



Developing Responsible/Sustainable Banking Principles

Draft Terms of Reference for Core Group Members

Contents

1. Background
 2. Role of the Core Group
 3. Terms of Reference
 4. Time Commitment
 5. Acknowledgment
 6. Contact information
 7. Annex: Draft Timeline
-

1. Background

The Case for Principles accompanied by an Accountability Framework

- In the last couple of years, world governments have jointly set out a clear path for the future, detailed in the Paris Agreement and the Sustainable Development Goals (SDGs). It is time for the banking industry to define its role and responsibilities in shaping and bringing about this future.
- Almost ten years after the start of the global financial crisis, the banking sector is still working to re-establish trust. It is time to change the narrative of the banking industry. By defining its role and responsibilities in bringing about a sustainable future, the banking industry can re-position itself as a crucial part of the future economic system that is proactively financing and contributing to society's goals.
- Existing principles and frameworks for the international banking industry are limited – they cover specific instruments only (e.g. Equator Principles for project finance and project-related corporate loans) or specific issues (e.g. Natural Capital through the Natural Capital Declaration, and Human Rights through the UN Guiding Principles on Business and Human Rights). There is a need for overarching *Principles* that can bring together and recognize the full contribution banks can make to addressing societal challenges and achieving sustainable development. An accompanying accountability framework can enable banks to set their own targets based on their individual circumstances and the reby credibly demonstrate their contribution to society.

Increasing Pressure:

Expectations of the banking industry to provide leadership, be accountable and make a positive contribution to society's goals have been increasing. Civil society has been challenging the banking sector for some time, but more recently finance ministries (e.g. G20 Green Finance Study Group), central banks (the Financial Stability Board) and the investment community have been exerting increasing pressure on banks to disclose information about their climate-related risks and opportunities, withdraw from lending to unsustainable economic activities and increase the share of financing for green technologies and sustainable economic activities.

Action by United Nations Environment Programme Finance Initiative's (UNEP FI) Banking Governance Body, the *Banking Committee*

The current *UNEP FI Statement of Commitment* defines the broad goals and responsibilities UNEP FI banking members subscribe to regarding sustainability. In 2017, in response to increasing expectations of the banking industry to provide leadership, be accountable and make a positive contribution to achieving society's goals, the Banking Committee has commissioned a review of the

Statement of Commitment. This included a survey of UNEP FI's banking members (45% of all member banks responded) and key external stakeholders. The review yielded the following recommendations:

- UNEP FI's banking membership should put in place a clear, succinct set of guiding *Principles* relevant to today's banking realities and sustainability objectives.
- The *Principles* should be accompanied by an accountability framework that allows member banks with different business models and in all regions of the world to credibly demonstrate continuous improvement and substantial contributions to society's common goals for sustainable development.

Thus, the *UNEP FI Banking Committee* has agreed to initiate a banking industry-driven process to develop a set of *Principles* that define the banking sector's role in achieving a sustainable future. This set of *Principles* is targeting both current UNEP FI members and the wider banking industry as potential signatories. It will be accompanied by an accountability framework that allows banks to set their own targets based on their individual circumstances and to credibly demonstrate their contribution to society's common goals for sustainable development.

2. Constitution, Role and Status of the Core Group

Experience from other successful processes for developing principles for the financial industry (Principles for Responsible Investment, Principles for Sustainable Insurance, Equator Principles) has shown that the single most crucial element in such a process is a committed core group of institutions (in our case banks) that drive the process, mobilize the necessary resources and publicly back and promote the Principles at the highest level, i.e. CEO and/or Board level. Consequently, UNEP FI's Banking Committee has decided to convene a group of 10 -15 banks. These 10-15 banks together with 1-2 UN representatives will form the "Core Group", which will lead this process. Experience from other processes to develop principles and/or frameworks has shown the importance engaging constructively with civil society stakeholders as part of the development of such principles. The Core Group will decide how to involve civil society stakeholders in the drafting process.

Participation in the Core Group will be open to the whole UNEP FI banking industry membership (given willingness and ability to meet the requirements outlined in this document). This includes members of the Banking Committee and banking members of the Global Steering Committee, as well as all other UNEP FI member banks. The initial Core Group of UNEP FI members may decide to invite participation in the Core Group by one to three banks that are not current UNEP FI members, where they have an in principle commitment to becoming Founding Member signatories to the developed *Principles* (and thus members of UNEP FI).

The Core Group's role will be to develop draft and final versions of

- the *Principles*,
- the accompanying accountability framework,
- the implementation guidance,
- the process and requirements for becoming a signatory.

In its work, the Core Group will take into consideration the feedback received from consultation with UNEP FI member banks, the wider banking industry, and selected external stakeholders. Members of the Core Group will play a lead role in consultation among the UNEP FI banking membership and later in the consultation and promotion process with the wider banking industry. The Core Group members will be responsible for the development process and are intended to become Founding Members of the *Principles*.

The UNEP FI Secretariat will support the process by:

- Providing overall process management
- Managing external experts and consultants (including any communications consultants) (see budget estimate)
- Organizing Core Group meetings, webinars, calls, and solicitation of written inputs
- Overseeing membership consultation and co-organizing meetings
- Supporting external consultation events with content/speakers
- Overseeing preparation of communications materials
- Coordinating communication materials including media releases among Core Group members, various UN entities and others relevant
- Organizing launch of draft and final *Principles*
- Liaising with relevant stakeholders

3. Terms of Reference

By becoming a member of the Core Group each bank commits to:

1. Appoint a representative to the Core Group who will:
 - i. participate in all Core Group interactions, including three *in-person* Core Group Workshops (April 2018, July/August 2018, June 2019), conference calls, webinars, email communication and other forms of interaction as appropriate. *In-person* participation in the first core group meeting is mandatory for all members. For meetings two and three, members may exceptionally participate remotely if attending the meeting in person would require more than 12 hours of flying or internal approval cannot be obtained.

- ii. on behalf of his/her institution, participate in the drafting of the *Principles* alongside implementation guidance, an accountability framework, requirements and process for becoming a signatory and potentially other core documents as decided upon by the Core Group.
2. Engage representatives from its legal team to conduct at least one legal review of the draft *Principles* at one of the three planned legal review stages (see timeline; 4-5 Core Group members per round, ensuring coverage of a range of jurisdictions).
3. Host and lead *either* an in-person consultation meeting with UNEP FI member banks (June - August 2018; could be hosted by bank's representative to the Core Group and/or mid-level management) *or* an external consultation event (hosted by bank's CEO/Chair/Executive; Q1/Q2 2019; ideally in cooperation with national/regional banking association).
4. Be represented by its CEO (exceptionally board or executive level also a possibility) to publicly launch the draft *Principles* in Q3 2018 jointly with the UN Secretary General (CEO is expected to be represented in person, alternatively by public statement coordinated by UNEP FI).
5. Make available the necessary communication resources to assist with implementing a joint/coordinated media campaign around the launch of the draft *Principles* and the promotion of the final *Principles* during the subsequent external consultation and promotion phase (see timeline in Annex 1).
6. Potentially travel to and speak about the *Principles* at a key event, during the course of the Core Group's work.
7. Publicly back the *Principles*, promote them among peers in the Banking Industry and engage with relevant national/regional associations on the *Principles*.
8. Make a financial contribution to fund the *Principles'* development process, consultation, launch and promotion (see attached budget). The sum of the contribution will be determined by three factors: number of banks in the core group, size of each bank (we would follow the formula UNEP FI uses to determine the amount of membership contributions for banks of different sizes), and amount of external funding raised (several foundations are being approached). For large banks, the amount is expected to be between USD 7,500 and USD 15,000. For small banks, between USD 2,500 and USD 7,500. This differentiation is designed to allow smaller banks, especially from emerging economies, to participate. Each bank's financial contribution will be due by latest 13th April 2018.

4. Time Commitment

Core Group member banks are requested to make a 1.5-year commitment to this process. Being a member of the Core Group will require significant time commitment:

Representative to the Core Group

- Attend three core group meetings to draft, revise and finalize the *Principles*, accountability framework and accompanying documents. Attendance is required in person for the first meeting. For meetings two and three, members may exceptionally participate remotely if attending the meeting in person would require more than 12 hours of flying or internal approval cannot be obtained. The meetings will take one to two days each and are planned to take place in April 2018, July/August 2018, June 2019).
- Participate in conference calls/webinars (up to two per month over the course of the first six months, one per month in the remaining twelve months)
- Provide written inputs, review materials (one hour per week in the first 6 months, less than one hour per month in the subsequent twelve months)
- Coordinate inputs/feedback from various departments within the Core Group bank (1.5 days over the course of the development process)
- Potentially travel to and speak at one or several events.

CEO -level support:

- Partake in the launch of the draft *Principles* jointly with the UN Secretary General in Q3 2018 or engage another suitable (board or executive level) alternative to attend. (0.5 days) Exceptionally, an alternative can be to provide CEO support via public statements coordinated by UNEP FI.
- For those banks who host an external consultation event (see point three in the ToR) (this does not apply to the banks who host a UNEP FI membership consultation event instead), Core Group members would commit to engage their CEO, Executive or Board members in these events through provision of welcome remarks, keynote or participation in high level panel discussions (0.25 days).
- CEO/Executive/Board member actively backs *Principles* and encourages peers to become signatories.

Legal Department:

- Conduct one legal review of the developed *Principles* and supporting documents at one of the three planned legal review stages (April 2018, July 2018 or June 2019). (0.5-1 day)

Support for communications and events including media releases:

- Supporting media releases/communication regarding the *Principles* in collaboration with UNEP FI secretariat and according to the agreed narrative (5 days)
- Organization of either a consultation meeting with UNEP FI members (2 days) or an external consultation and promotion event (5 days)

Contributions and comments from relevant departments within each bank (beyond the Core Group Representative):

- Time for providing inputs/commenting in writing or verbally. (0.5 day per department over the course of the development process for the *Principles*. Especially important to be able to participate in drafting and feedback processes between March and May 2018)

5. Acknowledgement

The member banks of the Core Group will be acknowledged as the Founding Members of the *Principles* in communications and publications about/related to the *Principles*.

6. Contact Information

Stephen Hibbert, Chair, UNEP FI Banking Committee, stephen.hibbert@ingbank.com

Wendy Dobson, Vice-Chair, UNEP FI Banking Committee, wendy.dobson@standardbank.co.za

Simone Dettling, Lead, UNEP FI Banking Program, Simone.DETTLING@un.org, +41 229178721

7. Annex

Draft Timeline

		2018												2019										
		Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	
Creating Core Group	Constitute a group of 10 – 15 banks from within the UNEP FI membership for a globally representative Principles Core Group.																							
	Core Group of UNEP FI banks might decide to invite a small number of banks not yet members to be part of the group.																							
1 st Core Group Workshop & Review	First Core Group Workshop: Drafting of Principles, accountability framework, guidance on implementation, requirements and process for becoming a signatory (starting point for discussion would be initial drafts by external expert)																							
	Legal review of first draft (by banks' legal departments)																							
Consultation UNEP FI Members	Preparation of communication materials for consultation among UNEP FI members																							
	Consultation among UNEP FI members and partners <ul style="list-style-type: none"> in-person consultations jointly organized by UNEP FI regional coordinators and hosting banks (members of Core Group). Online consultation 																							

