# EP 3: RETOOLING THE BANK FOR SUSTAINABLE LENDING WITH FUTURE-PROOF TALENT

## AUDIO TRANSCRIPT

**Introduction**
**0:01**
This is Inside the Heart of Change brought to you by Accenture. Let there be change.

**Seetal**
**0:09**
Good to have you join us on Inside the Heart of Change a podcast series brought to you by Accenture. Let there be change, as we say. My name is Seetal and today we're about to look at that change in the context of banks, but a bit of a context first. In the wake of the COVID 19 crisis, banks are under immense pressure to play their part in addressing today's environmental and social concerns. As countries around the world strengthen their efforts to address climate change and build sustainable economies that work for everyone, the impetus is starting to build for sustainable lending. One prominent study indicated that sustainable linked lending, skyrocketed from 5 billion US dollars in 2017 to 120 billion in 2020. Now, that was pre pandemic, and sustainability has only got more important to organizations in the last couple of years. On this episode of Inside the Heart of Change, we examine how banking institutions can reimagine sustainable lending practices by transforming their lending value chains, building ESG data platforms, and rescaling lending practice teams. Our guests on the show today are thought leaders in this domain. We're joined by Shridhar Rajagopalan, managing director, lead Accenture Song and sustainability for Advanced Technology Centres in India or ADCI. Rajeev Nair is managing director and Lead Industrial Networks at ADCI. And Kamran Khan is Managing Director and Head of ESG for Deutsche Bank in Asia Pacific. So that is who we have a perspective on this podcast. First up, what is sustainable lending? What is driving the sustainable lending trend in the field of banking, Kamran Khan believes it is driven by customers who expect responsible behavior from organizations and by investors who wish to be associated with better practices.

**Kamran Khan**
**2:05**
It's not about banking, it's not about government leaders, it is about people like you and me and your audience, right. So, what the biggest driver for change is people demanding that the product and services that they utilize are prepared and offered by organizations that have responsible behaviour as a key priority. So, you can look at apparel companies from you know, Adidas to Nike and so on young people in particular. If they find out that the shirt that they're wearing was prepared through, you know, less than

ideal, or, you know, working environments for workers, they wouldn't buy that, right? So, companies know where their customer is, where the consumer is, and the consumer is decisively moving towards this ESG path. And so, if a company knows that for it to survive commercially, it must be viewed as sustainable and then there are a lot of watchdogs, you know, social media, all kinds of experts looking at it. So, they move in started, as you know, mostly from Europe from an investor side and it started off with people saying, investor saying, not with my money, will you do this and that. It is now much more of a forward-leaning, not a defensive but a forward leaning movement where you say, do this, do more of this if you follow my drift. So that's what's driving, and in Europe, of course, the regulator's picked it up. And now, as we are seeing around the world, particularly in Asia, most of the jurisdictions are looking at it. So regulators everywhere are now very actively trying to figure out how to calibrate, how to ask and how much to ask, and at what speed. So, this is, this is a process that is ongoing, but the driver fundamentally is still the consumer.

**Seetal**
**4:08**
Rajeev Nair of Accenture says sustainability has become a flashpoint in today's business environment, especially for financial services.

**Rajeev Nair**
**4:17**
I would rather say that the sustainability is not just a focal point today, it has become a flashpoint across industries and as you rightly said, every industry has a colour of sustainability. So, it's not just green, you will see all shades of colours coming up in sustainability. And if you zoom on to financial services, particularly into the banking, you could see Hierarchy of Needs coming up from this system, right. You'll see an ecology, the business comes up there and then you know, the entire financial services is actually providing a financial supply chain for the business to survive. So if we read from that lens and layering of the businesses today, I think the expectation over there, from the financial services industry is to act as a steward to drive the sustainability chain across industries. It's very interesting to see why so, because traditionally, all the industries today are running in a specific model with a heavy lineage towards the fossil fuels and our traditional energy segments, right, which has created all this, you know, crisis at this point of time and a flashpoint. Now, when we look at financial services for sustainability, the one part is, how do we finance the new green initiatives, right, being a green house in the sense of being mortgages, or could be green businesses, the alternate energy industries, many things. This is all about Net New, but at the same time, we cannot forego and erase the old in one time, right? So there's a huge transition required from our existing businesses to the new. And the whole world is looking at financial services as the source of investment coming through, this is a very balancing act, right. To, to support the business with investments coming from the market and that is not just the money flow from A to B, it is as well as seeing, do you have the right talent, as you mentioned? We have the right system to do that, we have the right evidences which will establish the return of investment as flowing through this, right. So, it's a it's a complex, you know, bridge, I would say, connecting the old to the new and helping the transition through the inner financial support.

**Seetal**
**6:21**
Shridhar Rajagopalan of Accenture explains how sustainable lending is driving changes at the industry, and even institutional level.

**Shridhar Rajagopalan**
**6:30**
When I look at sustainable lending, it is almost like sustainable investing, which means that when you look at environmental, social and governance considerations, they will always play a central role in making the credit decisions. When we also look at sustainability linked loans, they will typically focus on giving the borrowers incentives to meet the ESG performance criteria. Obviously, when I look at the conditions of these loans, they are always tied to achieving the ESG metrics. So, for example, the carbon emission of the workforce or you know, how diverse is your board and whatnot. When I look at banks, they seem to be now having greater responsibility in addressing the today's environmental and social concerns. I think that four forces that are coming together, one is coming from regulators, then the

investors, customers and then finally, the banks themselves. Regulators are, obviously, they are focusing on disclosure of sustainability and ESG policies. They're looking at, including loans to projects and organizations that have recorded high green, greenhouse gas emissions, they're looking at that. Investors are looking at scrutinizing how banks are addressing issues that are related to climate changes, diversity, and also the loan books, looking at loan books, if they have taken into account the ESG considerations. Customers are looking at banks that are actually doing the right things, and when I look at the leading banks, they are definitely looking at this as an opportunity to strengthen the public trust. So yeah, I think sustainable lending by itself is taking different meaning based on how the forces are driving, driving this business.

**Seetal**
**8:10**
According to a 2021 report by BankTrack, 50 of the 60 banks it analyzed worldwide were classified as laggards in terms of sustainable financing. But why is this the case? What could be the reason for this hesitance that we see in the adoption of sustainable financing by banks across the world? Kamran says it's partly due to the role that banking has in the global market. But that does not mean that banks are shirking their responsibility, on the contrary, they are making significant strides in the area.

**Kamran Khan**
**8:43**
We have to understand, the function that banks play in the marketplace. Banks don't create movements; banks respond to movements. So, banks can’t generate more sustainable finance than what is demanded by the marketplace, from their clients. So at the end of the day, it's the clients, comes to you and says, you know, if you're a shoe manufacturer, and nobody shows up to buying leather shoes, because they're all wearing, you know, cloth sneakers, and you say, Well, why are we not selling more leather shoes? you say, well, I don't have enough people coming, I'm trying my best to convince them that leather is more durable, better, and so on and so forth. So, there's a little bit of that playing out in terms of, when you see a lag between where the market is and where the sentiment of public is and where banks are, because it's it takes a while for that to catch up. Now, having said that, I don't think banks can be entirely excused to say, hey, it's not my problem. You know, when they come ask me for it, I'll give it to them. Right? We do have a role to play and we, a go to bank take that role very, very seriously. We have a role to play in that, we beyond being a service provider are also an organization. So, how are we looking after our own affairs? And on that front, you know, we've been net zero for quite some time, which is easy to do for a bank, because we don't really, you know, manufacture anything, but we do all the things that we need to do to manage our footprint as an organization. The second thing we do is, we set very high standards for ourselves in terms of what we consider to be sustainable or ESG compliant. So we have our own ESG taxonomy, which is tied very closely to the European EU ESG taxonomy. And we have a very, very, I would say, robust control system in place to make sure that we adhere to our own standards, regardless of where our transaction takes place. Third thing we do is, we, as we pivot towards sustainable practices as a bank, and try to shift our portfolios towards sustainable financing, it is important for us to try to take our clients with us, right? So this is where I said, we do have a responsibility, we do need to incentivize them, either with know-how and, and technical information and advisory services or with more convenient financing packages that make sense for them in the complex environment in which our clients are demanding sustainable finance. The shift is afoot very, very fast. Just to give you an example, when we launched our ESG commitments in 2020, we set a target for X 100 billion dollars by such and such time, we have to move it by, move it back in terms of timeline. So we, what we said we will do in 2025, we have finished doing in 2023 and now we're going forward with another set of targets, which I'm sure we will again exceed, and we're not the only bank that's doing that, I must say.

**Seetal**
**12:01**
Rajeev believes that banking institutions have to make more efforts to be aligned as organizations from top to bottom with their sustainability goals.

**Rajeev Nair**
**12:10**
I think the fundamental part to it is that, today, this is more of a, you know, internal top versus bottom disconnect if I put it, right. So if you talk to some of the banking functionaries, which we have been doing consistently with our clients, right, the point here is that there are ESG linked metrics at the top of the harvest, right. We talked about, you know, you've take any of the SDG goals on the how much of funding we have given to certain minority segments, or you look at what is your energy consumption, how many, many industries you're supporting, to transition from the green, these are the top level metrics available in the form. But if you look at the commercial account managers, and the real engine of the banks who actually make this business live, we don't see much of penetration of translated KPIs getting to that level. There need to be an incentive to actually move to the new, okay. Today, if you look at a data, you will find that between the Paris Agreement and today, the banks have actually financed more than $13 trillion to the fossil fuel industries, because that's the core of their book of accounts, right? How do you bring this exposure down is a big part. So the point number one is about the internal top versus the bottom disconnect. Parties to see, you know, we typically see right, we've failed to see the forest when we walk through that, right, we see the trees, and that exactly is happening. And that's what I want to call as sustainability still as an overlay, not an embedded initiative, right? So I'll give an example here. Now, you look at mortgage, green mortgage feeds, right. I mean, this is about, you know, specifically European clients, we see that there is a lot of traction and attention and focus around the green mortgages over there. Now, you could think about different ways of encouraging, right, there could be a different pricing mechanism for it, right? Or, or you may even say that, you could actually look at, you know, what we call as a green glowing, right, you partner with some of the firms to help them to build new houses in a very greener way. They need to face some of the challenges over there to embed into their value chain, that's number two. The third part is about, there are huge product promises, but it is running full low, which is connected to the previous point I am telling right. Unless you embed the sustainability to the value chain to it, you don't really see that impact, it becomes a reporting activity. For that, there are a lot of changes required in their data flow, the systems, the integration, the talent. The last one is very important, that I say that this data is more about the core of sustainability, because if you can’t measure it, then you're not going to progress on that. And today, there is no means to measure it, we hear a lot about the green washing there, the same data can come with different colours from different sources, right, and this is a four challenge the banks are facing.

**Seetal**
**14:51**
While it is true that consumer demand will drive much of the change, the regulatory aspect also matters. So, what changes are afoot in the regulatory domain then, Shridhar explains the sustainable lending regulations that are driving this transformation for banks and Kamran explains how banks are approaching this aspect.

**Shridhar Rajagopalan**
**15:11**
When we look at directions, I would say there are three different directions that are coming in. The first one is getting directly built into the banking laws and regulations itself. For example, if you look at the recent European banking authorities, that is specifying that, banks in the European Union should be publishing what is called as green asset ratio and this should be published from next year itself. What this will do is, it will enable the investors to easily compare bank side by side in terms of how climate friendly their loans are, how the advances in debt securities appear on the balance sheet as a proportion of their total assets, so they will be able to compare it side by side. Secondly, the banking clients will be subject to increasing stricter industry specific regulations, so that's going to become quite strong. And when I look at European Union's corporate sustainability reporting directive, that's actually making the union very close to its goal of attaching the same weight and importance to the sustainable reporting, as it attaches to the financial reporting itself. Finally, when I look at the public incentives that will drive the new demand for sustainable lending. So I think these are the broad level regulatory changes that I see coming in, in this industry.

**Kamran Khan**
**16:30**
You know, as a global European bank, we are very closely tied to EU regulations, and so the, when the European bank has a requirement, most of these are starting off with disclosures. So, they want to know, first, disclose, what are you doing in terms of your own portfolio? So, this concept of how many, you know, what your emissions finance number is, for a year. You know, if you look at the total amount of emissions that were spewed out into the world, in this year, when you look at your portfolio, how much of your portfolio contributed to those emissions? And what are you doing to bring that number down? So that immediately, as you can imagine, requires us to do two things, one, engage with clients who are emitting these GHG emissions, work with them to figure out how can we help them curb that, going forward, because they are our client, it is our responsibility to advise them and help them to make that transition. And then second, while we are helping the existing clients and existing engagements, we need to make sure that anything new we're signing up, is going to be a lot better than what we may have signed up five years ago. So, it's both ways. Looking back and looking forward, how do we as a bank, adjust to the realities and, and last but not least, in case it doesn't come up in this conversation, they are regulators, their clients, what we often forget, and I tried to remind people outside the bank and inside the bank is that, everything that we are doing everything, that we want to do, all the commitments we make, are also by no small measure a reflection of our own people. When we come to work, we want to come to work for a bank that is seen as a leader in sustainability and leader in shaping the future of the world. And again, young people come to me all the time with those views and now not just young, but everybody across the board in our organization is very, very committed, we want to be that kind of bank. And therefore, you know, sometimes we have to take some risks to say, okay to be that kind of bank, you got to make a commitment and then stick with it. And over the last, I would say three years, we have done a fantastic job of sticking to our commitments.

**Seetal**
**19:03**
Kamran also tells us that there are several benefits for banks in financing the sustainable transformation of their commercial client ecosystems.

**Kamran Khan**
**19:11**
It helps in many different ways. So first and foremost, when I'm talking to our clients, so let's say C-suite, you know, CFO or whoever. I usually say that if you're looking at your sustainability strategy, and by looking at it, you can tell how that makes you a better company, how that strategy is a creative to the valuation of your company, how it gives you more transparency, you can see all those things. Chances are, you're reading a public relations document, not a sustainability strategy, okay, so that's our entire frame of mind when we set up the centre of excellence. This is not about just public relations or checking some box, it's about saying, here's the commercial strategy of a client, how can we put ESG in it, in a manner that distinguishes this company from its competitors, makes this company more attractive to its customers, and makes it a more, you know, a place to work that its employees can be more proud of, right? These are the ingredients a proper ESG advisory service should incorporate. Now, imagine if that's my strategy for every client, as a bank, I am going to get a lot more business coming my way, because every client is trying to achieve this, which is how do I do well, or do good and do well, at the same time, right? It's not a cliche, it's a reality of this time. It is possible, and we're seeing it happen everywhere and that's why I say it's a brilliant time to be alive because in this time, you can do these two things. In the past, you know, you had to be a Mother Teresa to do good and then you had to be a Wall Street investment banker to do well, in terms of extremes, but now we have opportunities for young and old, to do both at the same time. And it's a, it's, I think, a brilliant opportunity for the world. So that's how we look at this, you know, the question you asked, why would a bank do it from a commercial perspective? Because, by doing that, you're helping your client, you're creating value for them, and you create value for them, it creates value for us, right. And from our

perspective, we've believed very strongly as I mentioned that, we have our own commercial strategy, which is being used to transform Deutsche Bank over the last three, four years, I would say two, three years and it's going very well. It has four pillars, one of them is sustainability and why is that? Because we believe that, for us to be a leader in the future, we need to be a leader in this space. So, if you're not premier ESU bank in years to come, chances are, that bank that is not a premiere ESU bank will probably not be a premier anything bank. Right? So it's a clear driver of, for commercial aspiration, it's a driver for recruitment. Do we want to attract the smartest people, the most energetic people in the world to come and work here? Well, they will come if we are seen as the most forward-looking bank in this space.

**Production Element**
**22:34**
Vision, innovation, drive and progress, find out what goes on Inside the Heart of Change brought to you by Accenture.

**Seetal**
**22:45**
Now, no matter what banks and financial institutions say, at the end of the day, the consumer is bound to ask what's in it for me? So, what are the green lending products that banks can offer? And what are their merits for the end consumer?

**Shridhar Rajagopalan**
**23:00**
I think all the products that start with green would fall in this category, for that, for example, the first one which I see is green mortgage, that's actually offering the house owners a discount on the mortgage rate. If your house actually meets the specific energy standards, then you will see something like sustainable, sustainability linked loans or revolving credit facilities. And if you're a borrower, you will get a discounted interest rate. If you meet your ESG goals or the benchmarks, then you have green loans that's going to be promoting greener economy, it will facilitate investments in renewable energy, green building, sustainable farming and whatnot. And finally, if you look at the area of supply chain itself, I see that you will see products like sustainability linked Supply Chain Finance, that's going to give suppliers preferential rates, if they meet all the sustainability linked metrics. So green metrics, I think these are two things which are going to be driving the product and the behaviour.

**Kamran Khan**
**24:00**
I think the simplest way to think about this, is that this sustainability movement or the ESG ideas are now penetrating every single financial services product that you can think of, and we're active on almost all of them, even in Asia in a very, very significant way. So first, you have the capital market products, you know, green bonds, SDG bonds, sustainably linked bonds, so all kinds of bonds. The second is all kinds of loans, so ESG linked loans, direct, you know, bilateral loans, syndicated loans, a whole host of different structures, they're increasingly, we have been very, very active because of the DNA of this bank in ESG linked derivatives and synthetics. So very, very fast growing market, then, you have in terms of loans, supply chain financing. So, this concept of sustainable supply chains that requires funding element to track whether something is actually happening or not. Increasingly, we're now starting to see ESG showing up in M&A transactions. So, you know, if you are going to acquire a company, and you hire a bank, to help you acquire that company, and that bank fails to look at the ESG profile of the target company, they have probably breached a very important fiduciary responsibility, because the ESG profile of the target could end up becoming a huge cost for the acquiring company, right. So, it has to be part of the due diligence of the acquisition, we're now starting to see ESG contingent acquisition trades, where you say, I will pay you this price, if you can meet these metric in the next couple of years and I'll pay you less than that if you don't. So this is really getting involved with, and I don't want to get too technical, but you know, there was a, SPAC is a instrument in the market that started in New York in the US and is now sort of also coming to Asia, it goes up and down. We're now starting to see SPACs that are focused on sustainable business that, I mean, the last time I checked, there were about 30 SPACs around the world that focused on nothing other than sustainable businesses. The limit is imagination and commitment.

**Seetal**
**26:36**
In light of such changes, it has now become imperative for banks to retool themselves for sustainable lending.

**Shridhar Rajagopalan**
**26:44**
So, if I look at banks today, most of the banks today, they are yet to take the full advantage of the opportunities that the sustainable lending offers, it is a huge opportunity that lies in front of them. The leaders themselves are preparing for the search in the sustainable lending area by adjusting the lending process itself. So, for example, they are looking at how do I re-skill, my practice employees? How can I transform my lending value chain? And how can I build a strong data and analytics platform that can take in all the data that is really required and analyze the ESG data at scale. So, for example, recently, I've been working for a bank, a European German bank that I've been working for, and this bank actually attributes great importance to digitization and use of AI, CloudStack in the development and implementation of sustainable strategies and we are really helping the bank in their mission by digitizing their business process and also modernizing their, some of these products using cloud platforms. And the bank is really focusing on some of these sustainability commitments like carbon emission energy savings, and also the paperless banking. So, in some ways, the lending process, the reskilling of people, the, the technologies associated with that, the platform's associated with that, that's all coming together, broadly, when I see a leading bank taking a position in this area.

**Kamran Khan**
**28:10**
The banks are very good at tracking financial data very well. Now, you have to also track their non-financial performance, so are you still doing as well on scope two or scope three emissions, as you were doing last year? Are, you know, are you following the right pattern? Are you going the wrong way, right? So, tracking that is going to become quite important and so they, this data would be available from third parties, some will come from clients, but at the end of the day, the bank has to be able to grasp that data, process it internally, do the analytics for its own use, and for its communication with its client and then increasingly for communication with its regulators who are going to ask such questions as well. So that's a, I would say a very important element of this.

**Speaker 2**
**29:06**
Another aspect of banking that has been transformed is the lending value chain. Kamran believes the entire banking industry is transitioning towards sustainable practices, that's because the clients are asking for it and banks play a key role in pivoting towards sustainability.

**Kamran Khan**
**29:22**
The entire banking industry is being, is transitioning towards sustainable practices and incorporating sustainable lending practices in their, in their business because their clients are asking for it. And as I mentioned, a key role that the banks play is to help the clients make that pivot. So, if you just say, I'm just a bank of a window, come to me, tell me what you want, I'll give it to you, that's not good enough. You got to be able to go out there and say, I see you, Mr. client, I see what you're doing, I see what you have committed to do. I see where you are ahead of your competitors and I see where you're not and I'm here to help you bridge that gap and make you more competitive. That’s the role but that requires expertise, right? It's not something you can copy and paste, you need to know sustainability two- three layers deeper than frankly, the traditional banker that we used to know. So that's about, then hiring the right talent, training them, and then training the rest of the bankers to understand what are the ins and outs of sustainable finance. They don't have to be global experts and that, but they do need to understand. So just like pure bond salesperson, you don't need to be a macro economics expert, but you do need to know the products you're selling, you do need to understand how they're used, you do need to be able to say, this looks like a good quality product and this looks like not so good. Right? So those are the kinds of things that banks will have to find a way to teach their staff.

**Seetal**
**31:03**
With ESG receiving growing importance, setting up the ESG data platform is crucial. But there are complexities that need to be navigated when collecting and ingesting ESG data. Rajeev and Kamran, explained that a lot of effort goes into curating, standardizing and integrating this data, which comes from multiple sources.

**Rajeev Nair**
**31:23**
This has created close four data okay, let me put it that way. I mean, the carbon data, as we talked about, is absolutely frustrated by two issues. One, the availability and reliability of the data is very important and that's the point of breakage or slipping into greenwashing, right. You don't know whether the next client, a corporate institutional client coming in is the right Sustainability Index, from one source is the right source to do that, right. So, availability and reliability of the data is the first part. The second important piece of it is, how are you ingesting and integrating that data to your entire value chain? So today, what is happening there are a lot of triangulation is happening on this data, which means that load of data bureaus and providers are giving different colours of this data and there are mechanisms to triangulate and see that, what is out of range and what would be the right of median, or normalized data, which I could actually take into my system. A lot of effort are going to curate this data from multiple sources coming up. And one important thing is about the data standards itself, because we are all talking about exchanging data. So, if we don't have a commonality, or a standards around this data, then you need to get down to translating these data standards also to, to make it compatible to your system, so that's a big piece of challenge today. The second piece is about ingesting it, and this is very deep rooted in the bank system. And why I'm telling it because, if you go to any large banks today, you will, you will see at least 2000 plus different application based on whether you are counting the core application versus end-user applications, but these ESG data need to be deeply penetrated everywhere. Look at Relationship Manager database, right, today, you have a demographic details of this, the, which business they are in, what is their portfolio, what exposure we have. Even if we talk about a single view for customer in, you know, in certain universal banks, with presence over 100 countries, it is very difficult to bring this data of their customers at ESG data to relationship manager, at just a case in point. Servicing is another, right? Collections is another, so, so many system assume 2000 different system record another 10 or 20 data points at the minimal scale, to bring it to their system. And not just bring it to the system, how do we actually bring it to the process so that you use the data to give a better pricing and automated renewals for their loans right, or to integrate with a third-party partner to bring in a better green products for them. So, I think the integration is one challenge, availability and reliability of data is the next challenge. That's how the ESG platform part is, is focusing at this time.

**Kamran Khan**
**33:53**
First and foremost, which data is a big question? So if, if you are a company and you're reporting some data related to sustainability of your business, I as an expert can probably look at it and in a very short period of time, I will know whether you're tracking the right thing, or are you just making it look like you're doing a lot but you're really not tracking what is at the heart of the sustainability of your business? So, it has to be credible metric that you're tracking. So, what are you Tracking is, I would say, the most fundamental question where we as bankers spend a lot of time when we are advising clients, because we want them to look credible in the marketplace, in the eyes of the experts and other observers, right. Not to mention, uphold our own standards, so that's the first part. Are you tracking the right thing? Second part is, do we have a system in place to track it in an automated way, rather than manually? You can have, you know, Excel sheets all over the place, because then the integrity of the data becomes sort of questionable. Third, do you have a verification system in place? So if you're doing a public transaction in which you make a commitment to meet certain KPIs and, and targets associated with them, it is almost becoming now a default situation where you are going to have an external verifier, who will look at that data and say, yes, you are indeed doing this or not doing this. It's not an audit function,

but it's a verification function. And then it comes to a bank, for example, that had lent the money. So let's say you get a verified report and the report says something that you didn't expect to see, something negative. What are you going to do now? It, usually what you want to do is, you put in place a penalty already when you structure the transaction so that if some bad news comes, there's a cost to the company and we increasingly now are looking at, if there's an additional costs that is charged to a company because they did not meet their obligations.

**Seetal**
**36:07**
One of the major barriers that banks face in driving their sustainable lending strategies is a lack of the knowledge and skills needed by their lending practices to support the new product. Rajeev, Shridhar and Kamran explain how banks can prepare their workforce.

**Shridhar Rajagopalan**
**36:23**
I think specifically, when I look at the situation post COVID, the, the future ways of working, which is gonna be hybrid ways of working, I expect three things that, you know, if I'm someone who's joining the industry now, I think there are three expectations from the industry. One is I need to have tech knowledge, second, I need to come with a basic industry area to which I get aligned to in this case, banking, and finally, a DNA which is sustainable DNA. I think more more than anything else, it's also about the mindset, which is about do I have the right level of learning mindset. Specific to sustainability, I think there are three different facets that I see. The first part is, the journey starts with ‘I’, which means do I, do I exhibit the right level of sustainable behaviour? Which means that at any point of time, I'm responsible, and I'm adaptive to what the needs of the business are, and my daily responsibilities to my colleagues in the organization, to my clients, as well as to the larger community at large, so that's one part. Second part is about ‘we’ where, how do I really make best use of the, the knowledge that I've acquired in technology industry, and create sustainable platforms and solutions for my clients, for them to meet their ESG goals, respective ESG codes. So that's the second part where I work with the clients to make that happen. And the third part is picking up an area, could be anything, could be related to biodiversity, could be related to education, could be related to any of the corporate social responsibility area, where in my small, meaningful way, I'm able to make the right level of contributions and make sure that in some ways giving back to the society in this area.

**Rajeev Nair**
**38:10**
This is the most important part, but I strongly believe that without talent, nothing works, right. I mean, whatever we talk about technology, systems, business, all around is talent based. Now, let's look at like this, I think the data says that, in next five years, next five years, we are going to see the 50% of revenue will be created from those lines which are not existing today. And this is proof that when you look back, the last five years, the intensity of sustainability was not like this, the intensity of this we saw the energy crisis, the health crisis, the economic crisis was not like that. So, some of the new business which has come out is on non-existing model today. So always, we need to continuously learn and cross that curve to create the new talent. Sustainability is absolutely on,on that topic and there are evidences to that, right, and we have been talking to some of the bankers. I think one of the challenges for them today when they underwrite a large credit proposal on new energy industry is that, they don't have enough talent to know that whether this proposal is right, assumptions are realistic, technologies are matured. The bankers and underwriters are not able to gauge this today, the traditional industry they can do, so what do they do? I think that's where the collaborative success of the community comes in and that's where we have to create a knowledge pool for that, right? And there are example like, you know, just to code example and this is a public data that networks right? They first showed this with a climate hub, which brings together a range of products or services, the partners, the specialists, all coming together and that brings more customer insights to it, right? So the climate hub NatWest, identify that the middle market, which I'm talking about the small, medium commercial clients, they are absolutely climate unaware, right, and they are difficult to move them to the next layer. So, this sort of a

consortium with the partners right will definitely help them to educate themselves and to their partners and their customers together. The large collaborative part is coming. The same on the, on the training side, right, even if you look at training the banks own workforce and Standard Chartered is talking about a modular approach right, to train through their Global Learning Hub, which they call as discover lap, which, which launched a couple of years back. And that is actually bringing learning modules on sustainable finance and sidebar. You know, we are talking about responsible growth, so responsible growth is about a community balancing. Ee are talking about privacy, security, many things are embedded into it, right. So they can update their skills, develop the new skills, and aim to train, to upskill around 8000 employees by, by the CEO, right. So, there are concerted efforts by so called leaders to bring the talent to the centre and this is going to be the make or break for anybody to succeed in sustainability.

**Kamran Khan**
**40:52**
Yeah, it's a big challenge. It's, it's a big challenge for not just banks, but for the whole economy, right. So, people like me, who grew up in development finance with the World Bank and US Agency for International Development, and, you know, organizations like that, but it was a very small set of people in the world who did that. Now, the, that skill set needs to be applied to a very different industry. So the trick is, you either take a banker or financial services person and teach them sustainability, or you take a sustainability expert, and teach them financial services. Both are quite difficult to do, especially at mid-career, and so on. And because these things are not some things you can just learn in a workshop or a course, you have to learn on the job, you have to do these transactions to actually learn, right. So, I think it's going to take some time and that's why I said it's, you have to have some expertise, but then you also have to have a system in place for training your current bankers. I increasingly have come down to focusing a lot more on young people. So instead of adding sustainability to a banker, and, or banking to a sustainability person, I would rather take a young person and train them to be sustainability banker, to start with. And so, we are quite active on that. So here in Singapore, we have launched Deutsche Bank ESG fellowships for MBA students who are now coming and sitting with us while they're in school on a part time basis. They enter their program as ESG fellows and Deutsche Bank ESG fellows, and then they come and work here on live transactions with us. And, you know, this is our contribution to building a skill set. And we just need to do that at a much higher scale than what we have. But this model is working so we'll see how, whether we can scale that and this would certainly be very good for talent acquisition going forward, because these people will have more experience on ESG transactions than many mid career or even senior bankers on the street today, within literally a year or so.

**Seetal**
**43:09**
Now, the pandemic, as we are aware, has put digital at the top of the to do list of every CEO in every industry. Now this has disrupted the supply chain for banks most critical asset, talent. There has been talk in some quarters that the appeal of banks as first choice employers of all kinds of talent has gone down in recent times. Kamran doesn't agree with that point of view and makes a great case that digitization is improving things in banking, making it more equitable.

**Kamran Khan**
**43:38**
I think it will depend upon what banks do and how much they step up. If they're seen as the as the industry that is shaping the future of the world, you can be sure that young people and old people and you know everybody will continue to come. But if they're seen as sort of waiting back to see you know how things shape up, then you will have people still coming to these banks, but they'll just come because they want to make more money or whatever, you know, different drivers. I think the, I can tell you from as of now, certainly in my space, in the ESG world we have tremendous interest from young people. Like if I advertised the job, I would get many, many, many more hits than anybody else advertising for a normal banking job. And I think that people who want to have impact in the world, they can obviously go to tech company, but if they want to have sustainability impact, you know, banks are still a very, very important place

to be, to be able to learn and to be able to influence change. I'm very impressed with the younger generation and the tools and sensibilities that they bring to the table and there's no reason why we need to travel as much as we used to.

**Seetal**
**44:56**
Accenture is playing a significant role in helping banks prepare for sustainable lending. Rajeev and Shridhar explain that creating a sustainable future with impactful livelihoods is a key goal for Accenture as they create client value. From net zero to sustainable value chains, products and resources, Accenture's focus on sustainability by design is a core strength as it helps shape the future of banking,

**Shridhar Rajagopalan**
**45:56**
We are looking at, how do we leverage our 360-degree technology and human ingenuity led partnerships with our clients, people and communities to create a sustainable livelihood or sustainable future with impactful livelihood. I think that's the broader mission statement that I, that I see, when we look at this, I think there are a couple of things, couple of forces that come into picture. The first one is about sustainability by design, which is ensuring that we are empowering our people to embrace sustainability in the DNA and they are able to apply it to their works and lives and create the lasting client impact. So, the data itself becomes quite important. And second is become a company which can actually demonstrate it so that what we speak is what we do, as well. So to that extent, as a company, we ensure that we have the right building blocks, our own path to Net Zero future of work ethics and compliance, gender equality, all those of those blocks, we really focus on that. And with that, the key question is, how do we really apply that to the bank, and ensure that we create the right level of client value? So to that extent, what we have done in Accenture is, focused on specific sustainable service offerings, whether it is related to Net Zero transitions, or it's around the sustainable value chain and the products associated with that. The impact of technology, both in terms of usage of technology, leading to concerns and sustainable technology, where technology is used to solve the problems itself, measurement analytics and performance becomes quite important with respect to, not only the regulations and regulatory bodies, but also about what insights do you draw to do the right things. The leadership and organization and finally, about, as a brand, what do you communicate to the outside world? So, I think when we look at our clients, these are the six areas they typically focus on, banks focus a lot on these areas as well. And we really look at a combination of our industry practices, our own consulting experiences, our own functional expertise around this area, as well as the technology expertise to ensure that we combine those elements, work with the clients in their ESG promise statement that they have made to the outside world, and leverage these offerings, people and assets that we have, and create the right value for them.

**Rajeev Nair**
**47:47**
We are a true sustainable partner, let me put it that way and it is not in works, right. We were talking about embedding sustainability, probably we have one of the firm with bolted sustainability, deep into the way we are working. And because we are doing an end to end services, right, it's not about a strategy, which is conceptually creating the business model for it, we are end to end partner who can actually bring the power of technology and human to it. We bring the power through our intelligent operations to run in a sustainable way, for you to run this process, right. And most importantly, in sustainability, the sustainable experience you create with the community, the customers, the stakeholders, the partners are all important and that's where Accenture Song will come in. So, this is a real package of sustainable partner for our clients, right? And what to do there, we've come up with as a responsible company part which I talked about. We have sustainable services, you know, right from the strategy consulting to tech ops and we talked about Song there, right. And everything we design, whether it is a business model or to technology, now, we go deep into it with our investments in sustainability. As a case in point in technology, we are one of the founding members of Green Cloud Foundation and what does it mean? Whether you use a particular technology in, in

our technologies, technology in our technology services or any other technology you know, we need to be very valuative about the sustainability impact to the society. What we say that, an AI model today okay, the AI model today, development and testing of it can even consume the energy or emissions down by five cars across their lifetimes. So, we need to be very, very much aware about what we are going to create an impact with society and this is the deeply ingrained into our engagements.

**Seetal**
**49:26**
And that brings us to the end of this episode of Inside the Heart of Change on retooling the bank for sustainable lending with future proofed talent. In order to shape a fairer, greener, more resilient world through sustainable lending, leaders in the banking sector must forge a bold, sustainable agenda that will equip their organizations with the knowledge and skills in lending practices that will help them thrive in the future. Many thanks to our guests Rajeev Nair and Shridhar Rajagopalan of Accenture and Kamran Khan of Deutsche Bank, and I'll be seeing you soon in the next episode of Inside the Heart of Change.

**Production Element**
**50:02**
This is Inside the Heart of Change brought to you by Accenture.