Exclusive Interview with Chartered Banker, Rizleen Mokhtar, former Executive Vice President of Credit Risk at AmBank Group
Unfazed by the Future

BANKING INSIGHT

IDEAS FOR LEADERS | **JUNE 2021**

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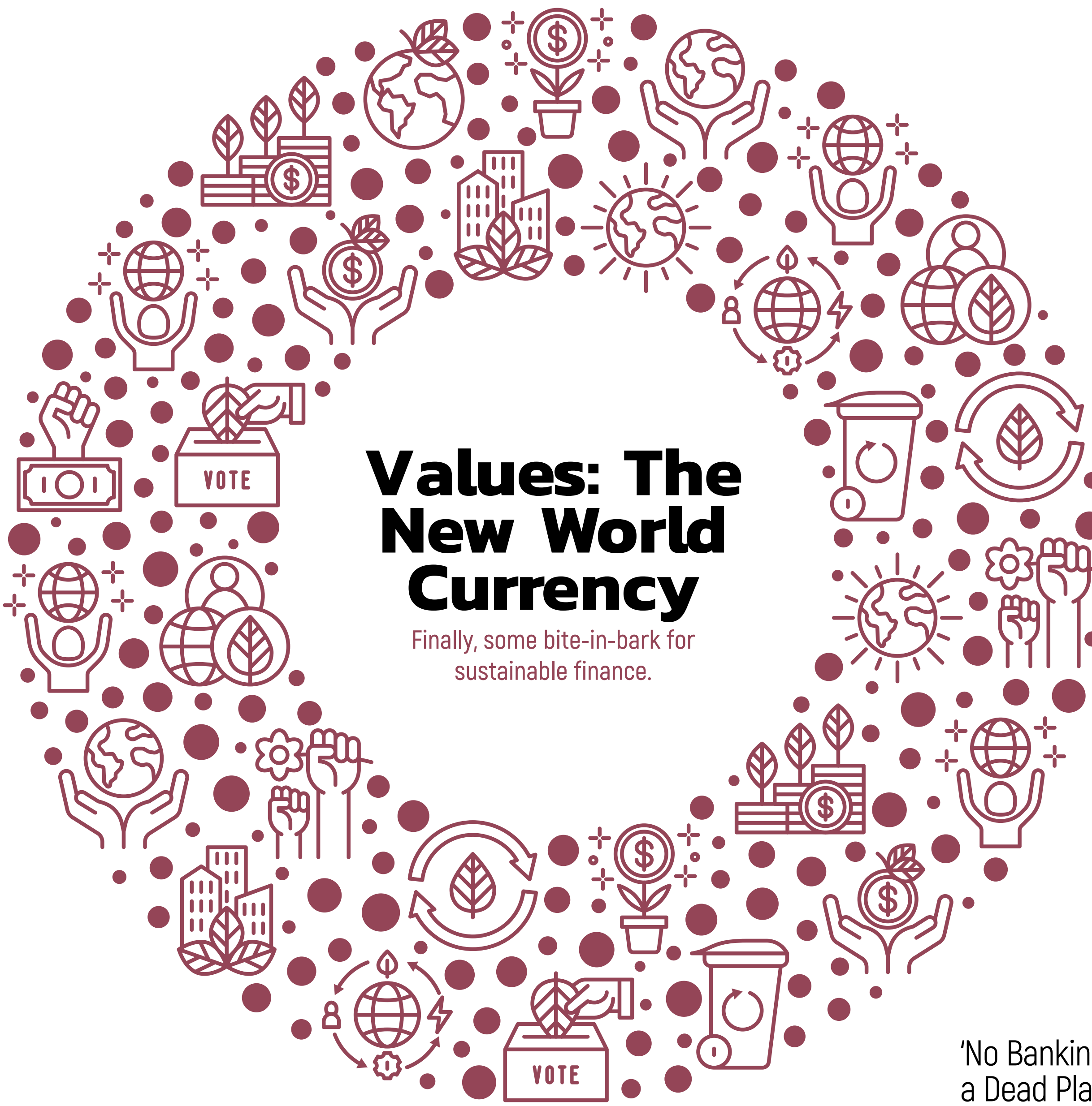

Values: The New World Currency

Finally, some bite-in-bark for sustainable finance.

'No Banking on a Dead Planet'

MANY MARKETS, ONE COMMON LANGUAGE

NOVEL WAYS OF THINKING IN FINANCE

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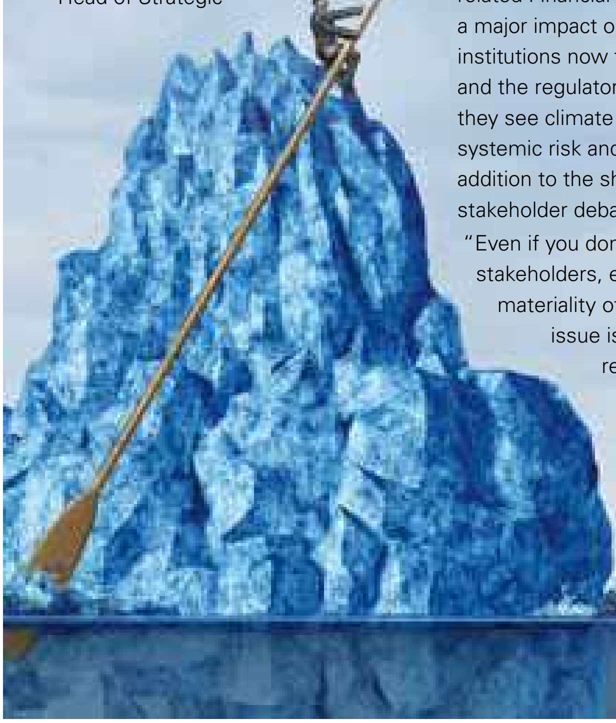
All Aboard

Building the Right Board to Respond to the Climate Challenge, a webinar jointly hosted by the Asian Institute of Chartered Bankers and UK-based Chartered Institute for Securities & Investment, addressed the discourse surrounding board commitments in the transition to net-zero.

During the 71-minute webinar this January, panellists including Richard Burrett, Fellow at the University of Cambridge Institute for Sustainability Leadership, and Beate Van Loo-Born, Executive Director – Head of Strategic Projects at UBS Zurich, outlined the impact of current board trends at government and corporate levels, existing knowledge on board characteristics and their degree of impact to positively influence climate response. The closing Q&A also addressed global expectations as climate-related issues gain further traction.



In response to an audience question on voluntary or mandatory disclosures by boards, Burrett elaborated: "We are seeing an increasing regulatory burden on institutions in general and financial institutions in particular around climate change. The TCFD (Task Force on Climate-related Financial Disclosures) has had a major impact on the way that many institutions now think about climate change, and the regulators are doing this because they see climate change as a material systemic risk and I think that's an important addition to the shareholder versus stakeholder debate."

"Even if you don't care about your stakeholders, even as a shareholder, the materiality of climate change as an issue is evolving and people are recognising that it does have a material impact." ✱

A University of Cambridge research, *What Board Characteristics Are Driving the Climate Change Response of Firms in the Financial Sector?* revealed:

The importance of the chair in driving the firm's climate response. When the chair possesses a sustainability mindset, this has an impact on whether climate is included on the board agenda and ultimately in the firm's climate response.

Even a climate-literate chair with a sustainability mindset needs to bring other directors along on the journey.

Separation of CEO and chair roles are found to positively influence climate response.

Board diversity, including gender, age, and expertise, positively contributes to a firm's climate response, as does a sustainability mindset.

Watch the recording at *https://member-portal.aicb.org.my/login.*
Visit *https://www.aicb.org.my/events/*upcoming for information on upcoming webinars.

IMF: ASIA'S RECOVERY LIFTS GLOBAL GROWTH ESTIMATE

Stronger performance in advanced and emerging economies in Asia – China, India, Malaysia, Thailand – led to an upgrade in the International Monetary Fund's (IMF) global growth estimate for 2020 by 0.7 percentage points to a contraction of 1.5%.

Its January 2021 *World Economic Outlook Update* reports that the pandemic-led collapse last year has had acute adverse impacts on women, youth, the poor, the informally

Unfazed by the Future

Reporting by the Banking Insight Editorial Team

A Chartered Banker's personal take on risk, leadership, and life.

This issue, we switch gears with Rizleen Mokhtar, CB, whose vigour and insights mark our most candid interview to date. From her views on 'credit as an art' to discussing Impostor Syndrome, the former Executive Vice President of Credit Risk at AmBank Group is seemingly unfazed by challenges or a forthright question. She exemplifies the fighting spirit that keeps the engine of finance going and banking reinventing itself.

Now a risk manager, I came to have better understanding of the intent of the recommendations under the Basel Accords, in particular the **RELATIONSHIP BETWEEN CREDIT AND CAPITAL ADEQUACY IN ENSURING SUSTAINABILITY OF THE FINANCIAL INSTITUTION.** This gave me a different perspective when analysing credit proposals. It was no longer just about short-term gratification, it had to also be about long-term sustainable growth.

Q ***Rising from the frontlines of banking to helming the Wholesale Credit Risk division at AmBank, could you set the stage for us and talk about some turning points in your career?***

I joined AmBank in the late 1980s as an executive trainee in the Corporate Banking (CB) division, and in those days there was no dedicated client relationship unit, credit evaluation unit, credit risk units, etc.

Banking officers did everything practically end-to-end, from engaging customers to sniffing out potential deals or offering financial solutions; conducting credit evaluation and running sensitivity scenarios on cash flow models; preparing submissions for credit approval; right through to preparation of offer letters, reviewing facility documentation, and ensuring conditions are in order for loan disbursement. This gave me a holistic learning experience, and enabled me to understand the building blocks and appreciate each facet of the corporate banking process flow.

In those early days, I was fortunate to have been given the opportunity to tackle a wide range of customer profiles, starting with both private- and public-owned midsized firms to eventually the larger top-tier corporate entities, covering businesses in the manufacturing, trading, construction, property development, and energy sectors.

In between, I was also given the opportunity to handle financial institution groups, which gave me a totally different credit experience. One of the turning points in my career came sometime in 2000 when the CB division was restructured into separate, dedicated functions – the 'frontliners' and the credit specialists. I was assigned to the latter (known at the time as credit risk management unit or CRMU) which initially was still under the purview of the business line managing director. Eventually, CRMU was hived off and became part of Group Risk Management (GRM) under the purview of a chief risk officer. This came on the heels of the Asian Financial Crisis, at a time when regulators, both global and domestic, were strengthening risk management practices in financial institutions.

Now a risk manager, I came to have better understanding of the intent of the recommendations under the Basel Accords, in particular the relationship between credit and capital adequacy in ensuring sustainability of the financial institution. This gave me a different perspective when analysing credit proposals. It was no longer just about short-term gratification, it had to also be

VALUES: THE NEW WORLD CURRENCY

By Angela Yap Siew Peng

- FINALLY, SOME BITE-IN-BARK FOR SUSTAINABLE FINANCE.

Investors are cranking up the heat on the world's biggest companies.

On 1 May, Berkshire Hathaway Inc, the massive Omaha-based investment holding company chaired by billionaire Warren Buffett, clashed head-on with shareholders at its annual meeting.

At the centre of this controversy are two landmark shareholder proposals, billed as the "litmus test for ESG (environmental, social, and governance) investors".

The first proposal came from a trifecta of institutional investors – California Public Employees' Retirement System (CalPERS), Federated Hermes, and Caisse de Dépôt et Placement du Québec (CDPQ) – who demand that Berkshire declare physical, transitional, and other financial risks in efforts to address climate change and transition to a low-carbon economy. To date, Berkshire is the only major US or European stock that does not disclose its risk exposure to climate change and whose board has repeatedly rejected these pleas.

Stressing its "unusually decentralised" business model, Buffett – the market's most vocal opponent to ESG – has repeatedly said "I don't believe in imposing my political opinions on the activities of our businesses" and gives vast independence to its subsidiaries as long as they deliver on the numbers.

"We are not going to shy away from holding Berkshire accountable just because it's run by Warren Buffett," said Simiso Nzima, CalPERS' Head of Corporate Governance.

The second proposal was for Berkshire to report its diversity, equity, and inclusion (DEI) efforts across its 400,000 workforce. This was mooted by As You Sow, an American non-profit for shareholder advocacy, on behalf of a small retail investor.

> At the centre of this controversy are two landmark shareholder proposals, billed as the "**LITMUS TEST FOR ESG (ENVIRONMENTAL, SOCIAL, AND GOVERNANCE) INVESTORS**".

Unsurprisingly, both proposals were rejected, given that the 'Oracle of Omaha', as Buffett is known, controls almost one-third of votes and continues to hold enormous sway over retail investors.

What is surprising this round is that 25% of shareholders' votes went against Buffett and his management team, surpassing the usual 3% or less opposition. Media outlets including *Reuters* comment that this is "greater discontent than Berkshire shareholders historically demonstrate", leading to questions on whether the 90-year-old Buffett could possibly be out of sync with the times.

TURNING THE BEND

Whichever camp you're in, it's undeniable that shareholder activism is on the rise and investors are demanding that ESG targets be placed squarely on the shoulders of boards and top of the corporate agenda.

RISING TEMPERATURES, MELTING ICE CAPS, AND THE BANKING SECTOR

By Nik Shahrizal Sulaiman

MONEY IS MEMORY, TAKE TWO

By Angela Yap Siew Peng

With digital currencies on the rise, an old economic theory takes on new dimensions.

Back in 1998, leading American monetary economist Narayana Kocherlakota posited that 'Money is Memory', a singular idea that continues to inspire economic thinking.

His paper of the same title, published in the *Journal of Economic Theory,* argues that money is a primitive form of memory and its circulation in the economy is akin to a "superledger" (as Agustín Carstens of the Bank of International Settlements puts it) that carries within it a history of all transactions – from big kahuna deals of who bought which submarine to mundane affairs of who paid for that bag of lemons, what you still owe the grocer, and if you've got enough pennies for a soda on the way home.

This is the central idea behind Kocherlakota's theory. Money is more than just a medium of exchange; it is intrinsically a source of "high quality information storage and access". If there were a way to tap into the memory of money, he warned that this could be exploited by parties other than the central bank (the only authorised issuers of money) and "the government's monopoly on seignorage might be in some jeopardy as information access and storage costs decline".

For a long time, the theory that 'money is memory' was seen more as a philosophical endeavour than practical reality. Today, that has all changed with fintech, specifically distributed ledger technology (DLT), the foremost technology underlying the creation of central bank digital coins (CBDC).

DIGITAL CASH

CBDC, the new electronic currency that most governments are experimenting with, is very much talked about but often misunderstood. The most important misconception that needs to be cleared is that although the idea of a CBDC was inspired by bitcoin, the former is not a

A NEW OPPORTUNITY FOR BANKS?

By Chartered Banker Institute, UK

WITH SOCIAL, EMOTIONAL, AND PROFESSIONAL FATIGUE NOW SETTING IN ACROSS THE COUNTRY, HOW CAN THE INDUSTRY BUILD ON THE RISE IN APPROVAL TO MAKE LASTING CHANGES FOR THE BETTER?

Since 2012, public confidence in the banking industry has been recovering from the aftermath of the 2008 financial crisis, from 27% approval in 2012 to 56% approval in 2020, according to Gallup. As well as this, the 2020 Edelman Trust Barometer, which surveys more than 13,000 respondents globally, found that the public's trust in the sector reached an all-time high of 65% amid the pandemic.

FIGHT OR FLIGHT

With financial organisations juggling a fast-shifting set of logistical, social, and economic challenges, the display of public confidence is a good news story for the industry, and for society in general. But exactly what is the reason behind the surge in trust, in particular during a time of such unprecedented uncertainty? For Christopher Box, Financial Services Consulting Leader, PwC, it's not entirely surprising. "I think it's partly a reflection of times of uncertainty, when there is usually a flight towards institutions," Box suggests.

"That says to me that people want to trust during a period of uncertainty. Organisations currently have an opportunity because lots of engagement scores were consistently high across financial services, but now is the critical time because we have reached the point where fatigue is starting to set in." The authorisation of payment holidays and facilitation of government support packages have also played a part in public perception of the sector. "At the heart of the government's response has been the banks, which together have authorised payment holidays and issued various support packages worth over GBP57 billion," Richard Kibble, UK Head of Banking, Deloitte, said at the end of 2020.

"This hasn't gone unnoticed by customers with more than three-fifths of customers saying they were pleased with their banks' response to the crisis. Moreover, customers are voting with their feet, with more than one-third of those who switched or opened bank accounts as a result of the pandemic saying they were motivated by their new bank's societal impact."

‘NO BANKING ON A DEAD PLANET’

by Angela Yap Siew Peng

Ça va bien? Hold your horses.

Minh Cuong Le Quan

Minh founded the Climate Change Unit at international non-profit, Geres. He subsequently chaired a global carbon-finance cooperative, **DESIGNING ITS UNIQUE FINANCING MECHANISM FOR IMPROVED FINANCIAL INCLUSION** of Asia in the carbon trading market.

French agronomist and sustainability leader Minh Cuong Le Quan has advocated for environmental justice in Asia, Africa, and Europe for close to 30 years.

His award-winning projects are known for putting people and their communities at the heart of market-based solutions. These pioneering ideas have garnered Minh and his team accolades, including the prestigious Clinton Global Initiative Award, the EU Energy Globe Awards, Ashden Awards for Sustainable Energy, and recognition as best-in-class solutions by bodies such as the US Environmental & Protection Agency.

Minh founded the Climate Change Unit at international non-profit, Geres. He subsequently chaired a global carbon-finance cooperative, designing its unique financing mechanism for improved financial inclusion of Asia in the carbon trading market. His perspective that environmental stewardship is inseparable from social justice goals has been presented to international panels, including the carbon market fora and technical bodies of the United Nations Framework Convention on Climate Change.

As CEO of Staterre, a France-based accelerator for change, he advises companies on transition and climate adaptation strategies. He also lectures on environmental stewardship at French business schools.

We share excerpts from our interview with the climate expert.

Q ***Achieving net-zero by 2050 under the Paris Agreement calls for decarbonising our planet in the next 30 years – companies must do away with fossil fuels and other sources of emissions or match every tonne of carbon dioxide (CO_2) emission with a ton removed from the atmosphere. What challenges will industries, including banking, face en route to sustainability?***

The financial sector must wake up to the realisation that we are in the midst of a collapse.

Net-zero pledges have become the norm, but for me, it’s not a sufficient target.

Net-zero means that in 30 years, I’ll

PRE-EMPT A GREEN SWAN

by Julia Chong

Focus on material sustainability issues to mitigate sustainability risks and achieve alpha.

Whilst alarmist reports make for good headlines, they are an incomplete reflection of the work that has been done to forestall a potential climate-related financial crisis. Reining in sustainability risks has been on the agenda for some time, but garnered little attention from media stalwarts.

Take, for instance, non-profit Ceres' announcement that lending linked to fossil fuels and energy transition could translate into more than USD100 billion in losses for US banks and systemic financial risk. What this soundbite – carried by major newswires throughout the world – fails to reflect is the other side of the story.

COMPLY OR EXPLAIN

In every way, sustainability policies today are the result of years of behind-the-scenes work by supervisory authorities.

The EU's Sustainable Finance Disclosure Regulation (SFDR), which came into effect on 10 March 2021, is a landmark new regulation issued by the European Supervisory Authorities to achieve the goal of a carbon-neutral Union by 2050. The Regulation is a legislative tool designed to reorient capital towards sustainable businesses in order to achieve global climate goals whilst ensuring financial institutions actively combat 'greenwashing' i.e. conveying a false impression or misleading information to investors that the products are environmentally friendly.

An important aspect of the SFDR, specifically Recital 10, is that it is now mandatory for financial institutions to make pre-contractual and ongoing disclosures with regard to sustainability risk to end investors in accordance with regulatory technical standards.

The European Banking Authority (EBA) define sustainability risk as an environmental, social, or governance (ESG) event or condition which could cause an actual or a potential material negative impact on the value of the investment. This provides greater protection for end investors as firms must now disclose sustainability characteristics and risks at both entity and product level in accordance with EU-issued technical standards. Otherwise, firms must explicitly state that the product or entity does not take into account sustainability risks. This is known as a 'comply or explain' regime.

Most European banks have in place policies and/or established frameworks to address this risk and actively inform investors how controls are in place to take into account sustainability impacts. Rothschild & Co Merchant Banking, for instance, discloses to investors how sustainability risk may occur as part of its ESG investments:

"This policy therefore approaches sustainability risk from the perspective of the risk that ESG events might cause a material negative impact on the value of our products' investments. To give an example, if a Merchant Banking fund has significant exposure to digital services businesses which collect and process

DATA ETHICS: TIME TO GET YOUR HOUSE IN ORDER

By Dr Amanda Salter

Landscaping what's fair and responsible use in emergent banking tech.

The technophiles among us are well aware of the recent high-profile cases of algorithms and artificial intelligence (AI) gone wrong.

Take the ignominious Apple credit card. Launched in 2019 in the US and backed by a leading global bank, the offering was panned by consumers who noticed that, as a result of its credit-rating algorithm, women were offered significantly lower lines of credit than men who had similar income and assets. The subsequent media storm sparked an ongoing investigation by the state regulator, who stated that "any algorithm that intentionally or not [emphasis added] results in discriminatory treatment of women violates [the] law".

The fracas highlights the common fallacy that technology, algorithms, and data are clean, objective, and neutral. This perception is patently untrue. All algorithms and data carry the biases of the people and the cultures that collect, process, analyse, and present that data.

A solid, long-term data ethics programme can forestall harmful and costly impacts, mitigating risks so that banks won't be caught with their pants down.

EVOLUTION & ITERATION

Researchers Luciano Floridi and Mariarosaria Taddeo, in a 2016 Royal Society *Journal* article, classify "data ethics as a new branch of ethics that studies and evaluates moral problems related to data (including generation, recording, curation, processing, dissemination, sharing and use), algorithms (including artificial intelligence, artificial agents, machine learning and robots) and corresponding practices (including responsible innovation, programming, hacking and professional codes), in order to formulate and support morally good solutions (e.g. right conducts or right values).

The nascent field of data ethics is constantly evolving. There are many societal and technological drivers behind the need for data ethics, from the rise of big data to the Internet of Things, and of course, AI itself.

We could argue that right now, our capabilities are only limited by our ambition and our expectations. But to misquote a phrase by Dr Ian Malcolm, the iconic scientist in the sci-fi classic *Jurassic Park*, just because we can do something doesn't mean we should – ability doesn't mean prerogative. In the emerging field of AI there is often no clear-cut right or wrong answer, and the mere presence (or absence!) of data can

DIGITAL TRANSFORMATION POSES POTENTIAL RISKS FOR STABILITY AND THE FINANCIAL INDUSTRY

By Prof Hans Genberg

Reining in the risk of regulatory arbitrage.

Digital transformation is changing how and by whom financial services are provided, bringing benefits to consumers in the form of expanded and simplified access to financial services. However, this transformation is also affecting the financial services industry in ways that could lead to greater risks to systemic financial stability.

THE ARRIVAL OF BIG DATA AND ARTIFICIAL INTELLIGENCE

Transformation of the financial sector and the provision of financial services are driven by 'big data' and the computer-aided ability of financial institutions to analyse these data to provide improved services to customers. By big data, we mean very large structured and/or unstructured data sets containing tens of thousands of observations on bank customers, insurance policyholders, and users of online payment platforms etc., as well as textual data that can be digitised and used for the computer-aided analysis of newly issued financial regulations,

EYE-OPENERS FROM GAMESTOP'S WILD, WILD RIDE

By Kannan Agarwal

CONSEQUENCES TO THE INTERNET-DUBBED "GREATEST REAL SHORT BURN OF THE CENTURY".

By now, every financier worth his or her salt would have heard of GameStop Corp, the stock which – thanks to a subreddit called wallstreetbets – climbed a whopping 1,625%, resulting in multi-billion losses at hedge funds like Melvin Capital and other short-sell firms.

For the uninitiated, a subreddit (denoted by the prefix "r/") is a forum on the social platform Reddit, where users post questions and engage with other Redditors. Hence, r/wallstreetbets is a forum about…well…what wall street bets. It's a mix of people from all walks of life – from teenagers seeking investing tips right up to divergent views from prominent analysts.

In a recent radio interview on *NPR*, Brandon Kochkodin recounts: "It started with someone laying out the case that was, you know, GameStop's being treated in the market as if the company already went bankrupt. But if you look at the fundamentals, they have cash, they can pay their debt, they can service their debt. This isn't a bankrupt company yet, there's something there still and people are overlooking it.

"If you saw a classic value investor make the arguments that they were making for GameStop on wallstreetbets, you wouldn't flinch. You would look at it, and you'd be like, "Oh, good idea." "

BACKGROUND

When GameStop Corp listed in 2002, it was a successful American video game retailer, opening thousands of stores all over the world. However, its fortunes plunged as video gamers switched to downloading games over the Internet. GameStop stocks dwindled as it shuttered most of its stores.

THE ETHICAL ADVANTAGE

THE ECONOMIC AND SOCIAL BENEFITS OF ETHICS TO AUSTRALIA

By The Ethics Centre

THE CUSTOMER JOURNEY AND ITS ETHICAL IMPLICATIONS

By Bob Souster

The challenges of change.

For many years, banking organisations placed great importance on signing up new customers. The conventional wisdom in marketing suggested that once a person became a customer they would probably stay for life, and in doing so influence others, such as their family and friends, to bank with the same institution. To a large extent this remains true: people do not instinctively shop around for banking products and services in the same way as they might for fast-moving consumer goods and gadgets, nor are they as susceptible to fads and fashions. It takes some effort to persuade a person to switch their bank account from one provider to another.

Customer inertia breeds complacency. Satisfied that many existing customers are here to stay, it is too easy to assume that resources should be focused on attracting new ones. This serves a purpose, as there is much benefit to society in persuading those who do not avail themselves of banking services to do so, yet it is important to accept that banks owe ongoing obligations to their existing customer base. This article argues that this is becoming a more difficult task and will become more difficult as time passes.

Banks owe obligations to their stakeholders: **THOSE WHO ARE AFFECTED BY AND CAN AFFECT THE BANK**. These include customers, shareholders, suppliers, the community and even the physical environment.

Banks owe obligations to their stakeholders: those who are affected by and can affect the bank. These include customers, shareholders, suppliers, the community and even the physical environment. Yet, to paraphrase the famous author George Orwell, "All are equal, but some are more equal than others". Mindful of the deficiencies exposed by the global financial crisis, many regulators responded by insisting that customers must be prioritised. This is strongly reflected in Bank Negara Malaysia's document, *Fair Treatment of Financial Consumers,* which sets down the outcomes that should be pursued by providers of financial services. In short, customer interests should lie at the heart of everything that a bank does, not just when the customer arrives but throughout the relationship. Increasingly, doing the right thing is doing what is right for customers.

This is no easy task. It was once accepted that customer needs could be predicted by extrapolating a typical customer life cycle. Young customers would need a current account and access to modest levels of credit. Over time, they would then need personal loans, mortgages and investment products. Going into their senior years, customers might need to plan their lives around retirement and inheritance. It is no longer straightforward, if indeed it ever was.

Consider some trends.

+ The perception of the typical family has changed:

Society has become more diverse. Marketers used to write of a typical

ISLAMIC FINANCE LEADERSHIP: LESSONS FROM THE PAST AND STRATEGIES FOR THE FUTURE

By IslamicMarkets.com

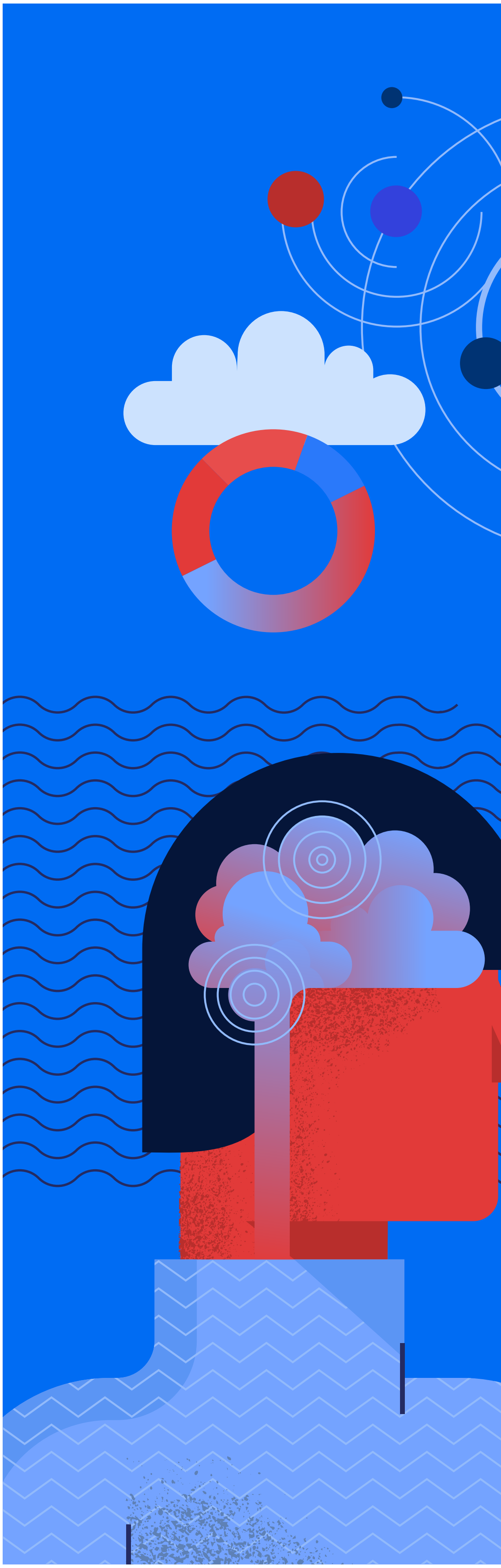
An interview with Tan Sri Abdul Wahid Omar on structuring viable and sustainable projects.

As Tan Sri Abdul Wahid Omar had successfully directed Maybank through the 2008 global financial crisis, Daud Vicary, Chairman of the Advisory Board of IslamicMarkets.com, invited him to share his experiences and whether the lessons learned could be applied to navigate through the current global pandemic. Omar admitted that whilst the previous global financial crisis was challenging, it was manageable due to immediate action taken by the Malaysian authorities.

First, the Malaysian banking system was insulated from the knock-on impacts of events that were taking place in financial systems across the United States of America and Europe by way of rigorous risk management strategies put in place. Second, through the learnings from the 1998 Asian financial crisis, Bank Negara Malaysia (BNM) had ensured that the Malaysian banking sector was well capitalised with better asset quality, such that sufficient capital buffers were maintained to absorb any sudden shocks. Third, the government of Malaysia did not solely focus on keeping the financial and banking sector afloat, but also concentrated heavily on the economy by ensuring that all businesses were able to survive the crisis, such that manufacturing capacities were maintained, and jobs were protected.

In contrast, the current global pandemic is unprecedented and very different to previous crises, in that there is an impact on the global economy, with not just corporations, but also economies, societies and families being negatively affected. Omar added that with lockdowns being imposed in many

Tan Sri Abdul Wahid Omar



NOVEL WAYS OF THINKING IN FINANCE

By Derek Ariss

CRITICAL AND LATERAL THINKING, THE WINNING COMBINATION.

Let's face it. Where would we be if we didn't have problems to solve? Throughout time, the ability of people to think has been crucial. We use thinking to communicate and create new opportunities, to develop strategies, devise tactics, and….yes, to solve problems. As we know, in banking, we solve a lot of problems.

In this article, I introduce you to two types of Deliberate Thinking: Critical and Lateral Thinking. Both thought processes have strengths and combined, they create an essential toolkit in business.

Critical Thinking is to apply reasoning to evaluate information and identify the best answer. It's about separating truth from falsehood, assessing strengths and weaknesses in order to find one best conclusion.

Lateral Thinking is about identifying opportunities from various sources and then using appropriate methods to create unique and original solutions.

Let's first take a closer view at Critical Thinking.

Critical Thinking is about the analysis of facts to form a judgment, to get to the one decision point.

We constantly apply this analytical process in business. We look at data, information, context, evaluate it, and then select the best decision to act upon. In banking, we use deductive and inductive reasoning methods. To do this well, it is essential that the evaluation is factual and unbiased.

Influencing Financial Behaviour

By Julia Chong

Tipping the scales for values-based banking takes more than just a plan.

FOOD FINANCING: WHY CREDIT IN THE HANDS OF FARMERS UPLIFTS US ALL

By Dr Amanda Salter

Banking's role in bridging the food-insecurity gap.

Hunger is now officially a weapon of war, on par with money laundering and terrorism financing.

The World Food Programme, awarded the 2020 Nobel Peace Prize for being "a driving force in efforts to prevent the use of hunger as a weapon of war and conflict", is fighting a dramatic rise in hunger due to violent conflict and the Covid-19 pandemic. Food insecurity impacts society at every level. Vulnerable households face malnutrition and loss of income. Businesses face supply chain issues. Countries face food price inflation, reduction in economic output, and long-term consequences of dealing with poor health.

For this reason, the United Nations has set a goal to end hunger and all forms of malnutrition, that all people may achieve food security by 2030. Currently, the world is not on track to meet this, but this can change if financial institutions collectively mobilise the capital at their disposal in favour of food security.

SMALL IS BEAUTIFUL

The British economist EF Schumacher espoused in his book, *Small Is Beautiful: A Study of Economics as if People Mattered,* that championing small, appropriate technologies which directly empower people, has a greater multiplier effect than investments in "bigger is better" conglomerates or what he calls 'gigantism'. This principle is also the foundation for modern economic strategies such as CK Pralahad's Bottom of the Pyramid.

The key to resolving food insecurity

MANY MARKETS, ONE COMMON LANGUAGE

By Julia Chong

Getting to a harmonised taxonomy in sustainable finance.

The sustainable finance landscape lit up in 2020.

According to research house *Morningstar*, assets under management in economic, social, and governance (ESG) funds leapt 29% to hit a record of nearly USD1.7 trillion in 2020. *Reuters* also reports that throughout the Covid-19 pandemic, ESG assets were a bright spot that bucked the capital flight trend into passive products as investors sought resilient investments that will perform better over time. Coupled with the global push to achieve the Paris Agreement climate targets, the creation of a common taxonomy for sustainable finance has gained renewed traction.

MORE THAN A DICTIONARY

A taxonomy for sustainable finance is a comprehensive classification that defines whether or not an economic activity is environmentally sustainable. In the coming years, work in this sphere will be increasingly crucial for global investors, financial institutions, companies, and issuers in order to delineate between green (compliant), light green (transitioning), and brown (incompatible) activities.

+ Such taxonomies are a necessary step to

Accelerate the flow of private capital toward climate-friendly investments;

Reorient existing capital flows and transition to a low-carbon economy;

Enhance investor confidence and awareness of the environmental impact of products or services;

Track and measure the flow of sustainable finance;

Inform future policies, such as inventive setting; and

Eliminate greenwashing.