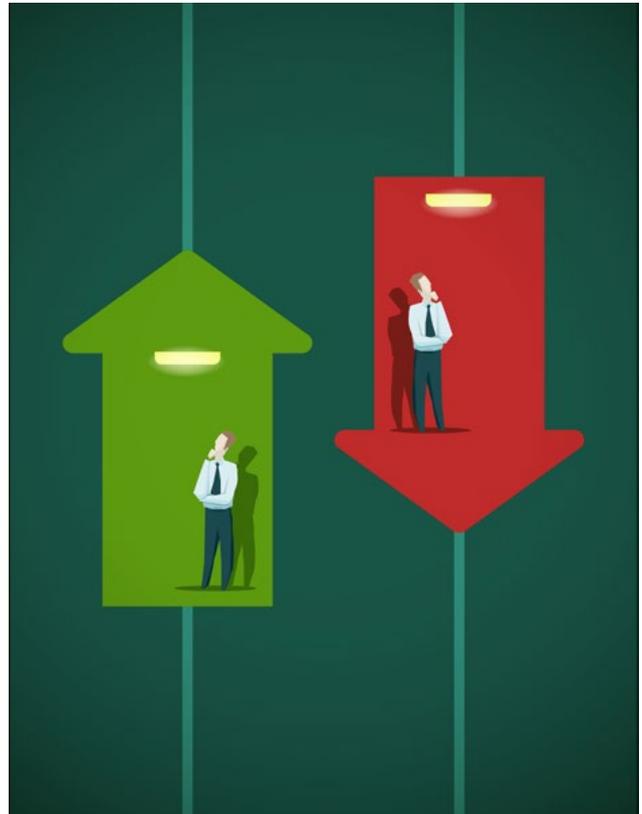
But even essential moves to tackle climate change could hit mortgage lending. Seega points to the Bank of England’s April 2021 report on climate policy and transition risk in the housing market, which found that the introduction of minimum energy standards has the potential to reduce the value of mortgage portfolios, with the price of affected properties falling by between £5,000 and £9,000, compared with those properties that already meet the required standards.

Sustainability has also made itself felt in the design of retail banking products. Triodos UK, for example, offers ethical current accounts and savings accounts for which deposits are invested ethically. Its account holders receive debit and

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credit cards made from biodegradable materials such as plant leaves and corn. Starling Bank’s cards are made from recycled plastic.

As consumers come to expect sustainable products, mainstream banks are jumping on the bandwagon. At HSBC, De la Fuente says the bank conducted research through Mintel and found that 77% of consumers agreed



with the notion that: “Financial services firms have an important role to play in creating a more sustainable society”. The bank already offers green mortgages in the UAE and electric car loans in Mexico and is switching to recycled plastic cards, starting in Malaysia and Sri Lanka.

While things are changing, there is still more to be done. In the UK, sustainable banking has focused particularly heavily on providing banking services to vulnerable customers following guidance from the Financial Conduct Authority and the challenges of the Covid-19 pandemic. Banks frequently work with outside organisations to help deliver this element of their sustainability strategy. HSBC, for example, has partnered with Shelter UK to enable more than 1,000 people without fixed addresses to open bank accounts. Virgin Money is working with Macmillan Cancer Support to help customers affected by cancer. There is consequently a need for sustainability partnership managers within retail banks, who have a broader awareness of the landscape and who can arrange partnerships to execute the strategy.

Until recently, sustainability was a career path for the passionate few in retail banking. Finlay describes her career path as “squiggly”, having started as a graduate trainee

in business banking at Barclays before becoming Head of Culture at Virgin. “I have always pursued roles where I thought I could add value, develop and live out my purpose of driving social justice within banking,” she says.

Moscolin says most banks tended to silo their sustainability teams in their HR or PR functions. But this is changing as sustainability becomes a strategic issue that needs to be integrated throughout the business. “I believe that,

in the future, understanding of ESG will be a mandatory requirement for any retail banker,” Moscolin concludes. ■



Sarah Butcher is Global Editor for eFinancialCareers. She spends her days (and many of her nights) immersed in financial career issues and is a leading commentator on the subject, both in the UK and the US