



mobiquity

part of **HEXAWARE**

A global benchmark for sustainable banking 2022

September 2022



OVERVIEW

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CHAPTER 1

Foreword



Peter-Jan van de Venn,

Strategy Director, Financial Services, Mobiquity

As the second instalment in our “Benchmark for Sustainable Banking Report” we wanted to explore the sentiment of banking executives one year on to compare and contrast sustainable attitudes and behaviours across the global community.

This year’s report shows a continued growing awareness of sustainable banking with more institutions increasing their reporting at board level as well as integrating it into their business strategy.

Banks are also citing that sustainable banking increases profitability, operational efficiencies and customer loyalty. Meanwhile, they are holding their supply chain accountable with a large proportion of banks ensuring their customers and suppliers adopt sustainable practices.

While there has been some good progress on placing sustainable banking at the top of the boardroom agenda, the report shows that there is still an issue with banks saying and not doing. Greenwashing is an ongoing challenge for banks and they will only be able to protect their reputation if they fully optimise the execution of their sustainable initiatives.

So, why are banks failing to execute their sustainable strategies? Our research shows that the greatest barrier to being sustainable for the UK, Australia and the US is lack of universally recognised regulation and enforcement. For the Netherlands, long term commitment to execution is the main hurdle. Another key hurdle still prevalent in the US one year on from our 2021 report is talent management.

While it is difficult to bring forward regulation and make sustainable banking enforceable, what can be done to drive a shift in behaviour is to demonstrate the business impact that sustainable initiatives can have across organisations. The first step to success starts at measuring sustainability effectively. Our research finds that just over half of banks are measuring their Environmental, Social and Governance (ESG) across all territories which is relatively low. If you’re not monitoring it you can’t measure it, no matter how much you invest in making your bank more sustainable.

Clearly banks want to do something about being sustainable, with many citing sustainable initiatives. However, their focus has been misplaced in offsetting non-sustainable behaviours with short term solutions – such as investing in carbon credits. To truly establish long term sustainable outcomes banks need to go beyond buying their way out and must look inwards to improving their processes. This begins with investing in the right people to implement a robust form of measurement and track sustainability across the organisation.

CHAPTER 2

Literature review



Adi Gaskell,
Forbes Contributor

Despite the considerable disruption caused by the Covid-19 pandemic, the [COP26 summit](#) in Glasgow showed that the world was still committed to a more sustainable future. The meeting saw a number of resolutions that build on the Paris accord, as well as the Paris Rulebook that aims to make reporting emissions more transparent and provides a common timeframe for emissions reductions targets.

What's more, the summit was clearly something the public were paying [considerable attention](#) to, with over 60% of the British public aware of the conference. Sadly, similar numbers voiced concern that the event would not go far enough in driving change. While the war in Ukraine has added considerably to the cost of living, it does not appear to have dampened enthusiasm for sustainability, with a [survey](#) from IBM Institute for Business Value showing that more than half of the 16,000 global consumers surveyed thought that environmental sustainability was more important today than it was a year ago. Indeed, the survey went on to show that a similar proportion were happy to pay a premium for products or brands deemed sustainable. It's perhaps no surprise that a third of British companies have [committed](#) to become carbon neutral.

This latent demand has prompted the rise of organisations such as [Climate Neutral](#), which aims to give consumers greater power to do something positive about climate change. The non-profit organisation was driven by a desire to give consumers options that extend beyond the often meaningless acts, such as switching to paper straws, or the often unattainable, such as buying electric cars or installing solar panels on their property.

CHALLENGES TO OVERCOME

This desire for sustainable action will undoubtedly be pushed by the rise in energy prices that have seen [gas prices triple](#) and [oil prices double](#) during 2021, with further pain on the horizon during 2022. This is not only likely to affect the public directly via higher personal energy bills, but energy-intensive industries are also likely to try and pass costs on to customers. This is especially evident in sectors such as shipping, which have already been facing [longstanding challenges](#) and these are expected to worsen through 2022 and 2023, with evident supply chain outcomes from this.

These costs appear likely to be highest in the food & beverages industry that are also suffering as a result of the war in Ukraine and climate related shocks that may lead to up to [183 million additional people](#) becoming undernourished in low-income countries due to climate change. Indeed, [UN figures](#) show that food prices have risen by a third in the past year, leading to a doubling of the number of severely food-insecure people globally.

There are also concerns that the carbon trading schemes that have been introduced to underpin moves to a more sustainable future are not delivering the results expected of them. For instance, analysis in early 2022 [found](#) that many tree planting projects existed only on paper. Similarly, a report from [Carbon Market Watch](#) poured scorn on claims that the upcoming football World Cup in Qatar would be the first carbon-neutral event in the competition's history.

What's more, a recent [report](#) by the European Court of Auditors stated that many of the climate-related projects backed by EU funding were not as green as they were claimed to be by the European Commission, with some €72 billion "unduly recorded", mostly on agricultural projects. Indeed, the report found that nine of the 24 sample projects analysed were not as green as they were made out to be.

A CARBON BUBBLE

Indeed, despite so-called [sustainable stocks](#) not being immune from the wider market retraction in the first part of 2022, there is considerable concern that a bubble has emerged in the carbon markets as the price has soared in recent years. This has been driven in part by the [\\$41 trillion](#) that are invested in ESG (environmental, social and governance) assets at the moment.

"While ESG investing has gained traction by becoming mainstream and even mandatory in certain jurisdictions,

it does not come without challenges," says Adeline Diab, Director of Research ESG at Bloomberg Intelligence. "Scrutiny is going to play an important role as regulators tackle the risk of greenwashing."

For instance, Tesla is perhaps a prime example of the dubious basis for this surge. The company, which is currently [worth more](#) than the nine largest global car manufacturers combined, receives [billions of dollars](#) from the other automakers in the form of carbon permits. Such actions are clearly driving carbon prices higher, with the [Financial Times](#) pondering whether a bubble was now forming.

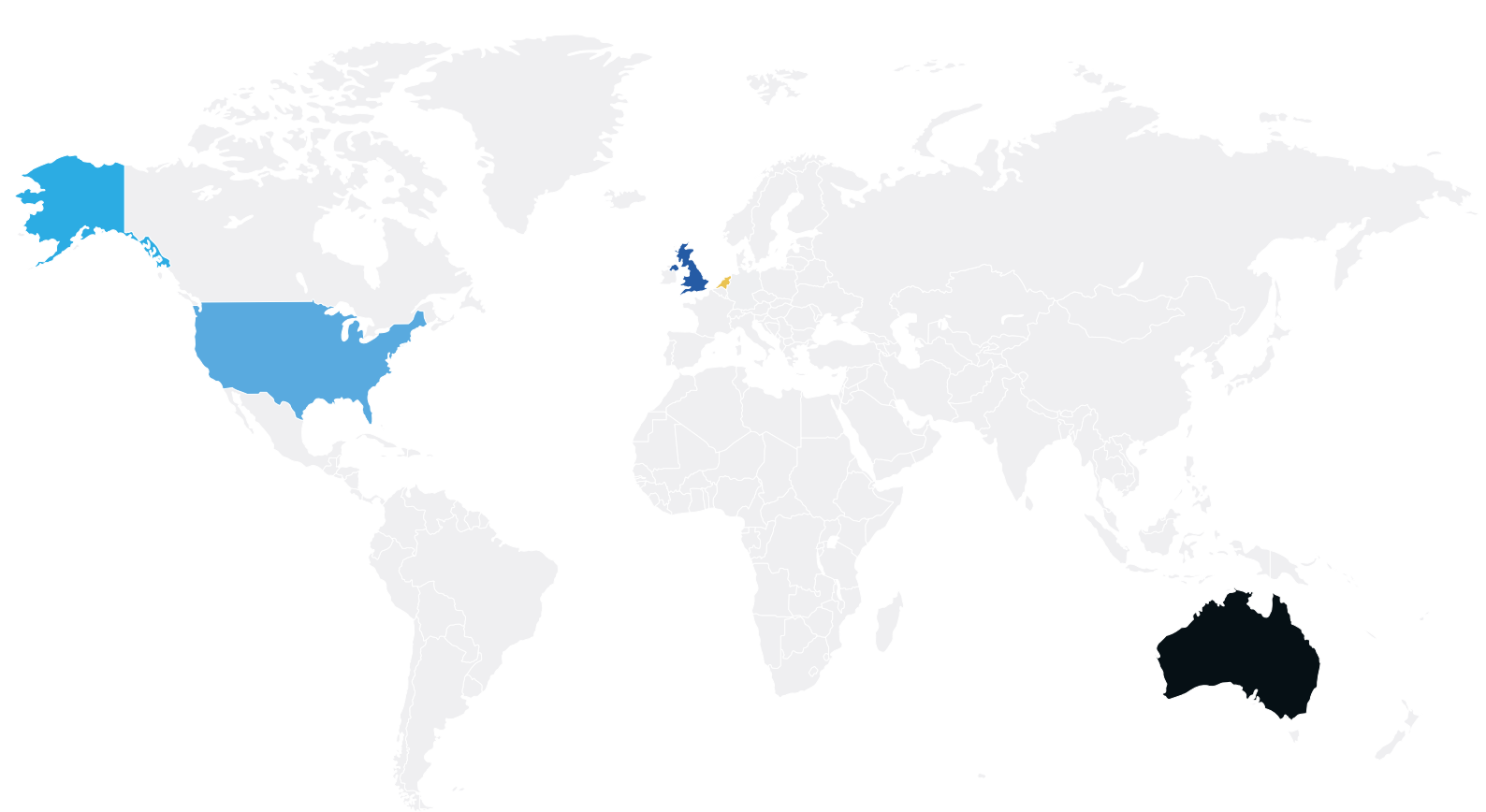
What's more, there are concerns that carbon credits are not delivering the change many hope for. Steffen Boehm, Professor in Organisation & Sustainability at the University of Exeter Business School, [argues](#) that carbon credits have thus far delivered underwhelming results, not least due to the high level of [double-counting](#) that appears to be going on. This allows organisations to both buy and sell offsets while counting them both as means of reducing carbon emissions.

GLOBAL MARKETS

The markets are also likely to be [further challenged](#) as regional emissions trading schemes strive to link up and create a global carbon trading market. The rules for such a global market were [agreed](#) at the COP26 event in Glasgow but while they have been broadly [welcomed](#) by industry, many [remain cautious](#) and worry that they will result in sub-standard offsetting schemes emerging. These concerns are especially valid at a time in which firms are experiencing such cost pressures due to the rises in energy prices.

Anastasiya Ostrovnaya, from the Centre for Climate Finance & Investment at Imperial College London, doesn't believe this will be too problematic for the banking sector, however, despite the sector using [approximately](#) 238 TWh of energy per year.

"One of the easiest net zero targets for many European and US banks is purchasing their electricity from renewable energy generators," she says. "These contracts (power purchase agreements or PPAs) would usually be agreed for a long period of time (10+ years) and therefore it may be difficult to assess the exact impact of rising energy prices on banks' financials."



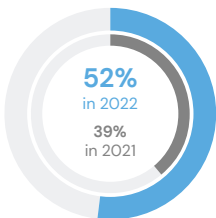
**Mobiquity surveyed
602 C-suite banking
executives across
the United States,
United Kingdom, the
Netherlands, and
Australia.**

The survey found that there has been a shift in awareness around sustainable banking and an increase of board representatives incorporating sustainability as part of their business strategy in comparison to 2021.

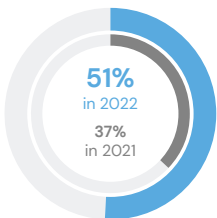
Top concerns at board level for banks across all regions

Sustainable banking is a concern across the UK, US and Australia. While in the Netherlands, cultural shifts in banking behaviours is the top concern.

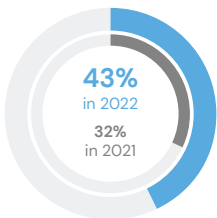
United States



Talent management

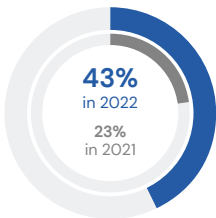


Digital transformation

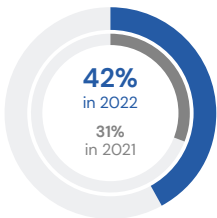


Sustainable Banking

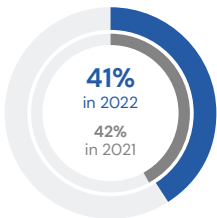
United Kingdom



Talent management

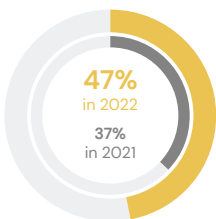


Sustainable Banking

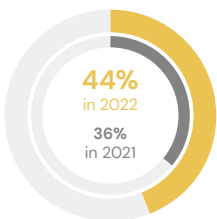


Customer retention and impact of COVID-19 / Increasing competition

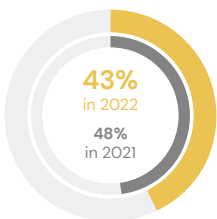
Netherlands



Cultural shifts in banking behaviours

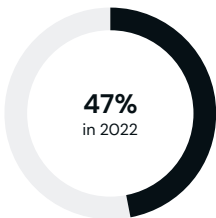


Increasingly burdensome regulatory compliance

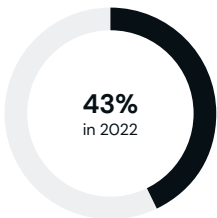


Digital transformation

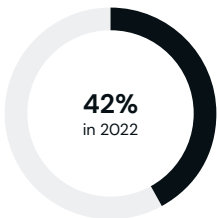
Australia



Cultural shifts in banking behaviours



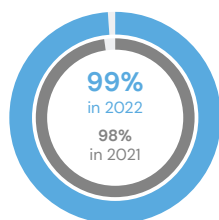
Increasingly burdensome regulatory compliance



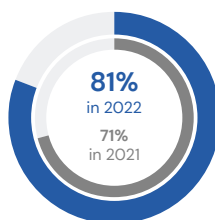
Sustainable banking

Reporting on sustainability challenges at board level

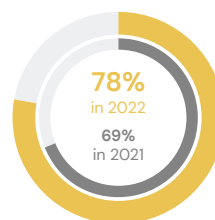
Sustainability reporting has increased at board level and is seen as part of business strategy across all regions.



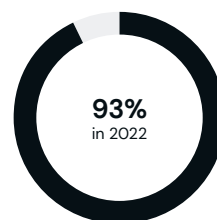
United States



United Kingdom

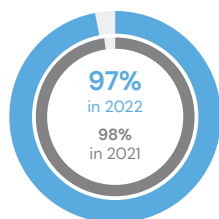


Netherlands

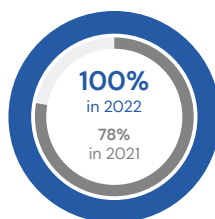


Australia

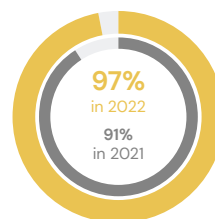
Importance of sustainability as part of banks business strategy



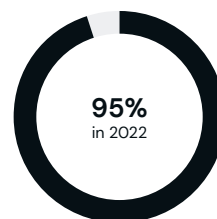
United States



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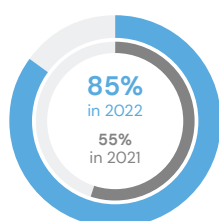
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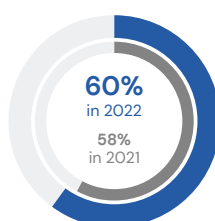
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Banks taking steps to foster sustainable behaviours and outcomes

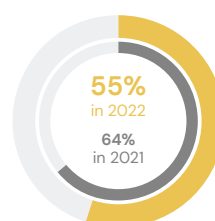
More banks are actively taking steps towards sustainable banking since 2021.



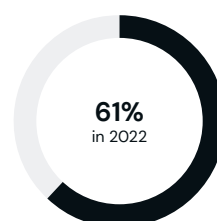
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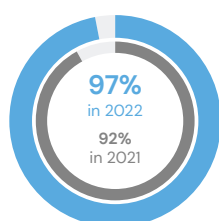
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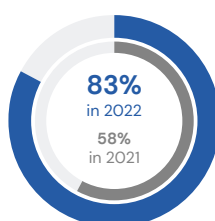
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Banks with a sustainability representative at board level

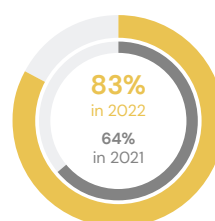
There has been an increase in board level representatives since 2021.



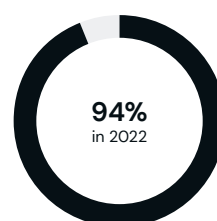
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Netherlands



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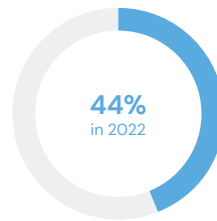
Top strategic imperatives as part of the bank sustainability agenda across all regions

Strategic imperatives for US & Australia focus on digital services to drive sustainability while Netherlands focuses on tackling the supply chain, mitigating climate risks through assessing current and future client portfolios, and articulating sustainability practices to customers. The UK focuses on reporting standards and transparency .

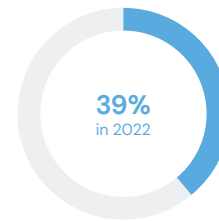
Interestingly, there's been a shift from strategy to execution. Exploring sustainable initiatives in 2021 to now offer sustainable services and products – especially in the Netherlands and the US.

The UK and Netherlands still focus on investing in carbon credits to buy their way out of non-sustainable practices. The UK is the only country not to focus on digital solutions to create sustainable outcomes as one of their top three sustainable initiatives.

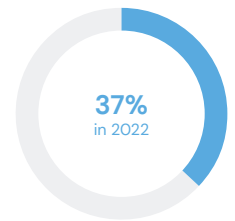
United States



Digitalising processes to reduce the bank's carbon footprint

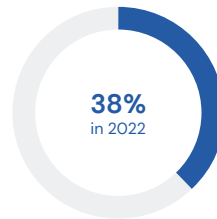


Driving sustainability as part of an ESG strategy

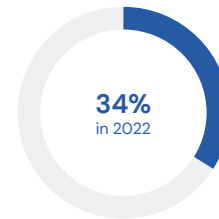


Offering sustainable products

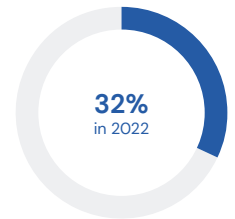
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Aligning to global reporting standards on sustainability, transparency and corporate social responsibility (CSR)

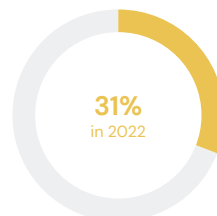


Empowering customers to embrace sustainability

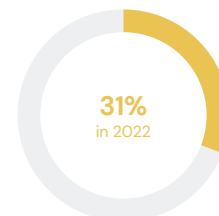


Embracing emerging technologies

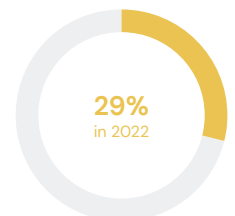
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Offering customers sustainable products (i.e., offering digital products & services)

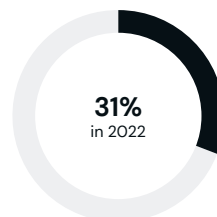


Articulating sustainability practices to customers

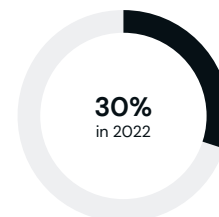


Mitigating climate risks through assessing current and future client portfolios

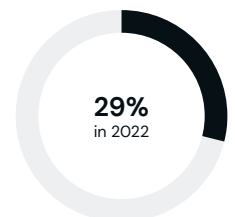
Australia



Mitigating climate risks by assessing portfolios



Embracing emerging technologies to make digital services available remotely

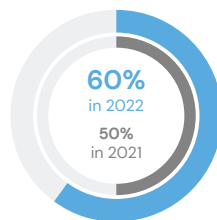


Driving sustainability as part of an ESG strategy

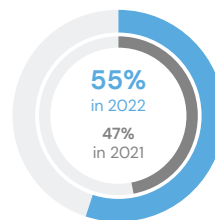
Initiatives employed by banks to be sustainable

While the US, Australia and Netherlands are using digital solutions to be sustainable, the UK is still focused on investing in carbon credits as they were in 2021.

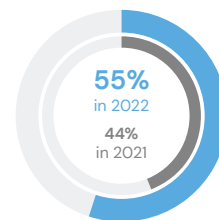
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Encouraging remote working

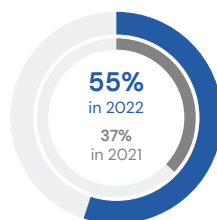


Digital solutions to create sustainable outcomes

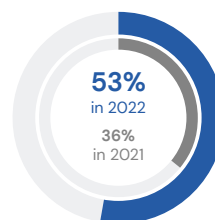


Reducing and eliminating paper through digital processes

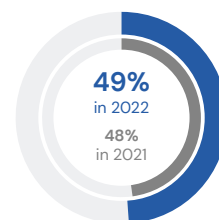
United Kingdom



Reduction and elimination of paper with digital processes a top initiative employed by banks

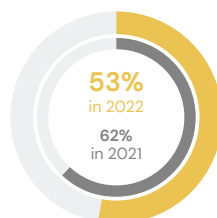


Remote working

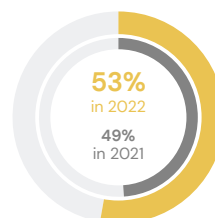


Investing in carbon credits

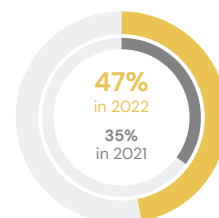
Netherlands



Digital solutions to create sustainable outcomes

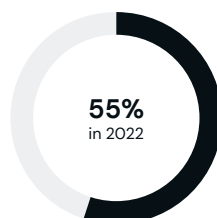


Investing in carbon credits

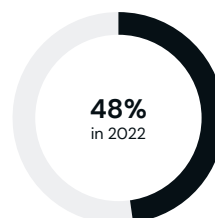


Closing branches

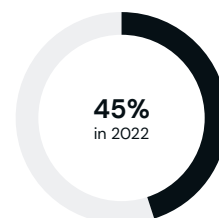
Australia



Remote working



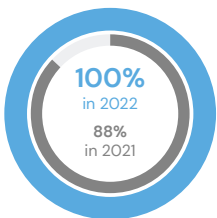
Digital solutions to create sustainable outcomes



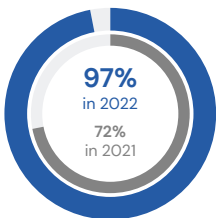
Investing in carbon credits

Banks using digital transformation initiatives to drive sustainable outcomes

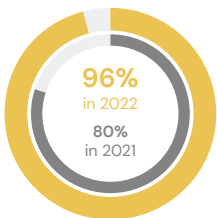
Rise in banks reporting that they are using digital transformation to drive sustainable outcomes (9 in 10 banking execs across all regions). For the US, all executives report this.



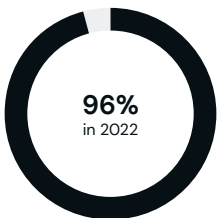
United States



United Kingdom



Netherlands

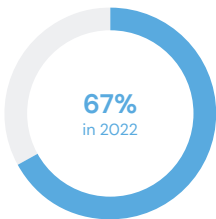


Australia

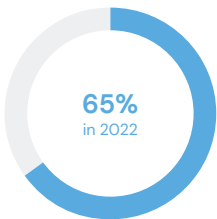
Measuring ESG impact as part of sustainability targets

Just over half of banks are measuring sustainability across the UK, Netherlands and Australia. In the US it's higher, but still only two thirds. These percentages beg the question of how set up for success they are in implementing sustainable behaviours.

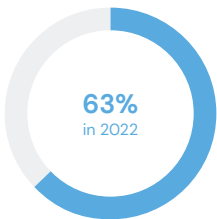
United States



Environmental

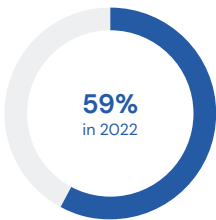


Social

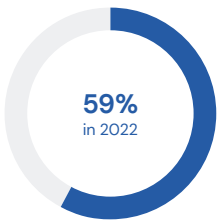


Governance

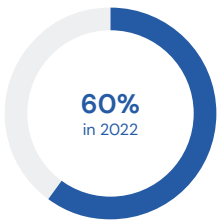
United Kingdom



Environmental

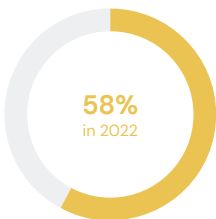


Social

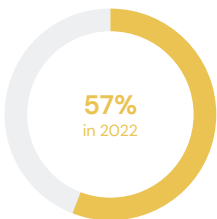


Governance

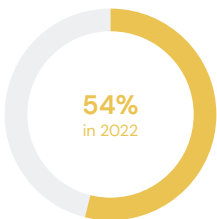
Netherlands



Environmental

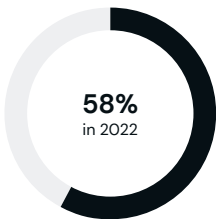


Social

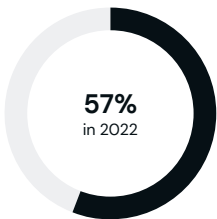


Governance

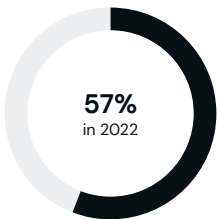
Australia



Environmental



Social

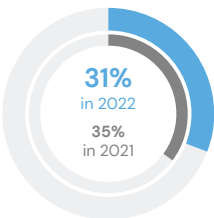


Governance

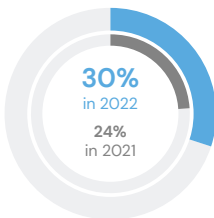
Main barriers to adopting sustainable behaviours

For the US, UK and Australia, a lack of universally recognised regulation and enforcement is the main barrier to adoption. This was an issue for the US and the Netherlands in 2021 too. Long term commitment to execution is now the main issue for the Netherlands.

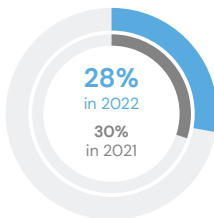
United States



Lack of universally recognised regulation and enforcement

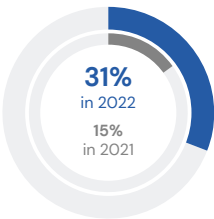


Limited access to talent and expertise

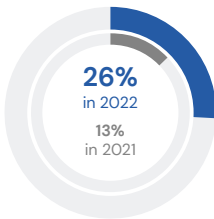


Lack of a cohesive ESG strategy

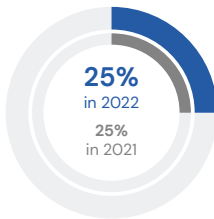
United Kingdom



Lack of universally recognised regulation and enforcement

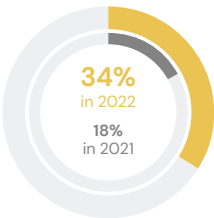


Cultural legacies needing to be shifted

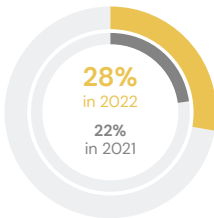


Budget implications / limited knowledge on the market and how to drive sustainability

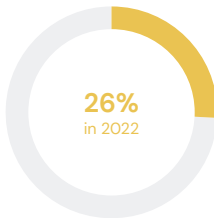
Netherlands



Long term commitment to execution

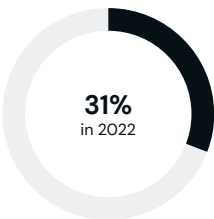


Stakeholders

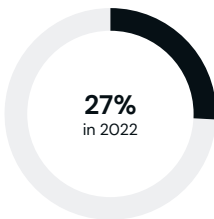


Lack of demand from customers / industry demands

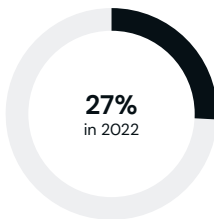
Australia



Lack of universally recognised regulation and enforcement



Stakeholders

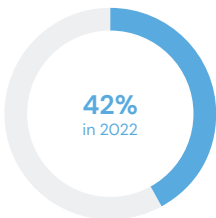


Lack of demand from customers

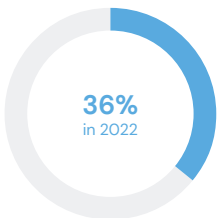
Benefits of sustainable banking

The UK and US have cited profitability as a major benefit of sustainable banking. Australia cites cost savings through digital products and the Netherlands cites attracting dedicated long-term investors.

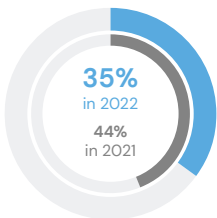
United States



Increased profitability

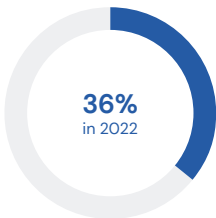


Customer loyalty

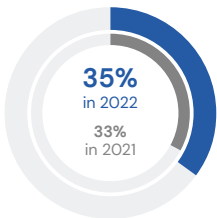


Improved brand reputation

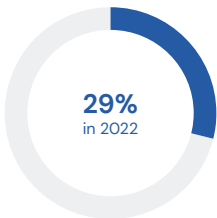
United Kingdom



Creating more value for stakeholders

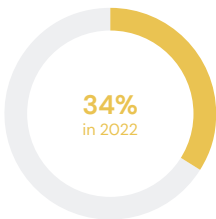


Increased operational efficiency

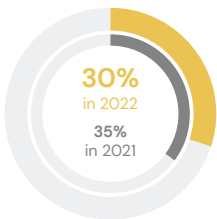


Increased profitability

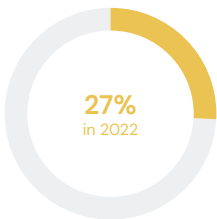
Netherlands



Attracting dedicated long-term investors

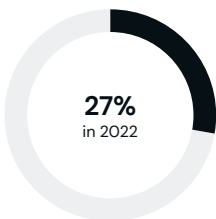


Improved brand reputation

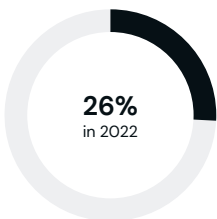


Developing increased customer loyalty and trust / accelerated innovation

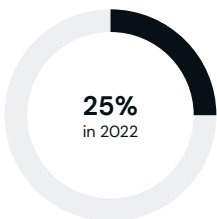
Australia



Cost savings through digital products



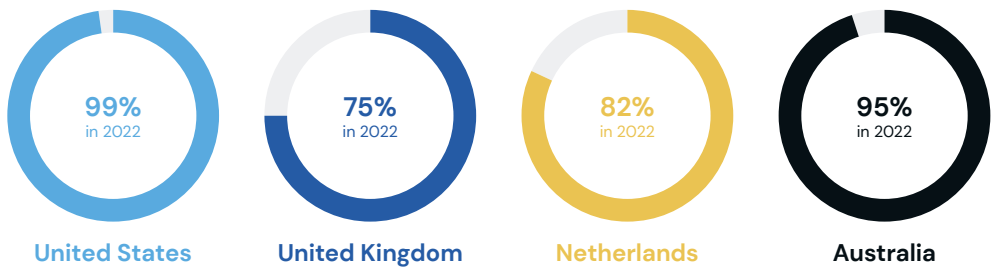
Attracting dedicated long-term investors



Contributing to a positive impact within society

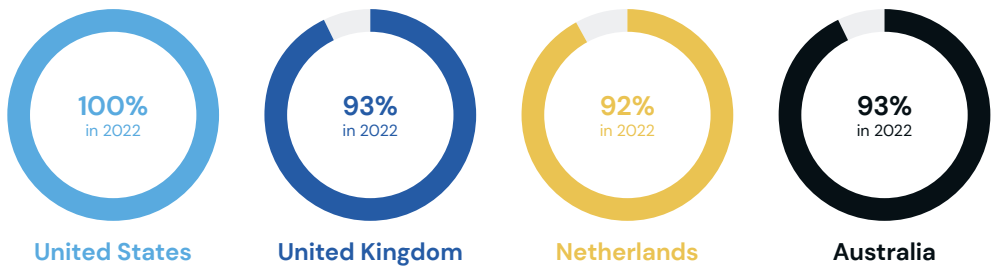
Importance in making
sure customers are
sustainable as part of
the client onboarding
process

Over three-quarters in each region said they have steps to ensure their customers are sustainable. The UK was the lowest region for ensuring a sustainable supply chain with three quarters citing they have steps to ensure their customers are sustainable. However, more than 9 in 10 global executives across all regions report a sustainable procurement process when hiring suppliers.



Importance of
ensuring suppliers are
sustainable

In every region, almost all said they do have steps to ensure their suppliers are sustainable.



Measuring and monitoring

Our research finds that a large proportion of banks are not measuring their Environment, Societal and Governance initiatives. For banks to reap the benefits of sustainable initiatives, it's essential that they build a culture of continuous improvement by implementing a robust reporting framework that can accurately track their environmental impact.

Refocus on execution to reap the benefits of sustainable banking

Banking executives cite that recognised and enforceable regulation and long term commitment to execution are the reasons why they are not more sustainable. While not a regulatory requirement, banks are missing out on the benefits that sustainable banking brings and should refocus their resources on execution to maximise these. Those that are exhibiting sustainable behaviours are citing improved profitability, operational efficiency, customer loyalty, cost savings, creating more value for stakeholders and attracting long term investors.

Investing wisely to avoid green washing

While there is a move in the US, Australia and the Netherlands to invest in digital technology to improve sustainability this only accounts for just over half of banking executives. In the UK, this is even less. The banking industry still exhibits a cultural legacy of investing in carbon credits to offset non-sustainable behaviours rather than tackling the root cause. The key to long term sustainable outcomes is through investing in not only the right technology - known as sustainable digitisation - but also an a-list team of talent to support the execution of sustainable strategies.

How Mobiquity can help

Mobiquity sustainable financial services:

AI and data analytics

As banks are moving towards being more sustainable. Technologies such as advanced data analytics, blockchain or artificial intelligence can help banks to evaluate and reduce their environmental impact.

Artificial intelligence (AI), advanced data analytics, tokens, and Distributed ledger technologies (DLT) are promising solutions for a sustainable finance industry with a wide array of applications like:

- Analysing of bank portfolio's on sustainability /ESG.
- Measuring the impact of green financial products.
- Support consumers buy sustainable products and show greener investment choices.
- Big data to measure the environmental impact of banks' assets.
- Leveraging big data scraping with smart decision-making tools to reduce management cost.

CHAPTER 5

View from the industry



Dr. Ben Caldecott,

Director of the Oxford Sustainable Finance Programme,
University of Oxford

Ahead of and during COP26 in Glasgow companies and financial institutions around the world, including many banks, made a plethora of net zero commitments. This included the industry-led, UN-convened Net-Zero Banking Alliance (NZAM) that brings together [banks](#) representing about 40% of global banking assets. In aggregate (albeit with much double counting), financial firms with assets of over \$130 trillion committed to the aims of the Paris Agreement and to align their portfolios with net zero by 2050.

These voluntary commitments, if implemented, could have big implications for banking practice and the development of new products and services to support clients and counterparties transition to net zero. This is a huge opportunity for the banking sector given the [estimated](#) \$125 trillion of investment required to mitigate and adapt to climate change, with \$37 billion required by 2030 alone.

These commitments made by banks have been joined by significant supervisory developments that will particularly affect banks, specifically new and evolving micro-prudential regulations, as well as climate stress tests.

The Bank of England's supervisory statement (SS3/19), published in 2019, was the first such regulation to explicitly set expectations for banks regarding their consideration of climate-related risks and has been imitated by jurisdictions around the world, from Australia to Singapore. The first climate stress tests, first announced by the Bank of England in 2019 (but delayed due to Covid-19) are now being completed, including in the UK and across the Eurozone, with this informing the implementation of supervision.

In jurisdictions where supervisory expectations and stress tests have been introduced or completed, they will be further implemented and refined. In jurisdictions where they have not, they are likely to be introduced, with central banks and supervisors around the world committing to do so as part of the COP26 [Glasgow Declaration](#) from the NGFS (the network of central banks' and supervisors' for greening the financial system).

Supervisors and central banks have not been universally impressed by industry efforts to date. And policymakers and wider societal stakeholders have been widely critical of the banking sector's genuine commitment and authenticity when it comes down to meeting the net zero commitments made in Glasgow. They argue that it is hard to believe net zero commitments are genuine when many of the same banks making them collectively provided [\\$742 billion](#) in finance to the fossil fuel industry in 2021, little changed on 2020. In sum, banks should expect greater scrutiny of net zero targets and their implementation, and this will be combined with a tougher and more sophisticated approach from supervisors on climate-related financial risk.



These pressures mean that banks will need to develop robust and accountable net zero transition plans for themselves and develop the capabilities to understand the transition plans of their clients, so they can better manage risk and provide the products and services that their clients need. This will require better data and analytical capabilities, as well as ways to share and use client data.

Credible and appropriately detailed transition plans, integrated with other disclosures and incorporating short-term milestones and targets, can drive organisational change, but will also send signals that will re-wire supply chains and create demand for the finance and financial services required to realise net zero. Critically, they will also support investors and civil society hold company boards and management to account.

It is therefore a very significant development that the UK Government will make mandatory the publication of firm-level transition plans across the UK economy. This will be a requirement for certain financial sector firms and listed companies by 2023. As standards for transition plans mature, the government and regulators will make it mandatory for firms to publish their transition plans.

While there is not yet a commonly agreed standard or 'template' for what a good quality transition plan looks like, this will change rapidly. HM Treasury has formally launched a new [Transition Plan Taskforce](#), to develop the gold standard for UK firms' climate transition plans. The Taskforce is led by a Steering Group of private and public sector leaders, co-chaired by the CEO of Aviva, Amanda Blanc, and Economic Secretary to the Treasury John Glen.

Transition plans will support a range of use cases, including the development of sustainability-linked instruments and investor stewardship, as well as financial regulation and corporate strategy. The banking sector should be prepared to both prepare and use transition plans, and this will be a common thread linking together institutional net zero commitments, the necessity of climate risk measurement and management, and the opportunities of the net zero carbon transition, as well as the future of banking supervision.

Dr Ben Caldecott is the founding Director of the [Oxford Sustainable Finance Group](#) at the University of Oxford Smith School of Enterprise and the Environment. At the University of Oxford, he is the inaugural Lombard Odier Associate Professor and Senior Research Fellow of Sustainable Finance, the first ever endowed professorship of sustainable finance, and a Supernumerary Fellow at Oriel College, Oxford. Ben is also the founding Director and Principal Investigator of the [UK Centre for Greening Finance & Investment](#) (CGFI), established by UK Research and Innovation in 2021 as the national centre to accelerate the adoption and use of climate and environmental data and analytics by financial institutions internationally.

CHAPTER 6

Methodology

The research was conducted by the independent market research company Censuswide, with 602 C-suite banking executives 18+ across the UK, the Netherlands, the US and Australia during 29.04.2022 – 16.05.2022. Censuswide abide by and employ members of the Market Research Society, which is based on the ESOMAR principles.



CONTACT

Get in touch



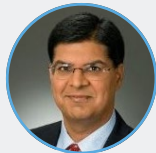
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