



**Worldconnectors statement**

# **FINANCIAL SYSTEMS**



## **I. Recommendations to the Dutch banking sector**

2010

**worldconnectors**

**WORLDCONNECTORS THE ROUND TABLE FOR PEOPLE AND THE PLANET**

## Colophon

2011

This statement is an annex to the Worldconnectors  
Yearbook 2010 'Facing global challenges'

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This statement is printed on FSC paper  
Printed copies: 1000

# Worldconnectors statement Financial Systems

## Recommendations of the worldconnectors working group financial systems to the dutch banking sector

*Amsterdam, 18 February 2010*

These recommendations were formulated by the following Worldconnectors who are active in the Worldconnectors' Working Group Financial Systems: Herman Wijffels, Ruud Lubbers, Herman Mulder, Nanno Kleiterp, Tineke Lambooy, Adrian de Groot Ruiz, Zita Schellekens and Leontien Peeters. Paul van Seters was involved as advisor to the Working Group. The mission of the Worldconnectors Round Table is to encourage the ambition and enhance the role of the Netherlands - in all dimensions of society - as a key player in the global community of nations and peoples, with the urgent aim of working towards a just, sustainable, inclusive and peaceful world.

The Worldconnectors Round Table wishes to be a catalyst for and a participant in an open, tolerant, optimistic and pro-active Netherlands that, in all its diversity, is 'a global actor in the world'.

The vision and work of the Round Table is based on the UN Millennium Declaration and the Earth Charter. For more information see [www.worldconnectors.nl](http://www.worldconnectors.nl)

## Preamble

The objective of the Worldconnectors Working Group Financial Systems is to offer comprehensive, future-oriented recommendations with regard to commercial, risk management and supervisory policies in the Dutch banking sector. These recommendations have been limited to addressing those issues that have to date received less attention in the public debate on reforming the financial sector: corporate social responsibility and sustainability.

The Working Group recognises that Dutch banks have taken initiatives in this area, but the crisis of confidence in the banking sector and the urgency of addressing the issue of "public goods" require more priority and urgency. A number of the recommendations made in this document could be incorporated in the Bank Code, which became effective on 1 January 2010.

### A. corporate social responsibility and sustainability

1. In the context of their commercial and risk management policies banks need to make a contribution to corporate social responsibility and sustainability; Environmental, Social, Ethical & Governance (ESEG) issues need to be part of their core business;
2. Each bank needs to define its own standards and policies for Environmental, Social, Ethical and

Governance (ESEG) issues within its own operational and client-oriented lending, investing, asset management, trading and advisory practices<sup>1</sup>;

3. The ESEG standards and policies will be fully integrated into the core evaluation and approval processes, including the KYC/Due Diligence procedures which apply to business and private banking clients<sup>2</sup>;
4. ESEG standards and policies will be included in internal training and management development programs as well as being incorporated in business unit objectives and personal targets/KPI's;
5. Verification of the implementation of ESEG standards and policies will be an explicit part of the internal control systems and procedures.

### B. governance

1. The composition and agenda of the Managing and Supervisory Boards will reflect the importance of ESEG; one member of the Managing Board will have ESEG in his portfolio, with emphasis being placed on external representation;
2. An annual Sustainability Report on ESEG issues will be issued, preferably integrated into the Annual Report drawn up by the Managing Board; it will then be adopted by the Supervisory Board and, where this is legally required, presented to the General Shareholders Meeting for approval;
3. ESEG issues will be explicitly discussed with the Staff Council and other Advisory Councils of the bank, whereby external experts on ESEG issues may be consulted; it is recommended that an independent complaints committee or an ombudsman, who would report to the Managing Board, be put in place; staff, including "young bankers" may play an important catalytic role in developing and implementing a bank-wide ESEG commitment;
4. The creation of a foundation to foster international sustainable development, financed by an annual contribution drawn from the banks' profits, and of opportunities for "corporate volunteering", will further increase commitment.

<sup>1</sup> The Banking Codes should be reinforced by the addition of ESEG objectives: references for the international definitions of ESEG standards may be found in, inter alia, OECD Guidelines for Multi-National Enterprises (OECD-MNE), Earth Charter International (ECI), Global Compact (UN-GC) Principles for Responsible Investment (UN-PRI), Equator Principles for Project Financing, Ruggie's Framework for Human Rights and Business "Protect, Respect, Remedy".

<sup>2</sup> Due Diligence on a client should explicitly include the ESEG approach of such client. Benchmarking against "sector codes and/or "best practices" should be carried out and if found deficient, be explicitly discussed with the client.

### C. public reporting

1. Each bank will report on its standards, policies and achievements in this area in an annual Sustainability Report that will be verified by an independent auditor<sup>3</sup>;
2. As part of its commercial practice each bank will expressly urge its business clients to publish an annual report on their standards, policies and implementation of ESEG.

### D. the “new” economy

1. Emerging views and concepts for a new “green and just economy” framework, as inter alia stated in the recommendations of the EU study on “The Economics of Ecosystems and Biodiversity” (TEEB: to be published in the fall of 2010) and the Stiglitz/Sen Report, should be specifically incorporated in banking analyses and research on countries and businesses and should also play a role in capital market transactions, ratings and investment advice;
2. The collaboration of banks with universities and other “think tanks” on ESEG issues should be intensified.

### E. development cooperation

1. The Report “Less Pretension, More Ambition” by the Dutch Governmental Scientific Advisory Commission (WRR) could serve as a starting point for enhanced collaboration within the Dutch financial sector in relation to the development and reinforcement of the financial sector in developing countries;
2. With regard to trade and investment, the efficiency and effectiveness of the current government financial mechanisms should, within the framework of the WRR Report’s appeal for more coherence in both government policies and governmental collaboration with the business and financial sectors, be re-evaluated and improved across the various ministries. This would serve to support sustainable international investment. The FMO (Netherlands Development Finance Company) could play a key role in this process.

### F. national supervision

1. Every country has the right to a banking and credit system in which savings are guaranteed. The “normal” loans and investments supplied by banks to businesses should also be secured by this guarantee. However, it should be public knowledge that banking activities whereby extraordinary, non-client related risks (such as private equity and proprietary trading) are taken, should not be eligible for such a guarantee.

2. The traditional role of financial markets supervisor exercised by the Dutch Central Bank (DNB) and the Financial Markets Authority (AFM) should be explicitly expanded to include ESEG issues;
3. Pillar 3 of the Basel II Framework (“market discipline”) should explicitly refer to reporting on ESEG issues.

### G. international cooperation & supervision

1. The Dutch government should take far-reaching initiatives within international bodies (such as EU, BIS, IMF, WB, OECD, WTO) to promote and effect the ESEG issues in the banking and business sector;
2. Initiatives should also be taken to secure a much more prominent role for the newly industrialised countries, including China, India, Brazil, South Africa, within such bodies.

<sup>3</sup> As reference the indicators of the Global Reporting Initiative (GRI) may be used, including its Financial Sector Supplement.

**G. internationale coördinatie & toezicht:**

1. Nederland zal verregaande initiatieven moeten nemen (binnen EU, BIS, WTO, IMF, WB et al) met betrekking tot internationale samenwerking en toezicht op de onderwerpen hierboven beschreven; 2. datzelfde geldt ten aanzien van een zwaardere rol van relevante nieuwe industrialiserende landen – waar- onder China, India, Brazilië, Zuid-Afrika – binnen deze organisaties.