Credit Suisse and the Sustainable Development Goals: Stakeholder Workshops in Hong Kong and Zurich

Workshop Report, January 2016

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1. Context

The Sustainable Development Goals ('the SDGs') were adopted by Heads of State at a UN Summit in September 2015, succeeding the Millennium Development Goals which concluded at year-end 2015.

- The SDGs are the core element of an "**ambitious and transformative**" 2030 Agenda for Sustainable Development – the first global development agenda to be fully negotiated by UN member states
- The 2030 Agenda provides a global framework for national and international efforts to **eradicate poverty and hunger**, to ensure **inclusive education** and **empower women and girls**, to promote **sustainable economic growth** and **employment**, to **protect our natural resources**, and to **strengthen governance and institutions**

There are 17 SDGs supported by a total of 169 targets:

This consolidated report reflects parallel discussions from workshops organized and hosted by Credit Suisse in Hong Kong and Zurich in November and December 2015, respectively. The workshops were attended by invited stakeholders from government agencies, multilateral development banks, business associations, and representatives of the investor community, academia and civil society.

Workshop participants had received the Credit Suisse publication *Aiming for Impact: Credit Suisse and the Sustainable Development Goals* as preparatory information and a common starting point. The publication had been presented at the Credit Suisse Lifefair Forum on the SDGs (and subsequent expert discussion) in Zurich in September 2015.

The goal of the Lifefair Forum was to highlight that the SDGs provide tangible opportunities for businesses to pursue commercial objectives, as illustrated by four case studies on Credit Suisse's how the bank contribution to SDG 4 (Education), SDG 8 (Sustainable Economic Growth), SDG 11 (Sustainable Cities) and SDG 15 (Terrestrial Ecosystems). Throughout late 2015 Credit Suisse continued to engage on the topic of the SDGs at a high-level roundtable in New York, at an internal Sustainability Network event in Zurich, and at a Global Compact Network Switzerland event.

2. Workshop Objectives

The stakeholder workshops in Hong Kong (November 3, 2015) and Zurich (December 4, 2015) were structured identically and pursued the same objectives, namely to

- Raise **awareness** of the SDGs
- Discuss the **role and responsibility** of the **banking** sector
- Identify pri**orities for action**
- Discuss **organization** and **partnerships** to achieve the SDGs

The focus of the workshops was on the banking sector and on Credit Suisse, but also broader sections of the financial services sector were covered in the discussion where relevant.

Key findings:

- Workshop participants felt the launch of the seventeen SDGs was positive and timely, in particular by introducing more choice and flexibility in aligning corporate responsibility activities.
- Private sector participation in expanding the now retired eight Millennium Development Goals gives the SDGs credibility and a new relevance for business and banking.
- The process of SDG socialization, activity development/alignment and reporting by companies has realistically to be expected to take months to years.
- Given that development which supports one SDG might be at the cost of another SDG (i.e., “trade-offs”), compromise and innovation will play a vital role in reaching mutually agreeable outcomes.
- Banks are expected to embed consideration of environmental and social matters into core financial product and services (“mainstreaming”); sustainability risk assessment remains critical but greater emphasis is needed on the development of innovative investment solutions.
- Banks should focus upon key priority SDGs, which workshop participants suggested were SDG 5 “Gender Equality”, SDG 8 “Decent work and economic growth” and SDG 13 “Climate Action”.
- A public policy and banking regulatory environment conducive to responsible business combined with stronger partnerships are required to achieve the SDGs.

3. Awareness of the SDGs

All participants of the workshops had already heard of the SDGs; they were accepted by all participants and received with a **positive attitude**. Some stakeholders had been directly involved in their development through industry initiatives, others were involved in ongoing dissemination and socialization of the SDGs.

This contrasted with a general lack of participation by those represented in the development, adoption of dissemination of the outgoing Millennium Development Goals (MDGs). It was commented that the MDGs provided an opportunity to learn from their successes and failures, and an opportunity for far more involvement by the private sector in development of SDGs. It was also remarked that many in the business community would expect primarily the government to address the MDGs, while the SDGs were not only developed with greater business involvement, but also require **substantial contribution from business**.

On awareness, one Hong Kong participant expressed the view that asset owners in the Asia Pacific region hold a significant pool of capital but there remains a relatively low awareness of environmental and social matters, albeit with signs of growing awareness. In this connection it was commented that the largest Japanese (and global) pension fund had signed up to PRI in September 2015, so some positive change might be expected following that development.

A point was also made that it is important to properly research issues of local concern; an example from a survey in India suggested that people are more concerned with local crime than with poverty which might otherwise be the external perception.

There was general agreement that the crucial stage with the SDGs was only starting, with the need to develop a **fuller understanding** of their manifold implications and to start the process of operationalizing them. Participants acknowledged that the organizations they represented equally find themselves at the start of this process. It was quite obvious that the involvement of the stakeholders in the development of the SDGs did not result necessarily in a kick start of the implementation. One participant specified that, while the SDGs are formulated positively and should be perceived as business opportunities, they need to be understood by companies who are more used to looking at sustainability issues as risk.

To start the discussion, two broad questions were put to participants:

- *Is the **number of SDGs** excessive*?
  - There was broad consensus that the range of SDGs enable a point of entry for all engaged stakeholder groups.
  - As such, the SDGs provide sufficient flexibility for any company (or other organization) to focus on a set of individual SDGs most closely related to its respective business activities.
  - The fact that the eight MDGs are carried over to the SDGs in one form or other was viewed positively, as was the fact that new goals were developed as a complement.

- *Are **trade-offs** between individual goals required*?
  - The term *trade-offs* got some reaction during the workshop, as it implies that an action that contributes to one SDG might be to the detriment of another, i.e., there might not always be a mutually beneficial outcome. For example, the development of a dam for a river hydropower project might provide affordable clean energy (SDG 7) but might stop fish migration in the same river (SDG 14).
  - Comments included that what is needed is compromise, and that we cannot consider a project as *development* when one stakeholder group (or sensitive receiver) benefits at significant cost to another. In this connection the importance of innovation was also mentioned as a possible means

of achieving mutually agreeable outcomes. In the case of the above example this might mean development of a dam incorporating a 'fish ladder'.

- Other comments were that in some cases we cannot have a win-win, and there's often an implicit bias in development where a net adverse environmental impact is accepted in situations where it is not deemed to be *significant*, resulting in an incremental erosion of natural capital.
- Potential conflicts were identified between short-term business cycles and investment horizons on the one hand, and the long-term perspective of the SDGs and the related environmental and social trends.
- Another conflict mentioned related to the situation where an investment opportunity that would further one or more SDGs clashes with current regulatory frameworks, for example restricting the flow of capital into products or projects due to perceived financial risks and their respective capital regulations.

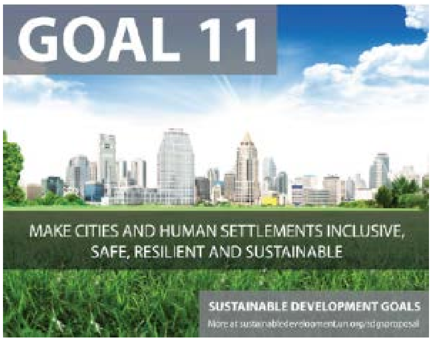
4. The Role of the Banking Sector

The discussion commenced with an overview of each of the four SDG case studies referred in the Credit Suisse publication *Aiming for Impact: Credit Suisse and the Sustainable Development Goals*. Information on the relevance and impact of the case studies can be found in the online publication.

Education

Sustainable Economic Growth

Sustainable Cities



Terrestrial Ecosystems

The key expectation expressed by most participants both in Hong Kong and Zurich was the "mainstreaming" of sustainability into the core business of a bank. The argument was that banks as financial intermediaries are well positioned to drive the integration of environmental and social concerns into the products and services offered to clients, and to stimulate both supply and demand for sustainable approaches to business.

With reference to the case studies key views shared during the discussion in both workshops were:

- Any case study needs to be broadly **relevant to core banking services** and solutions, rather than reflecting a niche interest. While it was recognized, for example, that the case study referring to SDG 11 ("Sustainable Cities") reflects a significant achievement for "green" real estate in Switzerland, it could be expanded to other cities/regions or perhaps sectors to scale up impact.

- The linkage between **financial inclusion**, **education** activities focusing on financial literacy for girls/young women and **employee participation** through skills-based volunteering was complemented, and it was suggested that further consideration could be given to activities around gender issues with banking peers and partners from other sectors

- Stressing the need to fully integrate Environmental, Social and Governance (ESG) aspects across all product and service lines, some participants felt a robust **sustainability** (environmental/social) **risk assessment process** and its broad application would be more important to highlight than the four case studies; it was acknowledged, however, that the topic is somewhat "dry" as a case study and there are limitations in sharing specific examples given client confidentiality.

Further key comments from stakeholders on the role of the banking sector for contributing to the SDGs were as follows:

- Some participants viewed **SDG 13** ("Climate Action") as an **overarching priority** affecting all other SDGs, since a lack of action will disrupt "business as usual". The "carbon bubble" was mentioned several times as a potential source of financial disruption if banks and investors fail to analyse in time the risk that a large part of reported fossil fuel reserves (accounted for in company valuations) may not be able to be exploited commercially. If carbon risks are acknowledged and low-carbon opportunities are pursued, banks not only reduce risks but invest profitably – and early movers may even be rewarded in terms of positive reputation.

- Following on from the above point, the question was raised whether a **move into specific markets**, or a **move out** of them (for example by divesting from fossil fuels, in connection to SDG 13) is actually **commercially sensible** for one bank alone, if broader economic drivers for such a move are lacking. In contrast, positioning oneself as a leader in a specific "niche" area such as microfinance (related to SDGs 1, 2, 4, 5 and 8), may be attractive for an individual bank.

- One participant pointed out that in developed countries, 70% of the **ecological footprint** accrues in the areas agriculture and food (related to SDG 2), construction and habitation (related to SDG 11), as well as mobility (related to SDG 9). Several stakeholders therefore strongly encouraged banks to invest in infrastructure (touching upon SDGs 6, 7, 9 and 11), both domestically and abroad (as an example in the public domain the Ethiopian railway line was mentioned for which CS has arranged financing together with numerous private sector banks and the export credit agencies of various countries). The importance of enabling, "smart" regulation to minimize risk, to provide certainty and incentives and to promote technological innovation was also mentioned in this context. Moreover, by minimizing the footprint of their own operations (energy consumption, renewables, business travel, waste management, etc.) banks can not only test what works, but also serve as role models for its clients (e.g. global carbon neutrality of CS).

- The **interplay** between **banking regulation** and a bank's ability to **fulfil its role in the national and global economy** was mentioned several times. Short-term thinking, which is common in business in general and in banking in particular, can lead to an underestimation of systemic risks. This danger spurs Governments to regulate in order to minimize risk, which can (and sometimes does) have the unintended consequence of preventing investments into new technologies and developing economies.

- The perception was expressed that discussions around sustainable development take place in banks (and other financial institutions) **without** the **active participation** of **top management**. It was also commented that gender diversity needs to be reflected at the Board level.

5. Priorities for Action

The next part of the workshop started with a general exploration of the priorities for action on the SDGs by a bank like Credit Suisse. Most participants commented that all SDGs are important for the banking sector, but agreed that in terms of priorities there is a broad hierarchy:

- "**Must have**" – SDGs that are critical to address, e.g. SDG 13
- "**Make sense**" – SDGs that carry a strong business rationale, e.g., SDG 5 and SDG 8
- "**Nice to have**" – SDGs perceived by some participants to be of lowest priority but certainly worthy of action, e.g., SDG 14 or SDG15

Participants in both Hong Kong and Zurich agreed that banks need to define what they consider to be the **2 or 3 priority SDGs** that can be most closely **linked to core banking activities**, develop a strategy to address them (increase positive contribution, decrease negative impact) and communicate progress and challenges with stakeholders and the general public.

In order to explore what each participant considered to be priority SDGs in a more structured way, participants were asked to individually (i) suggest priority SDGs for the banking sector (i.e., action areas), and (ii) align these with generic functional areas within a global bank. Participants were given the option of aligning each priority SDG with one or more functional areas for implementation. Worksheets had been prepared to support these tasks. The outcome of this exercise was briefly discussed in the workshops and is presented schematically on the following pages, with key observations as follows.

Of the priority SDGs selected by workshop participants in Hong Kong and Zurich, respectively, three make the top five in both locations, namely SDG 5, SDG 8 and SDG 13:

5 priority SDGs Hong Kong:

- **SDG 5: Gender equality**
- **SDG 13: Climate action**
- SDG 17: Partnerships for the goals
- **SDG 8: Decent work and economic growth**
- SDG 6: Clean water and sanitation

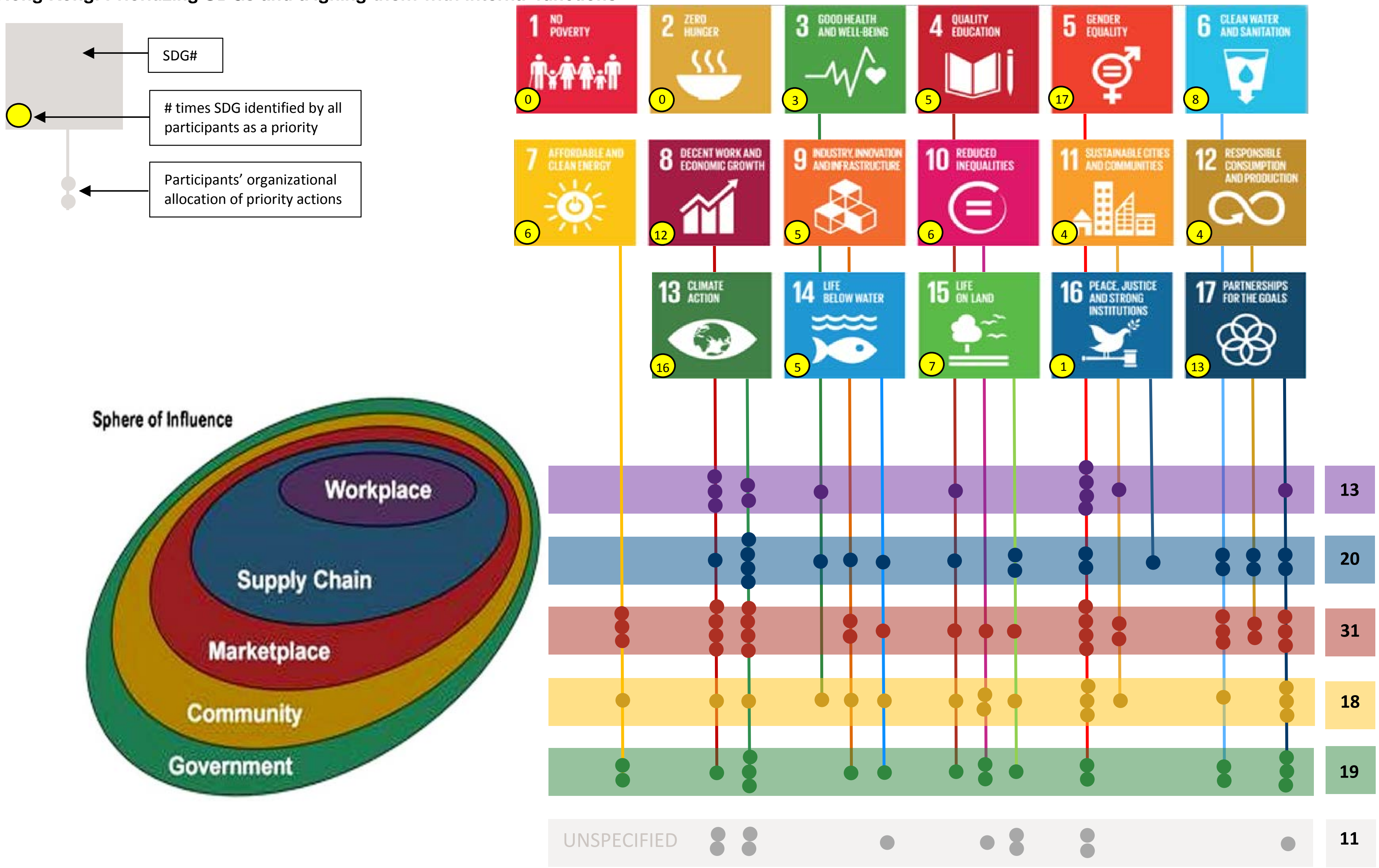
5 priority SDGs Zurich:

- **SDG 8: Decent work and economic growth**
- SDG 9: Industry, innovation and infrastructure
- SDG 12: Sustainable consumption & production
- **SDG 13: Climate action**
- **SDG 5: Gender equality**

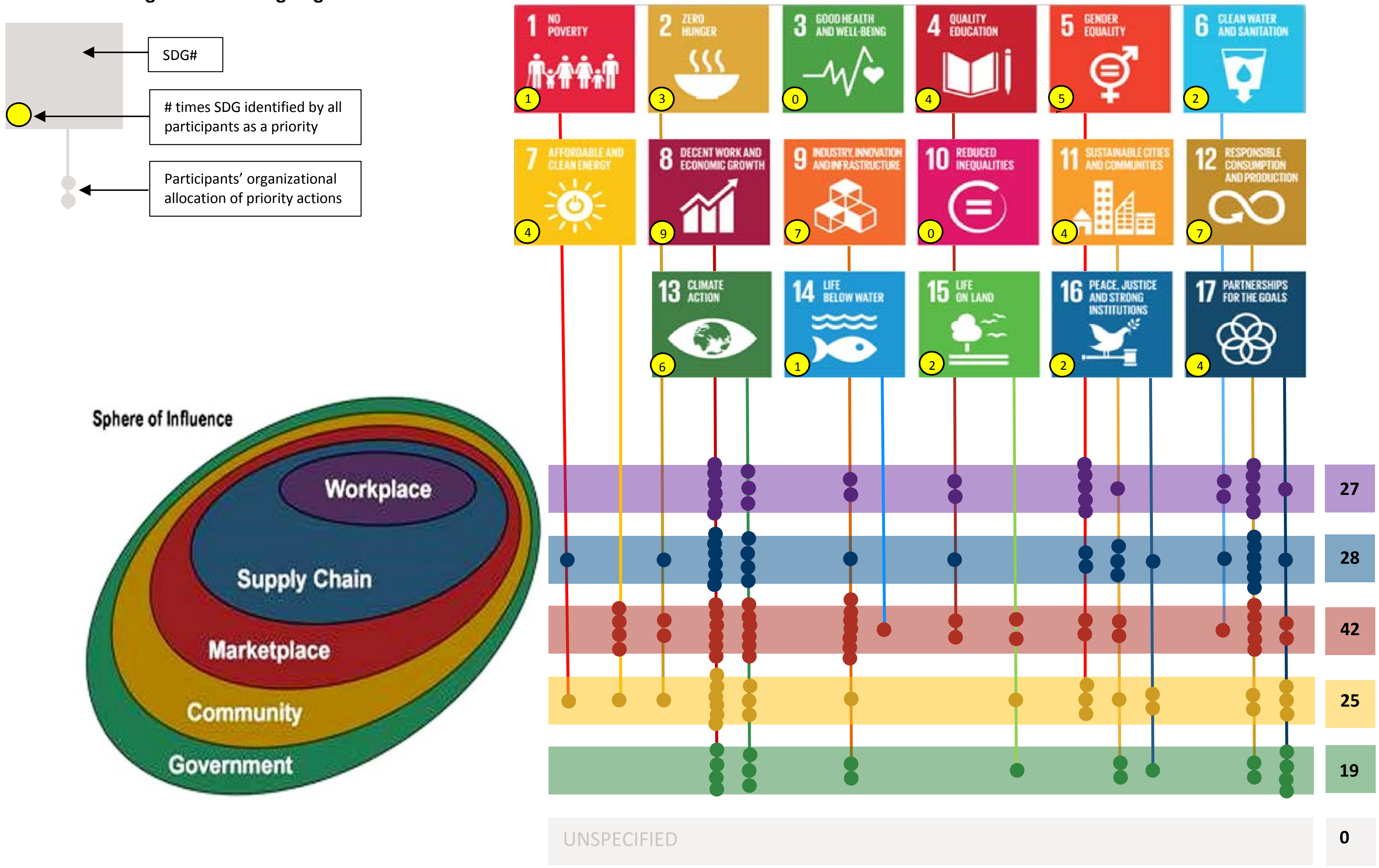
In both locations, a different infrastructure-related SDG is complementing the top five, SDG 6 in Hong Kong and SDG 9 in Zurich, respectively. The prioritizing of SDG 12 in Zurich may be explained by the perception of this goal as a focus area for developed countries that are becoming aware of resource constraints and issues of waste, while the frequent mentioning of SDG 17 may be in part a reflection of the composition of the workshop in terms of participants.

Most SDGs were ranked as being worthy of action by the banking industry, but SDGs 1, 2 and 3 (Poverty, Hunger, and Health & Wellbeing, respectively) and SDG 16 (Peace, Justice and Strong Institutions) scored low and were generally felt to be **mainly addressed by the public sector**. It was noted, though, that the private sector, through focussing on other SDGs, can indirectly contribute to addressing these goals.

Hong Kong: Prioritizing SDGs and aligning them with internal functions



Zurich: Prioritizing SDGs and aligning them with internal functions



Specific comments and suggestions on priorities raised by participants included:

- **SDGs 6, 7, 9**: Investments in infrastructure have shown to be key enablers for economic and social development. Against this background some participants felt that financial intermediaries have a lever to channel their own and stipulate their clients' investments.

- **SDGs 7** and **13**: Some participants pointed out that the transition towards affordable and clean energy for all people affords enormous business opportunities to banks ("the carrot"), and at the same warned against continuing to invest in fossil fuels due to the impending carbon bubble ("the stick").

- **SDGs 12, 13, 14** and **15**: Two participants from an environmental NGO and from a government ministry tasked with environmental concerns, respectively, acknowledged a certain subjective preference for the environment-related SDGs, due to their backgrounds. Another participant felt that a bank can prioritize environmental issues in its own activities (reducing its own footprint) and learn from the experience for its investment activities and to serve as a model for its clients.

- **SDG13**: Suggestion to set a target for financed greenhouse gas emissions and/or to commit not to invest in coal power plants.

- **SDG 17**: Partnerships and advocacy were generally seen as very important for the banking sector, particularly with key stakeholders such as bank clients, industry peers and policy makers[1]. This engagement could involve sharing and learning from good practice case studies in support of specific SDGs.

- **SDG 17**: A Zurich participant pointed out the fact that partnerships, for example between the private and the public sector, lead to a cultural change that can be beneficial for both sides.

In both workshops, the **functional area** deemed best suited to contribute to these priority goals was the **marketplace**, i.e., a bank's **core business** through providing financial products and services. The supply chain was seen to be the second most relevant functional area for the SDGs in both locations. While the Hong Kong participants assigned the third place to Public Policy-related functions aiming to influence governments and regulation, Zurich participants viewed workplace activities to be third most relevant area where the SDGs can be addressed.

In the discussion, workshop participants contributed the following comments for each of the proposed functional areas of organisational activity:

- **Workplace**
  - "Done for the financial sector" (i.e., no need for further action)
  - "Managing the bank's own environmental footprint"

- **Supply Chain**
  - Together with Marketplace "most crucial to take action"
  - "Managing the bank's own environmental footprint"

[1] On this point participants noted that there is in fact quite regular peer-to-peer engagement in the banking community, with two examples being: regular meetings in Hong Kong on Citizenship/CSR matters and global calls focussed on *sustainability* risk management and environmental/social trends. It was suggested that perhaps more could be done to leverage off these platforms at least in terms of wider communications in support of the SDGs.

- **Marketplace** (e.g., Research, products and services, client engagement, ESG integration and impact investing)
  - Together with Supply Chain “most crucial to take action”
  - “New financial instruments to connect the SDGs and drive change”
  - “ESG ratings in investment research”
  - “Mobilise private capital through increased awareness”
  - “2% to 3% assets with social and/or environmental benefit under management are not enough”
  - “Sustainable investing has to become mainstream”; “this includes making relationship managers familiar and comfortable with sustainable investing”
  - “Banks should invest in sustainable technologies even if the risks are getting higher”; “question is who is covering the risk and bears the responsibility for the conflict of objectives”
  - “Important is to get moving, and not wait for the perfect solution – ‘done is better than perfect’”
  - “Question of investment horizon of the bank and the bank’s various clients – short- term, mid-term, long-term”

- **Community** (e.g., Community development and corporate citizenship activities)
  - “Contribute to local level environmental/social actions and organizations, develop partnerships, contribute finances and expertise – good for the communities and the bank’s reputation”
  - “Influence and spend”
  - “Raise awareness of the SDGs”

- **Government** (e.g., Public Policy,)
  - “Share experience and expertise with a view to helping policy makers in other markets”
  - “Banks need to throw their weight around”
  - “Keep the SDGs on the agenda”
  - “Thought leadership”
  - “The UN will develop KPIs to measure progress, it will be important to align these with the existing measurements and reporting frameworks of business”
  - “Identify issues areas where the objectives of governments and corporations are aligned and collaborate on these issues”

Inward-facing initiatives concerned with the workplace and procurement generally received little discussion or written comment. Participants overwhelmingly focussed on the need to take action through marketplace activities, and associated stakeholder engagement on matters relevant to core business.

Beside the recommendation for banks to robustly embed consideration of environmental and social matters into core business activities (“mainstreaming”), workshop participants stressed the importance of the political and regulatory framework conditions. Banks, as key actors in national and international economies need to operate in a regulatory environment that is conducive to innovation and the pursuit of sustainable business opportunities and that allows for goal-oriented partnerships.

6. Partnerships and capacity building

On existing partnerships around the SDGs, it was agreed that there were a number of general **awareness-raising platforms**, but participants generally were unaware of any specific private sector business initiatives. The lack of knowledge about partnership opportunities could be addressed by creating a platform for cooperative partnerships which would help find suitable organizations domestically and abroad. It was acknowledged that many existing topic and supply chain initiatives could incorporate one or more SDGs with a modest degree of effort.

The *Ideas for Action*[2] initiative was mentioned as an academic **peer-to-peer collaboration** with support from the World Bank group aimed at enabling the financing of new ideas to support SDG implementation. It was also suggested that collaboration with chambers of commerce and industry associations might be an effective means of awareness-raising, particularly if there was a wish to engage with the many local SMEs.

From the development finance community, reference was made to engagement among **multilateral development finance institutions** and the associated report *From Billions to Trillions* which considered how to broaden and scale-up efforts to meet financing needs for the SDGs.
As an example of a broad issue-based initiative within the banking sector, the *Thun Group of Banks*[3] was provided by a participant as a model of peer-to-peer collaboration that might be replicated for the SDGs (jointly or focused on individuals Goals) under the leadership of the banking sector.

Other ideas were the creation of SDG-specific **topic groups** with the involvement of multinational companies that have a particular topic interest. An example provided related to food & beverage companies and their collaboration on the theme of water scarcity / conservation. Such initiatives can be readily aligned to the SDGs.

In the Hong Kong workshop, this suggestion re-opened discussion on ***sustainable cities***, which it was felt might be an appropriate theme given the breadth of content and the particular importance for Asia given urban migration, population growth and various associated development challenges, e.g., vulnerability to climate change. In the discussion reference was made to some public reports that provide further context on the need for sustainable cities in China:

- *China 2013 – Building a Modern, Harmonious and Creative Society*
- *Urban China – Toward Efficient, Inclusive, and Sustainable Urbanization*

Similarly, the Zurich workshop discussed the merits of **public-private partnership** where finance institutions mobilize investments into sustainable energy and resilient infrastructure, and governments provide adequate guarantees and protect to de-risk what otherwise would be overly risky investments. Partnerships focusing on infrastructure projects (energy, water, mobility) in developing countries were also mentioned, where companies could collaborate for example with the Swiss Agency for Development and Cooperation[4] and/or selected NGOs. Similar ideas centred around creating a partnership for inclusive economic growth.

With a view to supporting developing countries, Zurich participants mentioned the fact that Switzerland is strong in technology research and development, but less strong in **bringing** such **technologies to**

[2] World Bank: "Financing sustainable development: Ideas for action". For details see http://documents.worldbank.org/curated/en/2015/09/24996045/financing-sustainable-development-ideas-action

[3] Concerned with translating the UN Guiding Principles on Business and Human Rights and the so-called Ruggie Framework ('protect, respect, remedy') into actionable steps for the banking sector.

[4] The Swiss Agency for Development and Cooperation (SDC) is Switzerland's international cooperation agency within the Federal Department of Foreign Affairs (FDFA). For details see https://www.eda.admin.ch/deza/en/home/sdc/portrait.html.

market in good time; a focused collaboration with partners and experts abroad to ensure swift practical application of technological solutions might be a promising approach.

However, one need not go too far abroad to find worthy areas for governmental actors to pursue the SDGs. As was noted in Zurich, **public bodies** at the national, cantonal and even municipal level will find opportunities to work together with a bank and to contribute to the SDGs in their area of influence, for example by issuing a green bond to finance sustainable infrastructure. Another deficit identified closer to home concerned the lack of a sufficient degree of **sustainability content in management training**. It was suggested that companies that are convinced about the value of pursuing a sustainable business model, including addressing the SDGs, should use their influence to embed business-relevant environmental and social factors more prominently in education.

An NGO representative noted the fact that civil society organizations alone often lack the weight to influence governments and regulators, and proposed **topic-related collaboration** around certain SDGs with companies and banks to increase one another's influence.

One participant summarized her vision of a partnership as follows: "Share the vision and the goals, but then pursue the goal applying one's own specific strengths". A more sceptical voice recommended not to lose time by pursuing partnerships, but instead to move ahead on one's own, develop products and expose them to competition, which will eventually decide what works and what not.

There was a perception that an obstacle to delivering the SDGs is the high level of **fragmentation** of issues and activities by sector, sub-issue, stakeholder group and by geography. It was remarked that a new approach may be required, with the suggestion that a new multi-sectoral partnership needs to be convened. One idea raised was the establishment of a corporate sustainability practitioners working group focussed on defining and aligning work activities with priority SDGs. Such a working group could be convened by practitioners on a sectoral basis (e.g., a collaboration of global banks as part of an existing initiative), on a cross-sectoral basis and/or with a defined geographical focus (e.g., a corporate sustainability practitioners alliance, within an existing forum or newly established). Local-level engagement with workshop participants will continue with these thoughts in mind.

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