



The Centre for Sustainable Finance

Emmanuel Rondeau explains why the institute is relaunching its Centre for Sustainable Finance and outlines how it can help financial services firms meet their ESG goals

Since the start of the year, there has been a steady drumbeat of increasing risk in finance. The war in Ukraine, and the regional tensions that come with it, has put geopolitical risk back on the map. The resurgence in inflation and the end of the 'lower for longer' paradigm mean a fundamental review of interest rate risk. Credit risk is going up again after the long hiatus of the Covid-crisis state intervention.

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Given all the competing priorities, some have suggested hitting 'pause' for the sustainable finance agenda. This is what Stuart Kirk, the former Global Head of Responsible Investment at HSBC Global Asset Management, argued in his now famous/infamous 16-minute [presentation on climate change](#). He lost his job, but the debate continues. So, just as Germany is resuming the burning of coal to produce electricity, citing the need to keep the economy functioning in the face of losing access to Russian gas, many bankers and investors are dragging their feet on sustainable finance, citing more urgent priorities.

Superficially, they have some strong arguments. Here are two, as an illustration. First, there is simply the outperformance of fossil fuel-related assets over the past eighteen months. With the price of a barrel of oil peaking at US\$130, and still close to

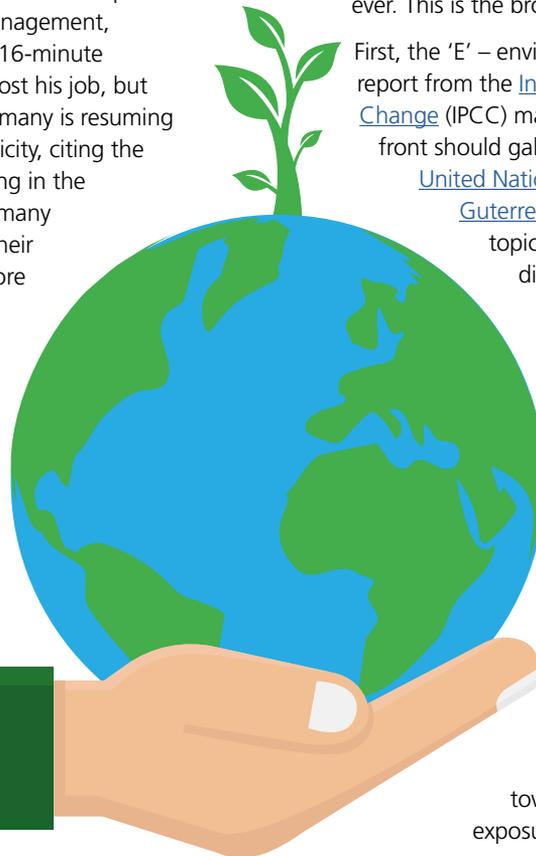
US\$100, it is hard to consider oil and gas stocks as potential stranded assets in the short term – and asset managers have a fiduciary duty to deliver the best financial return to their clients. Second, there is the confusion arising from the lack of robust and consistent standards for green or sustainable assets. Not a week goes by without NGOs attacking greenwashing and highlighting potential mis-selling offences, all of which accusations can be, and often are, supported by regulators and courts.

The temptation is strong to revert to the tried and tested: ie let's look at profits first, and we will resume onboarding environmental, social and governance performance factors when we have clearer guidelines.

That is not our view at The London Institute of Banking & Finance. We strongly believe that sustainability must remain on the top priority list of all financial institutions' boards and executive committees. The ESG agenda is more urgent than ever. This is the broad thrust of it:

First, the 'E' – environment. As the sixth assessment report from the [Intergovernmental Panel on Climate Change](#) (IPCC) makes clear, the news on the climate front should galvanise us all. Listen to what the [United Nations Secretary General, Antonio Guterres, said in his latest message](#) on the topic: “We are on a fast track to climate disaster.”

Regulators in the UK and in Europe are putting pressure on banks to assess the impact of climate risk on their risk profile. Yes, it's not easy for firms to meet all of those requirements. However, the results from the first climate stress test have provided a relevant starting point for the identification, assessment and measurement of climate risk. The mandatory reporting of green asset ratios under the EU Taxonomy, starting this year, will also push all financial institutions towards a deeper analysis of their exposure to brown assets.





Second, the 'S' – social. The time has passed when only shareholders were considered to be corporate stakeholders. In these days of global pandemic, heightened political tensions, economic pressure and inflationary stress, all financial institutions have to set clear ambitions and targets for their non-financial performance vis à vis their customers, employees, suppliers and their communities at large.

“ *Even if some institutions to have their heads in the sand, all banks to deliver responsible finance* ”

Third, the 'G' – governance. There is no good business without strong governance. So many failures in the world of finance, including the latest scandals at banks and asset managers, illustrate the importance of this founding principle. Complacency around governance always leads to problems.

The pressing requirement for financial firms to tackle the sustainability of their businesses is why The London Institute of Banking & Finance has relaunched the Centre for Sustainable Finance, powered with a 20-member-strong

virtual faculty. The centre offers a broad range of courses and programmes, covering either specific climate risk management issues, or the wider ESG agenda.

The approach is to be as concrete as possible, based on emerging standards and best practice observed in the most advanced regions. The centre is here to bring training solutions that really effect change at all levels within financial institutions: from sparking robust board debates, to bringing technical expertise to a firm's leaders, to disseminating essential foundation knowledge to the wider staff.

Even if some institutions would still prefer to have their heads in the sand when it comes to ESG, all banks and all their employees need to embark on the critical journey of delivering responsible finance. ■



Emmanuel Rondeau has 35 years of experience in banking. He has worked in Paris and London for major international banks including Crédit Agricole, ING and RBS NatWest. He is now the Lead Independent Director at Banque Postale in France, where he chairs the Board Risk Committee

The London Institute
of Banking & Finance

Centre for Sustainable Finance

The Centre for Sustainable Finance was founded in response to the growing need for the financial sector to adapt to sustainable development and environmental change. We champion thought leadership, research and education to address the emerging trends and practices that have an impact on the sector.

The Centre seeks to address the interests and concerns of market participants around the world – including commercial and development banks, investors, governments, corporations or regulators.

sustainable.libf.ac.uk