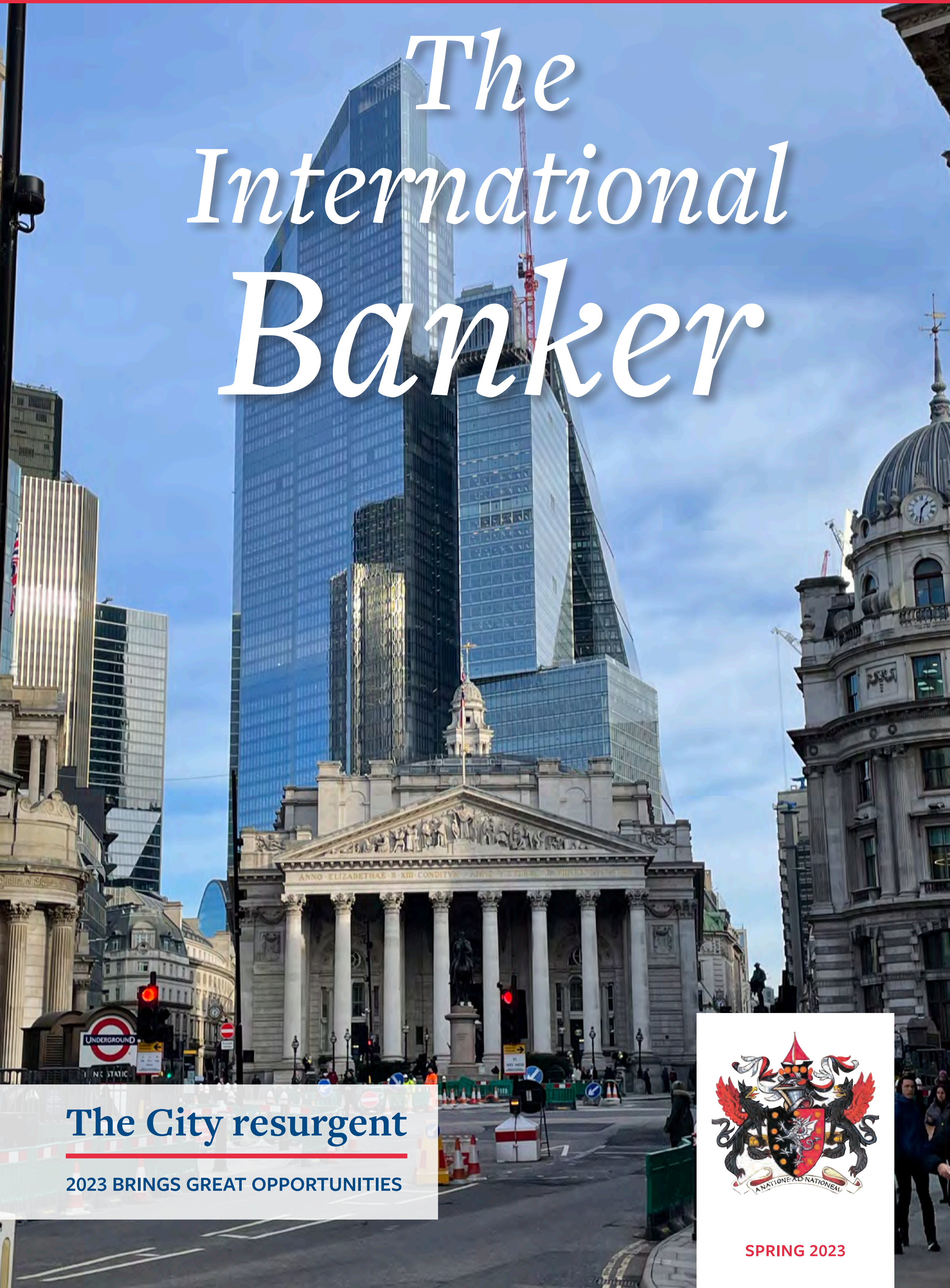
THE MAGAZINE OF THE WORSHIPFUL COMPANY OF INTERNATIONAL BANKERS

The International Banker



The City resurgent

2023 BRINGS GREAT OPPORTUNITIES

A NATIONE AD NATIONEM

SPRING 2023

SPRING 2023

The Worshipful Company Of International Bankers

From the Editor

Chris Hayward, Chair of the Policy Committee at the City of London Corporation, was kind enough to introduce our first event of the year, a joint session on sustainable finance held with the Financial Services Group of Livery Companies and the Chartered Institute for Securities & Investment at Grant Thornton's City offices in the first full week of January. He brought a message of hope to the room packed with Masters and more, keen to hone their skills in climate change and sustainability, two of the key issues of our time.

This duo present significant financial risks to business and society, but importantly offer opportunities to lead the transition to a sustainable, low-carbon world, and at the same time to protect our all-important natural capital – the one world we have to live on (at least for now, until Elon Musk beams in from Mars). Britain's government launched its revised green and sustainable finance strategy just before Easter.

Deputy Hayward brought a message of hope for us. Our work, together, developing regulation and leading the wider debate on sustainability "form a massive effort to shift our global perception and make us the go-to place for sustainable finance. The City Corporation is working to facilitate this shift because we know that sustainable finance is one of the best tools available to policymakers in the urgent race to meet climate targets." Crucially, he said, given the present precarious economic climate, "we also understand that good growth and good regulation are two sides of the same coin. If we make sustainable finance an integral cog in the engine of our economic system, we will have more enduring, less harmful growth that is better for the bottom line and better for the planet.

And though the coming days, weeks, and months ahead will be immensely challenging, for it would be nothing short of naïve to think otherwise, 2023 is a great opportunity."

Opportunity abounds in this issue, from our Master's optimism that "2023 will be a year of bounce back and opportunity" to Honorary Member Michael Mainelli's exposition of the value of sustainability-linked performance bonds, to the hugely valuable work the Company funds to help those less economically fortunate in our midst. Seizing opportunities lies at the heart of the City's past, and future. One of our most senior members – see the middle of the magazine – saw the need for an ambulance in war-stricken Ukraine and grasped the opportunity to drive one there.

On a personal note, I felt hugely honoured and delighted when the Master presented me with the splendid Joseph King Memorial Trophy at the March Mansion House dinner. Huge thanks to Master and Court. And the answer to the question on most friends' lips? It comfortably holds a magnum.

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From the Master

"For last year's words belong to last year's language and next year's words await another voice" T.S. Eliot.

I bid you all a hearty welcome to 2023!

We continue to face serious economic, environmental, political and social challenges on all fronts, in the City of London, across the United Kingdom, and throughout the world. Yet despite it all, and renewed stress in the banking system, I am optimistic that 2023 will be a year of bounce back and opportunity. Perhaps it is the confidence and hope in the eyes of my four daughters that is lifting my spirits. Beyond my effervescent usual self!

I must confess that the ritual January opening of the "goodbusiness day finder" desktop calendar, and discarding the old into the recycling bin, was a most welcome task. Last year was an incredibly tough year to be in financial services, whatever your discipline. Interest rates leaping higher in response to stubborn inflation, geopolitical risk ratcheting up, persistent lingering impact from the pandemic, wild foreign exchange swings, a slew of awful natural disasters, and the misery of all asset classes closing the year down double digit percentage points (save for cash and commodities). Hooroo 2022!

Keeping the positive vibe going, I am happy to report that the state of The Worshipful Company of International Bankers, is strong.

The transition of Clerk to the stewardship of Carole Seawert has been seamless, a credit to both her energy and experience, and the organised handover of outgoing Clerk Nicholas Westgarth. I can confirm Carole and I are working hand in glove to manage the affairs of the Company to the best of our ability and to further its aims. Yes, that's right, I'm doing what I'm told!

I have put my best foot forward representing the Company across the City, with 50+ events already chalked up since being installed at Master on 6th October 2022. Our own excellent and varied events have included the FinTech presentation at the Estonian Embassy, International Bankers Golfing Society Dinner, Networking Drinks, WCIB Schools Awards, Festive Party at the Victorian Bath House, Sustainable Finance – "The World in 2023" panel (with the FSG, CISI & Grant Thornton) and Evensong and an Exclusive Private Tour of St Paul's Cathedral with a reception at the Chapter House. And of course our magnificent Annual Banquet on 15th March 2023, where we had a full house at Mansion House despite the travel chaos of a tube strike (more below). Further afield, it has been a privilege to attend so many events with other Livery Companies and to have the opportunity appreciate their unique histories and traditions.

Looking forward, an interesting and varied programme of events is being constantly developed to foster fellowship, promote the financial services profession, and expand the impact of our charitable work across the breadth and diversity of our Company.

First and foremost being a presentation with Q&A on the Digital transformation of financial services by the Head of Digital at Goldman Sachs, and talk with the author of the book Volt Rush on the race to going green. I am particularly happy to see the return of the WCIB Summer Garden at Middle Temple Hall and Gardens on Thursday 8th June, 2023. Please keep an eye on the monthly eUpdate, event schedule in the member area of the website, and ad hoc email shots from the Clerk.

The highlight of our year, the Annual Banquet at Mansion House, was a sell-out on Wednesday 15th March, 2023 – see photo on right, and more on the back cover. We were honoured to have The Rt. Hon. The Lord Mayor Alderman

Nicholas Lyons as principal guest and keynote speaker. His outstanding career as an International Banker at Morgan Guaranty Trust, Solomon Bros. and Lehman Bros., subsequent Insurance career including Chairmanship of FTSE 100 company Phoenix Group, extensive non-executive experience, and office holder as the 694th Lord Mayor of the City of London combines to make him the perfect advocate for the City. As those who were in the room will have heard first hand! Sincere thanks to our Clerk Carole for organising a seamless and glittering night.

One of my key objectives this year is to achieve breakout growth in our membership, in terms of absolute numbers, diversity, internationalism, and progression to Livery.

To this end I set a simple challenge to you all - Members, Freemen and Liverymen – to introduce at least one new member. May I suggest thinking of the very best person whom you believe would benefit from our fellowship, event programme, charitable focus, and in reciprocity contribute to the vibrancy and richness of our financial services livery community. Perhaps a colleague, current or former boss, counterpart, mentor, client, or competitor? There is no better membership strategy than word of mouth, please share your WCIB experiences widely.

For those new members joining during my year as Master, and their proposers, I will be hosting an exclusive Master's Reception in the White Tower at the Tower of London on 19th September 2023, including a private viewing at the Jewel House. The only way to gain access to this special free event is to, (1) propose and have a new member accepted into the WCIB between October 2022 and September 2023, or (2) be a Freeman who has progressed to Liveryman during the same period. Resources on the process and merits of joining the WCIB are available on our website and, as always, from the Clerk.

Before I sign off, I would like to send out a heartfelt thank you to all the volunteers who are the very life and fabric of our Company. The Court. The Committee Chairs. Past Masters. Relationship Managers. Committee Members. Our Editor and Joseph King Trophy winner George Littlejohn!. Magazine Contributors. Our Charity Partners.

And of course, all enthusiastic event attenders. I am so proud of the accomplishments of our Company, and cannot wait to see what the rest of the year will bring.

Yours faithfully
Jason Van Praagh, Master

Installation Dinner at Drapers' Hall

6 OCTOBER 2022 – THE NEW MASTER'S INSTALLATION WAS HELD IN ONE OF THE CITY OF LONDON'S MOST DAZZLING LIVERY HALLS – REPORT ON PAGE 44

New Liverymen Martin Zetter and Stuart Crocker KStG with Immediate Past Master John Bennett

Jason Van Praagh, Nicholas Westgarth

The outgoing Master welcoming guests

Sidney Ross and Ina Negoita

Master Jason Van Praagh and John Tattersall

The Hon Liz Green

Guests at dinner

John Bennett

Ali Miraj with guests

Sir Peter Estlin, Past Master

Guests at dinner

Karina Robinson, Past Master


The top table party with speaker, Sir David Clementi, centre


Jason Van Praagh with his four daughters


Sir David Clementi, Guest Speaker


Guests at dinner


Ali Griffiths and Bob Wigley


The Master and Kathleen


Guests at dinner


Brian and Doreen Winterflood


Jane Bennett


Guests at dinner


John Thirlwell, Deputy Editor (right)


Sir David Clementi, Bob Wigley, and John Bennett

The International Bankers Golfing Society

THE MASTER ON THE COMPANY'S GLORIOUS GOLFING HISTORY

After two covid interrupted seasons, I am pleased to report that 2022 was a remarkably successful year for the Society. More on that shortly, but first a little history.

Did you know that the International Bankers Golfing Society is significantly older then the WCIB? It started life as The Overseas Bankers Club Golfing Society, founded in March 1961 by Robert Keller, the well-respected London Representative of Credit Suisse who became the first Captain. The original aims of the Society were "to provide a forum for senior Bankers involved in the International Market to meet their peers and enjoy each others' company on the golf course". The society was fully integrated into and administered by the Guild of International Bankers upon its formation, thereafter the Worshipful Company of International Bankers in 2004 when Livery Company status was conferred.

As has been the case since 1961, the late Spring meeting is held at New Zealand Golf Club in Surrey, and the Autumn meeting at Swinley Forest Golf Club in Berkshire. The AGM meeting in early spring was traditionally played at Walton Heath Golf Club in Surrey, but in recent years this event has rotated to also include Ashridge Golf Club in Hertfordshire and North Hants Golf Club in Hampshire. Our Society also plays in a number of inter-livery golf events, including the Prince Arthur Cup, Lord Mayor's Golf Day and excellent events hosts by the World Traders, Information Technologists, Horners, Marketors, Fan Makers, Carmen, Loriners and Distillers.

Golfing Society Event News

New Zealand Golf Club (founded 1895) in heart of the famous Surrey heath belt

Delighted to report that our three Society events were held unrestricted as planned in 2022. Great to see so many members, and lots of guests, playing. Here is a brief summary of the results:

- On a glorious March spring day, Terry Upham won the Bankers Club AGM Trophy at North Hants G.C.. Jouni Aaltonen was runner up.
- The Keller trophy was won by Charles Burrows with a superb score at New Zealand G.C. in June. 2nd place went to Society stalwart Michael Bowles.
- David Beever took the honours and The De la Barre Trophy at the sublime Swinley Forest in September. Immediate Past Captain Andrew Lee was runner up, and also took home the Korts Salver.

Our 2023 golfing event dates for your diary below:

- Early Spring AGM Meeting – Friday 31 March, 2023 at Ashridge Golf Club
- Late Spring Meeting - Thursday 1 June, 2023 at New Zealand Golf Club
- Autumn Meeting – Thursday 5 October, 2023 at Swinley Forest Golf Club

Inter-livery Golf News

The Prince Arthur Cup and PAC Inter-Livery Scoreboard

Our Golf Society was active in numerous inter-livery golf events throughout 2022. The most prestigious of which is, as ever, The Prince Arthur Cup. First held in 1927, it is the largest one day, two course amateur tournament in the UK. Played over 36 holes on the old and new courses at Walton Heath Golf Club, the event comprises 54 livery teams (or 216 golfers) playing a format of fourball bogey. Honestly, it does not get any tougher. Representing this International Bankers were Jason Van Praagh (Captain), Andrew Lee (Immediate

Past Captain), Mark Stevenson & John Nestor. After a strong start, we finished in the second quartile with a score of -13, respectable, but not good enough to challenge the Leathersellers who took the Cup with a score of -2. There is always next year!

Society Event Secretary Peter Hinson gives Captain Jason Van Praagh a good luck kiss on the tee. And then the inevitable bad luck!

Whilst the was no Lord Mayor's Golf Day in 2022, we actively participated in other livery golf days, including those hosted by the Marketors, Information Technologists, Horners, World Traders and Loriners. The year was topped by a win for the International Bankers at the inaugural Distiller's Golf Day held as the beautiful Tandridge golf club in Surrey. It was a wet and windy day, but we overcame the conditions with some well timed teamwork for a 4 stableford point win.

Jason Van Praagh (C), Charles Burrows, Jonathan King and Andrew Lee (IPC), with Master Distiller Chris Porter presenting our awards.

As a grand finale to the season, a Capitan's Dinner was held at The Bleeding Heart restaurant in Farringdon on 10th November 2022. Numerous battles, stories, great shots and near misses from the year were told, and re-told, in time honoured tradition. Tremendous fun. The baton of Captaincy has now passed to David Roberts to lead the Society into its 62nd year. On behalf of the Society, David kindly presented me with an engraved decanter, a fond reminder of two fantastic years. Very generous. Good luck David!

It has been an absolute honour to Captain the Society for the last two years. Thank you to all the members for their comradery, generosity and good humour. Special thanks go out to our indefatigable Events Secretary Peter Hinson, and the dynamic duo of Trevor Bush and (the late) Jonathan King, our Inter-livery Golf Organisers. And last but not least, thank you to our Immediate Past Captain Andrew Lee for the wise counsel provided, especially on the putting green! Bring on 2023.

In Memoriam - Jonathan King

It is with great sadness that write of the passing of Jonathan King in late November 2022. Jonathan was a past Captain of the International Bankers Golfing Society, regular player in all events, an inter-livery golf organiser, and top all round sportsman. Prior to retiring in 2017 Jonathan was a senior corporate and institutional banker, spending most of his career at Credit Suisse, UBS and West LB. He was a great friend to all who knew him, a man who lived life to the full, and that rarest of things, a total gentleman. Sincere condolences to Janette and the whole family.

How cloudy is the fintech future?

JUNIOR WARDEN TIM SKEET, ONE OF THE CITY OF LONDON'S MOST FORWARD-LOOKING PROFESSIONALS, SURVEYS THE PROSPECTS FOR FINTECH AS IT SHOWS SIGNS OF LOSING SOME OF ITS ALLURE

The history of banking and tech has not been a good one. The relationship between conventional finance and technology and its FinTech sector has been difficult, confusing, indeed fraught. There are many reasons for this awkward relationship. Lack of mutual understanding across the technology divide is only part of the issue. The financial services sector is caught between dealing with its rickety tech past and being challenged to embrace a shimmering tech future. This can be an uncomfortable place to be.

On the FinTech side, the term covers a multitude of diverse services from crypto to various software applications and online banking. Some parts of the sector were designed to challenge, disrupt and eventually replace conventional finance, although this bit of the plan does not appear to have worked out well, at least so far. Where does the relationship between tech and banking go from here? A string of high-profile failures and PR disasters has pushed banking management to address some of the industry's pressing tech-related issues. There has been accelerated investment in and rebuilding of some of the dodgy old systems in the hope that they will prove more robust in future. Patching up old and outdated systems is no longer enough.

There is also acknowledgment that penny-pinching in IT can be a mistake, after past experiments in offshoring, outsourcing and under-investing. Those lessons have generally been learned and boards along with banking regulators no longer accept the idea that IT is an arms-length black box. Tech is an integral part of a bank's operations and front-and-centre to the customer's experience. But banks will need to consider carefully how to economically adopt and adapt new technology to fit their existing IT infrastructure.

If banking is under pressure to clean up its act, a string of recent scandals and failures in the FinTech sector has reminded us all why we have regulators and their rules in the first place. Much of recent tech headline grabbing has been in the not-so-niche crypto market, a sector ripe for a regulatory overhaul.

Indeed, crypto is a sector deliberately built around an attempt to recreate the financial services without banks and their associated regulatory framework. The broader question for regulators beyond working out what to do about crypto, is how to go about dealing with those other unregulated parts of the FinTech industry that overlap with banking.

The regulators have, like the rest of us, been on a steep learning curve. It also remains unclear how the global regulatory apparatus will respond in this age of deglobalisation, protectionism and geo-political tension. Modern tech, just like financial services, is global and cross-border in nature. Will the regulatory response manage a suitably cross-border approach to tech as was achieved for the banking industry following the 2008 crisis? Even as bankers and their regulators wise up to technology and its challenges, the banking industry is still faced with grappling with future tech needs and the "solutions" on offer that might or might not live up to their ever-expansive promises. Tech decisions can be a very expensive and risky business.

To illustrate the nature of the debate, a recent banking industry discussion of the potential for using cloud-based services highlighted some of the problems. On paper, cloud computing offers great potential for efficiency and streamlining certain services and data processing. There were three broad conclusions from the discussion. The first focused on concerns over the costly nature of employing cloud-based processes on the scale required. Then there were worries over security and data control and finally concerns over probable regulatory resistance. These discussions all contributed to what one newspaper recently referred to as the cooling of "Big Tech's hottest growth market".

However well thought-out, much of today's FinTech sector is also having to face up to some other recent and pressing concerns. Crashing equity market valuations for tech stocks, a shortage of capital, lack of revenues and struggles to scale-up operations point to a tough immediate future.

It is not clear who will survive and flourish, as wannabe disrupters find themselves now disrupted. It should probably now seem clear that banks need technology, and the new tech operators need banks. Both sides also need a more comprehensive, well-thought-out regulatory framework. This should call for open minds and a good understanding of the issues.

There remain significant risks and expenses for banks as they approach unavoidable IT and tech decisions. The industry is right to proceed with caution. Perhaps a better understanding of the risks and regulatory needs on both sides of the banking-tech dialogue will offer a way forward pointing to opportunities for those companies with ideas that the banks can use. We just need to understand how to navigate our way through the clouds of confusion.

Tim writes in a personal capacity. He is a career banker in the City, currently serves on the Executive Management Committee of Bank of China, London Branch.

Leadership inspiration from the world of war

LIVERYMAN BILL MCCALL ON SHINING LESSONS FROM THE EDGE OF DARKNESS

There are those you meet who inspire, encourage you to revisit priorities and goals, lead by example in the face of adversity, making you all the better for simply knowing them. The Late Sir Roger Gifford, Past Master of the Company, was one such person and Stewart Hill is too.

In the blink of an eye Stewart's life was turned inside out, upside down and his alternate path, the one he is on now, began. Lieutenant Colonel Hill's life, in that instant of being blown up, changed beyond comprehension. He tells that story better than any, he lived it, almost died in it, lives it still and inspires a new generation of leaders to be resilient and inspirational. I'm fortunate to know Stewart, glad to advocate his new mission as a leader, a portrait painter, a creative thinker and thoroughly decent human being. Yes, he is a man of many talents.

If your career, your chosen career at which you excel, was halted and halted abruptly, violently and prematurely, whilst on a march to the highest echelons of your chosen profession, consider how you'd feel. Then add the trauma and long lasting injury on top. Walking for a second in those shoes is unimaginable to all of us. Stewart lives it.

Of course his lived experience drives him onwards on good days and he inevitably has bad days too. Including his family the positives are the "diamonds" he lists every night, for the negatives he tells "David" on his shoulder to "get lost!". Or words to that effect.

He shares his journey and techniques he has harnessed with audiences far and wide where reactions are universally stunned, awestruck and grateful. He recently spoke at Edinburgh University Business School for a Chartered Body Alliance (Chartered Banker, CISI & CII) gathering, with under and post grad students of the school and past and present armed forces personnel. It's part of the University's "Town & Gown" initiative to bring in business speakers to academia. As past president of the Chartered Banker Institute and Fellow of CISI it was a privilege to introduce Stewart.

Moreover though, my larger mission was to engage Stewart on a wider project involving the oldest living member of the Chartered Banker Institute, a retired banker, now living quietly in Aberdeen, having worked in the UK and far flung international places in the post war era of exchange controls and international correspondent banking.

John Alexander Cruikshank is 102 years old, looking forward to his 103rd in May and as sharp as a tack. John picks my brain on all manner of financial matters when we meet for our occasional lunches at the Royal Northern & University Club in Aberdeen where he is a stalwart. His 100th was celebrated at the Club under the portrait gaze of its former Patron, the late Duke of Edinburgh, and a piping tune was composed in John's honour, the winning composer flying in from the United States. The attendees included many from the Victoria Cross & George Cross Association, the RAF, its Benevolent Fund, and the Royal British Legion. You see, Flight Lieutenant John A Cruikshank V.C. is also the oldest living holder of the highest military decoration the UK Sovereign can bestow. The late Queen's father, King George VI, pinned it on John's chest during World War II at Holyrood House. As a pilot of a Catalina Flying boat for Coastal Command, John's valour is noted in the annals and you should seek the story out. It is remarkable. "It was one day in my life" says John, "I was doing what I was trained to do".

The humility of the man was such that on receiving the letter from the Air Ministry announcing his award he thought he was in trouble with the "Brass". The reality being he had done a remarkable thing, leading his crew out on a sortie and back again.

One of the remaining few of that golden generation, humble throughout, changing the subject to his favourite three egg omelette, what he might have for pudding (there is a Club speciality), when many nowadays want plaudits for simply turning up. John had upwards of 60 shrapnel wounds and flew the mission and his crew home. Not just hurt feelings.

No known portrait of John exists, although he remembers sitting with others in the immediate aftermath of the war, and perhaps a sketch (in crayon he remembers) is hidden somewhere in the vaults of a gallery. He didn't particularly care.

At the Chartered Banker Institute we planned to set that right and in the collision of events that often happen serendipitously, Stewart Hill crossed my path and the portrait painter, with the coincidence of a military connection, was found.

John sat for Stewart in Aberdeen the day after the Edinburgh event, serious connection was made and bantering Royal Air Force versus Army chat. John had initially volunteered for the Field Artillery but crossed to the relatively new RAF, desperately seeking 2,000 young trainee pilots, being assessed initially at Lords Cricket Ground before going to the United States for training. And that training was 90 minutes with an instructor. before being let loose to clock up 30-50 hours solo. "Attacks from the air were the only way we could get back at them, after having the stuffing kicked out of us to Dunkirk", explained John.

The resultant portrait will be offered in perpetual loan, by the Institute, to the National Gallery. When it is hung, as we hope it will be, you should plan to go and view it knowing that a remarkable hero, yet in his view an ordinary international banker, captured for posterity by another hero and remarkable man, bringing their stories, forged in conflict, together.

As a tiny bit player in all of the orchestration to make it happen it was my honour to look on, watch and listen to their inspiring engagement.

I'm greatly thankful for the support of the Chartered Banker Institute team, its Trustees and particularly CEO Simon Thompson (a Freeman of our Company too) for embracing the import of this project for the nation. As Stewart Hill says "doing the right thing, even on a bad day, when no-one is watching is serving to lead*". We, as bankers, could draw from that ethos.

Freeman Bill McCall is a Chartered Banker and immediate past President of the Chartered Banker Institute. A former member of the London Stock Exchange, and a Chartered Fellow of CISI and FRSA.

* "Serve to Lead" is the motto of the Royal Military Academy Sandhurst, the training establishment for all British Army officers.

EPILOGUE

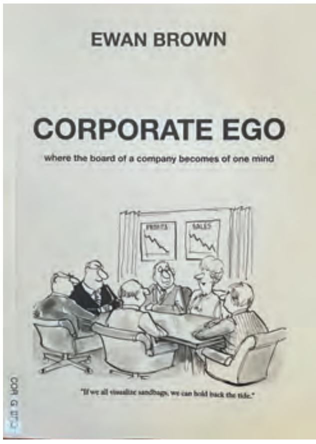
I happened to be in London over the timeframe of the passing of the late Queen to the State Funeral. Like all holders of a Victoria Cross John was invited to attend the service but he doesn't travel far these days. My wife and I set off for Blackfriars Bridge in the wee small hours of the Wednesday before the funeral service and joined many others queuing to pass by the late Sovereign in Westminster Hall. It was a contemplative and uplifting few hours with friendships made, stories swapped, miles walked and zig zags from the aptly named Queen's Walk by the river Thames through to the Palace of Westminster.

In coming down the steps, seeing the splendour of the Royal Standard draped and the vivid scarlet tunics of the guard, the tranquility and serenity of silence were so obvious that in stepping forward in turn I was able to bow my head not once, but twice. Once for those I knew who couldn't be there and my own too. John Cruikshank was in my mind, a man to whom the late Queen's father had said "thank you" whilst pinning a Victoria Cross to his chest at Holyrood House all those years ago.

Stewart Hill

Corporate ego – the bane of corporate governance

SIR EWAN BROWN, DOYEN OF SCOTTISH BANKERS, SET THE CAT AMONGST THE PIGEONS IN DECEMBER 2021 WITH HIS BOOK *CORPORATE EGO*. NOW HE'S BACK.



Using seven once-prominent Scottish listed companies as examples, *Corporate Ego* postulated that the prime culprit for each company's fall from grace was the development of a collective mindset in the boardroom. Ten recommendations were offered to improve the workings of listed company boards and, thereby, reduce the risk of future corporate accidents.

That all seven companies were Scottish is incidental. The weaknesses that led to the failures of Burmah Oil, Lilley, Ivory and Sime, HBOS/Bank of Scotland, RBS, Standard Life and Johnston Press are generic; the equally dramatic collapses of Barings, Carillion, Patisserie Valerie and Thomas Cook provide compelling evidence of this.

There were many constructive comments on the recommendations; and these were reflected in a Supplement published in May 2022.

Sir Ewan's recommendations are:

- Since it is within the boardroom that the role and influence of the chair is most discernible, but at the same time is not well understood, there should be an independent review initiated by the London Stock Exchange and the Financial Reporting Council into the role and effectiveness of the chairs of UK listed companies.

- Since the roles of chair and chief executive require very different skill sets, and to avert potential boardroom dominance, it should require shareholder approval for the chief executive of a UK listed company to become the chair.

- Directors must read and analyse the company's cash flow statement over time to determine the relationships between operating cash flow, borrowing, investment and dividends. Do this before looking at the profit and loss account and, where possible, convert operating cash flow into a rolling average to eliminate inevitable fluctuation and to determine a trend

- Before the annual accounts of a UK listed company are finalised, the board should be required to approve a working capital statement prepared to the same standards as are required for a prospectus - and this should be reported on by the company's auditor.

- On each occasion that a UK listed company issues a statement or makes an announcement, including changes to board membership, the board should state there are no issues of which shareholders should be made aware that are not already in the market.
- To ensure that the views of employees are heard and taken account of in the boardroom, there should be at least two meetings each year between the non-executive directors and employee forums.
- The number of non-executive positions one person can hold in listed companies, wherever registered, should be no more than three. In evaluating board candidates, nomination committees should ask how much time they think it will take to do the job effectively.
- It should be a listing requirement that there is, at minimum, an annual meeting between the board of a UK listed company and the trustees of the company's defined benefits pension scheme.
- The criteria for recruitment of non-executives to the board of a UK listed company should be made public.
- Non-executive directors should ensure that where they have challenged or disagreed with a decision at a board meeting, there is a proper record of this in the minutes of the meeting.

"I had thought that *Corporate Ego* and its recommendations would generate comments and suggestions from the chairs of Scotland's then 15 (now fewer) listed companies [excluding investment trusts]", Sir Ewan says. However, there was no response from Abrdn, AG Barr, Aggreko, Cairn Energy, Devro, First Group, John Menzies, Macfarlane Group, J Smart, SSE, STV, Weir Group or Wood Group.

Although any change to corporate governance is a UK issue, a strong, coordinated voice from respected professional bodies and influential stakeholders might just resonate with policy makers and regulators. More than 30 listed companies have been lost to Scotland over the last four decades. They include Bells, Christian Salvesen, Dawson International, Distillers, General Accident, Hewden Stuart, Kwik Fit, Morrison Construction, Scottish Metropolitan, Scottish & Newcastle, Scottish Power, Stakis, Stenhouse and United Biscuits. More recently, John Menzies and Stagecoach have been taken over and others are under threat.

It was put to Sir Ewan that:

"a contributory factor has been insularity, with Scottish boards and directors lacking experience of living and working outside Scotland and not having the breadth of perspective required to compete in ever evolving global markets. Too often, the same faces appeared on multiple Scottish boards and attended the same awards dinners and knew each other socially. This insularity and possible unwillingness to upset the apple cart may have induced an unconscious complacency into Scotland PLC over the years and a lack of non-executive knowledge and experience to challenge, for example, unwise international expansion".

Whether or not this is the case, a particular headache is that Scotland can ill afford to lose so many substantial companies, some of international importance and all contributing strongly to local and regional communities. The fact that they disappeared, or were taken over, one at a time may explain why so little public concern about corporate decline has been expressed over the years. In proportion to the rest of the UK, they represent a cataclysmic loss of head office and corporate influence. Over the same timescale, more than a dozen prestigious mutual life assurance companies, headquartered in Scotland, also disappeared.

What will it take to get key stakeholders to engage, collectively, in strengthening board effectiveness and achieving better decision-taking across the private sector?

Sir Ewan Brown was an executive director of Noble Grossart, merchant bankers, for over 35 years, then became a non-executive director of the bank and of Stagecoach Group, chair of James Walker (Leith), a board member of Entrepreneurial Scotland and a trustee of the Royal Scottish Academy Foundation. Past directorships have also included Scottish Financial Enterprise (chair), Lloyds TSB Scotland (chair), Lloyds TSB Group, Wood Group, Scottish Widows Bank, Pict Petroleum, Scottish Transport Group and Scottish Development Finance. For a copy of Sir Ewan's books, please email george.littlejohn@cisi.org

Mastering the art of risk management

COURT ASSISTANT SIMON HILLS REVIEW THE LATEST BOOK FROM LIVERYMAN JOHN THIRLWELL AND HIS CO-AUTHOR TONY BLUNDEN ON THE NATURE OF MODERN RISK

John Thirlwell

John Thirlwell, Liveryman, ex-Court member and chair of our Communications Committee has co-authored with Tony Blunden, a thoughtful and informative practical guide to understanding and managing risk - *Mastering Risk Management*. It has been endorsed by a number of members and former members of our Court so when I picked it up, I knew it was going to be a fruitful and accessible read. And it is.

Almost quintessentially banks and insurance companies are in business to actively accept, manage, mitigate, and profit from risk. Many of us are fully familiar with the use of highly quantitative actuarial or internal ratings-based models used to calculate economic or regulatory capital, some might say to an over-precise (or spuriously accurate) degree. And banks and insurers augment these often-regulatory prescribed risk management approaches with Monte Carlo simulation-based stress and scenario testing of credit, operational, market, inflation, longevity and now climate change risk.

Both John and Tony have long and distinguished careers in financial services. Despite their backgrounds the approach they describe is not strongly quantitatively driven. Rather they draw on this experience to provide a broader framework that can help all businesses understand better the risk to which they are exposed and to make better decisions about risks and uncertainty - a skill that is valuable in business, and in life as we adapt to an ever faster changing world.

The first part of the book sets the scene. It describes the business benefits of getting risk management right, explains the sometime mysterious distinction between risk appetite and risk capacity and underscores an important point, in my mind, that risk management is everyone's responsibility, from the cashier in the bank branch, through the underwriter to the CEO and the board. Creating a risk awareness culture that encourages open discussion about risk embeds risk management in the values of the firm, rather than parking it in the Chief Risk Officer's office.

Part two describes the range of tools we can use to assess, model and calibrate risk, reminding us that correlation does not imply causation. A simple example describes the link between causation and correlation: earthquakes can often cause fires, but fires do not cause earthquakes, so earthquakes and fires are correlated but only fire is causally related to an earthquake. Importantly for non-expert senior managers there is a chapter devoted to challenging models - something the PRA has recently consulted on in its CP6/22 on model risk management with its focus on independent model validation review and governance and the developing use of Artificial Intelligence and Machine Learning.

The final part of the book looks at practical aspects of risk management and is sub-titled "What keeps management awake at night?. In a way it's the juiciest bit of the book. It examines real-life incidents. The list is long – Barings, Deep-water Horizon, Fukushima, News International, Oxfam and Raphaels Bank – and draws some conclusions that are more widely applicable. Amongst these are the importance of a well-designed three lines of defence model with a robust independent Internal Audit function, supported where necessary by external professional service providers and of course, external audit. As a pilot I know that as often as not air accidents are caused by human error - omitting to lower the undercarriage, approaching the runway too fast or flying into deteriorating weather and rising ground.

John and Tony's book underscores that similarly most risks in business are ultimately the result of people failings. Well -being in the workplace, appraisal and reward systems, skills audits, fostering diversity and succession planning are all identified as people risk management processes that can make the difference between a successful, risk aware business and a failing one. The damaging implications of risk management failures on reputation and brand value are also examined as is the importance of managing newer risks around information security and cyber risk.

The book is very readable, peppered through with vignettes and case studies and has helpful summaries at the end of each chapter. Unusually I should comment too on the indexing, which is comprehensive and relevant. Do get a copy (ISBN 978-1-292-33131-7) read it and then ask John to sign it when you are next at a Company event.

Simon Hills is a Court member, Chair of the WCIB's Livery Committee and Director of risk, reporting and tax at UK Finance. He is also a former colleague of John's.

The critical importance of purpose and strategy

JOHN THIRLWELL ON MODERN-DAY RISKS IN AN AGE OF UNCERTAINTY

In the thirteenth century, when plagues, wars and famine were raging across continental Europe, Thomas Aquinas, philosopher, and saint as he later became, wrote, "The world has never been more full of risk." Over 750 years later, people continue to have the same view, but now climate change, terrorism or chemical, biological, radiological and nuclear attacks keeps them awake at night. And, of course, pandemics, including Covid-19 or "Spanish flu" in 1918/19, as well as such as SARS or swine flu, haunt us. Plus ça change.

Whether or not the world is more risky, awareness of risk is undoubtedly high. That in part reflects changes in society in which risk assessment and risk tolerance are increasingly democratised. Various forms of activism, whether by consumers or non-governmental organisations, mean that we no longer allow risk assessment, and especially risk tolerance, to be left in the hands of governments or experts. As Thomas Aquinas suggested, risk has always been with us.

RISK MANAGEMENT, PURPOSE AND STRATEGY

Before we even think of risk and risk management, we need to be clear about the firm's purpose – why does the firm exist? Whether you call it mission or vision, everybody in the firm knows why they go to work each day. And not just the staff. That purpose should be aligned with stakeholders' expectations.

Purpose must also be integral to the firm's values. Values are fundamental to strategy and decision-making. A few years ago, Rabobank had a poster in the arrivals hall Schiphol airport which said, "A complex business relies on clear values". They set out their stall, not just as a board awayday, but to all their stakeholders, including the customers.

Having sorted out the purpose and the firm's values, we can then consider strategy and objectives. At that point, risk management should step up to the plate. They will make sure that the strategy and objectives is aligned to the basic purpose and, of course, consider the risks of the strategy and objectives. Risk management is not about compiling lists and management information, but development of strategy for the future. More positively, risk management should improve performance, encourage innovation and support the achievement of objectives.

Think about the answers to the "what needs to go right" question and what they cannot afford to get wrong. That will have the merits of both assessing and prioritising the firm's key risks. Frankly, once the purpose is clear, business risks emerge quite naturally.

Strategy selection is about making choices and trade-offs. If risk management is at the table, management will gain a better understanding of how the consideration of risk may impact the choice of strategy and examine alternative strategies and the potential impact on risk profile. Risk management can help to make well-informed choices, including the risk appetite which creates, preserves and realises value.

And there are other questions to ask about strategy. Have we modelled customer demand accurately? Will our supply chain deliver on time and on budget? Will new competitors emerge? Is our technology infrastructure up to the task? All need a risk lens, as well as the interrelationship between risks, and impacts of risk contagion. But nothing stays the same. Risk management is critical in enhancing resilience – the ability to anticipate and respond to change. It enriches the management dialogue by adding a perspective to the strengths and weaknesses of a strategy as conditions change. Purpose and core values have been demonstrated to matter—and they matter most when it comes to managing risk and remaining resilient during periods of change.

SUMMARY

One of the big problems of risk management is that we do not fully know the risks we face now or in the future, but we must act as if we do. If the future were certain, there would be no probabilities, only certain outcomes. The best that can be done is to try to make the future a little more certain and reduce the chance of negative outcomes to acceptable levels.

There is always the possibility that something will go wrong, whether through a failure in a process, human failures or simply because something unexpected happens in the external environment. Of all these, the most unpredictable, and the ones most likely to cause serious problems, are human failures and external events. That does not mean that these unpredictable factors are unmanageable. But it does mean that we need to approach risk management intelligently, with a humble acceptance of its limitations. If we do not, it becomes a risk in itself. Risk management means neither risk avoidance nor risk elimination.

Working with the new consumer duty rules

FRANK BROWN ON THE NEW UK RULES ON PROTECTING CLIENTS' INTERESTS

Consumer Duty is not TCF 2.0, a mere extension of existing provisions regarding the fair treatment of customers. It is a much more wide-ranging initiative. It is a clear statement of intent from the FCA that they are seeking an industry-wide shift in the treatment of retail customers, and an expectation that firms will address some of the perceived harms the Regulator has seen in the market:

- Firms providing information that is misleadingly presented or difficult for consumers to understand, hindering their ability to properly assess products/services
- Products and services that are not fit for purpose in delivering the benefits that consumers reasonably expect, or are not appropriate for the consumers they are being targeted at and sold to
- Products and services that do not represent fair value, where the benefits consumers receive are not reasonable relative to the price they pay
- Poor customer service that hinders consumers from taking timely action to manage their financial affairs and making use of products and services, or increases their costs in doing so
- Other practices which hinder consumers' ability to act, or which exploit information asymmetries, consumer inertia, behavioural biases, or vulnerabilities

The FCA is seeking to improve standards by applying the combination of the four outcomes and the cross-cutting rules.

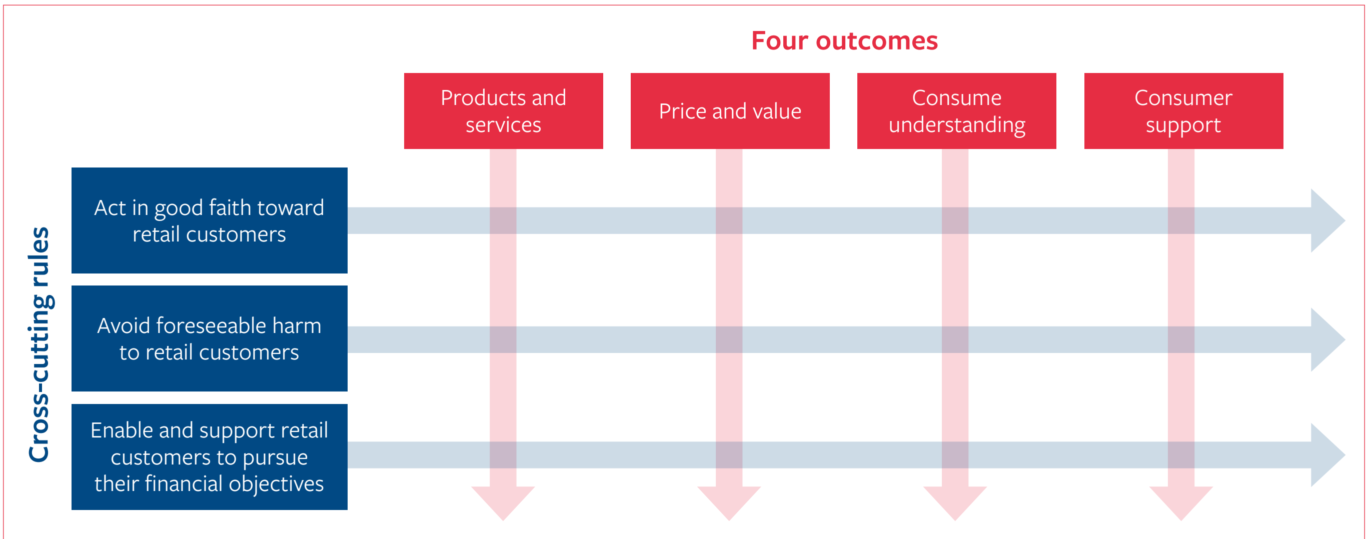
Given the scope of the ambition for change from the Regulator, it is easy to see that Consumer Duty can change how products are made, marketed, administered and priced – and how those changes will inevitably feed through into conversion rates, sales volumes, operating costs, and profits.

WHAT SHOULD FIRMS BE DOING?

The FCA released their policy statement PS22/9 and the final rules for Consumer Duty in July this year. The implementation deadline is July 2023, but there are some other milestones to consider too:

- 31 October 2022 – the firm's Board (or equivalent body) should have reviewed and approved the implementation plan
- 30 April 2023 – manufacturers should have completed their review, in order to share relevant information with third parties (e.g. the distributors who distribute a product).
- 31 July 2023 – Consumer Duty will apply to all new products and services, and to all existing products and services that remain on sale or open for renewal.
- 31 July 2024 – Consumer Duty will apply to closed products and services.

The role of senior management
Given the scale of the Consumer Duty requirements, senior management should be taking the lead in scoping and driving a firm's response. This assumption is reflected in the FCA's first delivery milestone, noted above, with the expectation that Boards "should have agreed their implementation plans and be able to evidence they have scrutinised and challenged the plans to ensure they are deliverable and robust to meet the new standards" when they signed off the plans by the end of October. And a prudent Board should have treated this



The four outcomes and the cross-cutting rules exercise as they would an attestation since they were confirming that the implementation plan for Consumer Duty would be achievable. As the FCA says in the Policy Statement – "Firms should expect to be asked to share implementation plans, board papers and minutes with supervisors and be challenged on their contents".

And the October 2022 milestone should certainly not be seen as the end of senior management's involvement. As the FCA says, Boards "should maintain oversight of the implementation work to ensure it remains on track and meets the standards of the Duty". Which will require a structured framework of updates on RAG statuses and risk MI, to enable senior management functions to be kept informed on progress and to have the necessary information to address issues if it is required.

A key part of this ongoing oversight will be the role of the Consumer Duty Champion. The FCA expects firms to nominate a "champion" at Board (or equivalent governing body) level who, will work with the Chair and the CEO, to ensure that "the Duty is being discussed regularly and raised in all relevant discussions".

This requirement has caused a lot of confusion amongst firms, and the FCA produced further guidance in October to clarify that whilst there was an expectation that the champion should be an Independent Non-Executive Director (iNED), working with the Chair and the CEO, the role could be fulfilled by the Chair, where this is appropriate for the firm.

They also emphasised the point that the nomination of the Consumer Duty Champion "does not affect the Board's collective responsibility in relation to the Duty or alter the respective roles of the Board and the executive in ensuring compliance with the Duty under existing governance procedures". This means there certainly should not be an expectation that the Champion will be responsible for delivering the Consumer Duty project, on their own.

ASSESSING THE COMMERCIAL AND OPERATIONAL IMPACT

It is often the case that risk occurs when there is a misalignment between the business objectives of a firm, and reality – be that the reality of the competitive landscape, or that of regulatory constraints. Firms that fail to recognise these changes find themselves operating outside of risk appetite, as they chase unachievable goals. For many firms, the onset of the Consumer Duty requirements could significantly change their business model and revenue streams. Equally, meeting the requirements may give rise to a need to increase costs, for example, the need to invest in more staff, IT or infrastructure.

It is important to have these honest conversations about the potential impacts and to have them early in the process. Discussions should be held with senior management internally, and also with parents and shareholders, so they understand what the impacts could be.

EMBEDDING CONSUMER DUTY IN THE FIRM

It is also important to ensure that the Consumer Duty project delivers against the agreed objectives and that the new principle becomes fully embedded into the business practices and ways of working of the firm.

The first point can be achieved by having clear objectives and success criteria, from the outset, with an understanding of where the gaps are in the current process, and "what good looks like" in terms of filling them.

Alignment against these criteria can then be assessed to give management confidence that the project milestones are actually being delivered (ideally this assessment will be independent of the delivery team).

Achieving the second point will need concerted effort and commitment across the firm, and a recognition that the 31st July 2023 milestone should be considered the start of the Consumer Duty journey. To embed Consumer Duty into BAU will require work across areas such as:

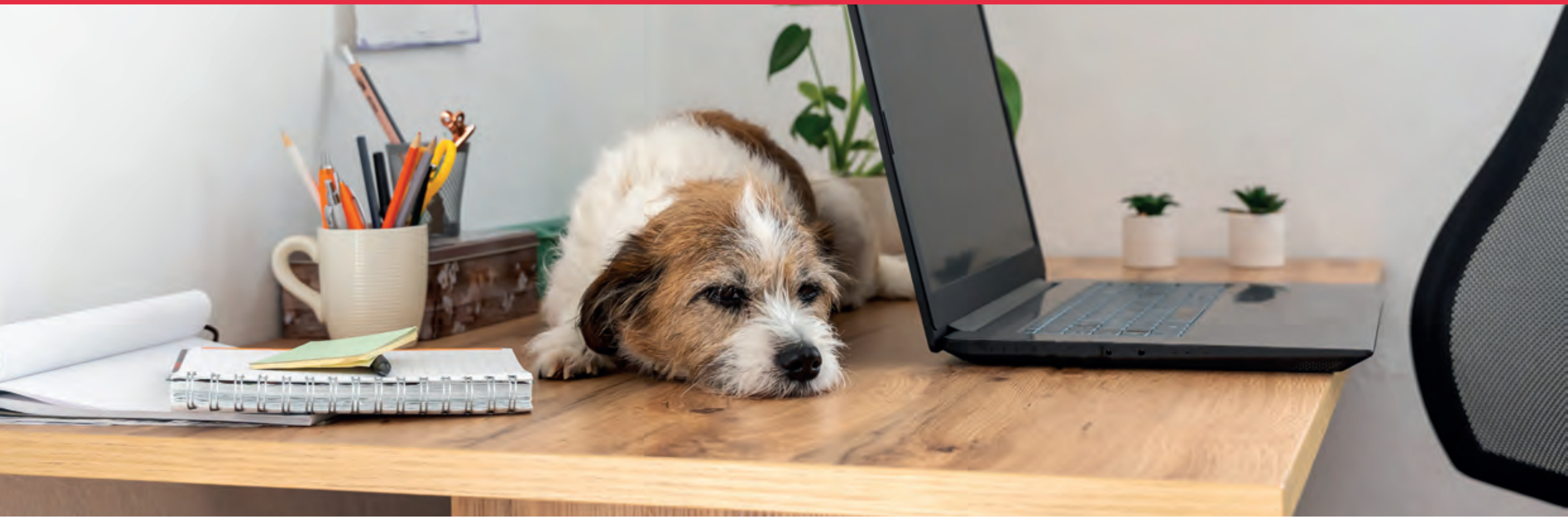
- Training and competency regimes
- Quality Assurance
- MI and reporting
- Compliance Monitoring
- Audit Plans
- Risk Registers and the Risk Control Self-Assessment process
- Remuneration and performance management

CONCLUSION

The road to July 2023 (and beyond) will certainly be challenging. But firms can greatly assist themselves in meeting the requirements by focusing on the key drivers of success. The details of these may differ from firm to firm, but there are clear commonalities and priorities which we have seen from other projects, which will hold true here:

- Effective direction and oversight from senior management
- Knowing "what good looks like" and ensuring this is scoped into the plan, with clear objectives and success criteria
- Resources with the right capacity and capability to deliver the workstreams
- "Making it real" to stakeholders and participants, so they appreciate the scale of change needed and they are motivated to achieve the results
- Independent assessment that milestone targets have been delivered
- A clear plan to embed and maintain the change and transition to BAU

Liveryman Frank Brown is a Director of GRR Consulting



"Quiet quitting" and working from home – post-Covid working life in The City

FREEMAN WILLIAM JENNINGS SURVEYS THE WORLD OF THE "NOWHERE OFFICE" IN OUR POST-COVID WORLD

In my career so far, the world as we know it has changed substantially. When I officially started my banking career in September 2019, I could not have envisaged the unprecedented events that would shape the next three years - to adjust to so many fundamental changes has been quite the experience. The most apparent, and widely publicised of these changes, one that historians will look back on as defining the early part of the 2020s, was of course the Covid-19 pandemic.

Whilst we all, thankfully, have far more protection against Covid-19 than we did a few years ago, the long-term implications are still being uncovered. One of these implications in particular has raised its head in recent months - "quiet quitting". I am sure some of you might have heard the phrase in passing, but might not know what it is or what indeed appears to be causing it. This article is designed to look at three key questions; namely, what is quiet quitting, why is it gaining so much traction and what is causing it? Furthermore, if we can uncover some of the root causes of this phenomena, is there any chance that the City could be affected by it?

The quiet quitting phenomenon we are seeing today started with a Chinese movement known as Tang Ping, meaning lying flat, which began as a way to both highlight and reject "societal pressures to overwork"[1]. The western version of this trend takes on a slightly different hue, as contrary to what the name would suggest, quiet quitting has nothing to do with an individual quitting their job. In its most basic terms, it is described as "doing only what your job demands and nothing more. Quitting doing anything extra. You still show up for work but stay strictly within the boundaries of your job requirements."[2] The idea behind this has arisen, according to the advocates for this way of working, from a lack of recognition from employers for extra effort and to take a strong stance against working burnout. Let's examine this further.

Employees feeling that they do not get the recognition they deserve from employers is nothing new, and indeed is likely to happen at some point in one's professional life. The question is, should one take this as a sign to scale back and "act your wage" as quiet quitting advocates claim, or to double down, re-energise your efforts and change the situation as opponents say? Whilst the correct course of action differs from individual to individual, what can be analysed is the factors that have allowed this phenomenon to take roots. This takes us back to the Covid-19 pandemic.

For many of us, working from home became a requirement to protect ourselves and each other in those dark days. In doing so, what was once regarded as a rather taboo working methodology saw widespread adoption overnight. When I had started my career at Bank of Ireland in September 2019, there was a view amongst my team that working from home was almost tantamount to a reduction in working efficiency; a nice working policy that broke up some of the more monotonous weeks by allowing one to carry out tasks in more familiar surroundings. The Covid-19 pandemic forced the hand of my business by making home working a necessity, and many businesses were able to adopt it successfully. The increase in autonomy has also been very popular with employees too – with more than 33% of UK workers still working from home full time in early 2023 and 71% saying they would now only work for an organisation offering flexible working[3], workers clearly value the flexibility in their working lives.

However, there are a number of vocal opponents to the new working from home culture. Goldman Sachs' CEO David Solomon has been firmly set against the hybrid working culture, calling it "an aberration that we're going to correct as quickly as possible…you can get things done but you start to fray the foundational things that make the place so unique"[4]. Conversative MP Jacob Rees-Mogg was scolded for being "condescending" after leaving notes on the desks of Civil Service employees working from home saying: "Sorry you were out when I visited, hope to see you in the office again very soon"[5]. This opposition is one that has been increasing in volume and tempo as the worst days of the pandemic move further behind us. It is also one that personally strikes a chord, having experienced work at two organisations with very different flexible working policies.

I started my career on the graduate scheme for a retail bank based in St Paul's, spending 2 ½ years there before departing in January 2022. In total, I spent seven months in the London office from September 2019 until March 2020, this time spent in my first graduate rotation working within the Strategy and Transformation department. The remaining months were spent working from the dining room of my mother's house in Chester-Le-Street, with an eight-month stint in the UK Business Banking division, an analyst role in the Chief Operating Office and an additional voluntary role as an I&D Co-Chair done at home. Whilst I look back fondly on that period, having achieved many things that I am very proud of, the truth is that the full-time, permanent work from home policy that was introduced ultimately led me to look for pastures new – I could not escape the feeling that I was missing out not meeting, working, and growing with colleagues in a shared working environment.

For professionals at the start of their careers, the importance of being able to network, forge strong relationships and to be seen daily by your peers is something that has been stated to me by senior professional after senior professional – it's much harder to have your extra effort ignored when you see it, feel it, and are exposed to it physically day-to-day in the same working space. There are many other ambitious young professionals who feel the same way; that working from home is a privilege but should be tempered with caution so as not to lose the culture of the very businesses they wish to be a part of. This will of course vary from person to person, but in my experience, not being a part of the City and wanting to work in a collaborative office environment with my peers was what led me back to London once again. I also truly believe many other younger professionals share this sentiment because for those of us that work in The City, to go above and beyond the call of duty is not a requirement but a privilege. The City is much more than a collection of offices; it is a network, a shared history and, now more so than ever, is the very people who wish to build a future there.

This neatly brings us back to the one of the initial questions we set out to answer; is there any chance the City could be impacted by this quiet quitting phenomena to a significant degree? In my view, no. The City, as mentioned before, is a shared history, a community and an opportunity that has to be lived to be believed. The current quiet quitting trend is still in its infancy, and will develop as the malleable post-Covid working environment cools into a more rigid shape; what form will it take? Of that I am not certain. What I can attest to though is to the character and conviction of those of us looking to make a life in the City, at whatever stage of our professional lives we might be at. The City has always attracted the best and brightest from around the world to its shores, and will continue to do so for generations to come.

[1] *Tang ping trend: What is "lying flat" protest in China* | The Independent
[2] *Quiet quitting: The workplace trend taking over* | BBC News
[3] *Out of office? How working from home has divided Britain* | Working from home | The Guardian
[4] *Goldman Sachs demands return to office five days a week* | Fortune
[5] *"Condescending": Jacob Rees-Mogg leaves notes for WFH civil servants* | Jacob Rees-Mogg | The Guardian

Strategy in action – the evolution of holistic management strategies

LIVERYMAN ANGEL GAVIEIRO BESTEIRO TAKES A FRESH AND INSPIRING LOOK AT CORPORATE STRATEGIES IN BANKING

A recent study, undertaken over a large sample of 12,000 companies across many industries in 34 countries over 10 years, measured different key dimensions to proxy for management quality. The results were not different from our anecdotal observations: achieving management excellence was a massive challenge for many organizations, with large dispersion in management scores across firms (and within firms), also within the same country. During a decade of study, it was confirmed that the lack of management quality in organisations was long-lasting. Only 6% of firms achieved average scores at or above 4 (out of a maximum score of 5). Not surprisingly, differences of management quality were strongly correlated with large, persistent differences in firm performance in terms of profit growth, profitability, productivity and research and development. So, management quality does matter for achieving excellence in an organization. But, *how?*

The study showed aligned considerations regarding potential causes of management mediocrity: deficient managerial skillsets (i.e. companies from developing vs developed countries), governance structure (i.e. family-owned companies were run with less managerial deliberation), overconfidence by managers (i.e. false perception of own quality) and organisational politics/culture.

Strategy being one of the key responsibilities of the management role, I was curious to know, how excellent are senior executives and their organisations in developing strategy? In my years of professional strategy practice, time and again I have found myself arriving at organizations, or parts of them such as divisions or business units, to start building the blocks of management strategy best practice for their senior executives. But after a few years, I would find that as the executives moved around many of these best practices were diluted once successors arrived and preferred to do things their own way, completely disregarding the cumulative existing body of work. Or perhaps large reorganisations, organic or inorganic, suddenly happened and again the best-practice edifice stumbled, so to start rebuilding it yet another time.

Basically, many organisations do not have an established function of management strategy as a key architectural lever of the building, as a perennial element, like for instance usually is the case for the finance function so to control the all-important organization's financial performance, or the risk function so to effectively monitor risk management.

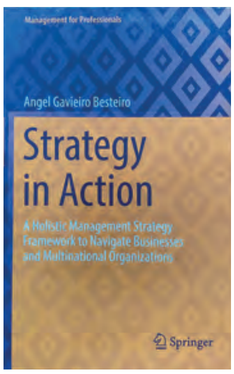
The ten frameworks I outline in my book are distributed in three levels, two for group, two for division and six for business unit.

At business unit level, two "slopes" differentiate frameworks that concern existing geography/business (i.e. business model / strategy blueprint / financial plan) vs new geography/business (i.e. attractiveness vs opportunities / inorganic growth process), since the questions to answer and approach to adopt are quite different. The five frameworks are analysed in my book in two phases - strategy development and business development (prior to the Implementation phase). The sixth framework (strategy and execution) brings together the connection among the other five and analyses the mobilisation and transformation needed to prepare the company for the Implementation phase.

The existing geography/business aspect represents the default business-as-usual in management strategy for any organisation, big or small; the new geography/business aspect is relevant only when an organisation considers the strategic decision of expanding, either geographically or in terms of business remit to adjacent arenas where it was not present before.

At divisional level, two frameworks are required - portfolio value gap and portfolio horizons - that analyse the portfolio of business units in terms of dynamics of value and time respectively. At group level, two frameworks are considered - leadership and management excellence, and company excellence - for addressing the critical dimensions that could provide executives, both as individuals and as a collective, with the skillset, balanced design and considered decision making discipline to achieve and sustain excellence.

Liveryman Dr Angel Gavieiro Besteiro is a widely-experienced banker. His book on strategy (pictured) is available now, and contains full diagrammatic explanations and analyses of the concepts outlined above.



From Melbourne to London

IRINA ONS VILABOA PROFILES OUR FIRST AUSTRALIAN MASTER

A Londoner, a citizen of the world, though with an unmistakable Aussie accent, and a doer with a clear vision for the future of the WCIB - these are just a few facets of the new Master of the WCIB, Jason Van Praagh. His enthusiasm for Company and its bright future, shines through.

Seizing opportunities comes naturally to him; from his first London job as a junior trader in Deutsche Bank 30 years ago, to setting up a trading desk for DB in Tokyo before moving to run a trading/sales desk in Singapore, returning to London to take a senior management role in Treasury at Rabobank, to starting his own short term fixed income institutional investment management company, and most recently putting his hand up to be Master of the Company.

One could expect a successful globe-trotter with such a career track under his belt to be proud of his achievements, which he is, and yet, it is his sense of acknowledgement and gratitude for the opportunities that he was given by the people he has worked for and with, his business partners at Northcross Capital, all of the valued clients along the journey and fellow WCIB members, as well as what they contributed beforehand, that most comes through. His view is that a modern, international and diverse Livery Company such as WCIB should celebrate its success at attracting such broad and vibrant membership, and that the Company is well placed to offer unique membership experience via volunteering, engaging in Company and Inter-Livery life, to simply enjoying the fellowship of its members at our excellent events.

Equally, he is clear that no organisation, or very few, can afford to operate outside of the economic realities for too long, so his vision for the future includes bolstering the foundations for a much more financially sustainable model for the Company, and to allow it to be more impactful through the local grassroot charities it proudly supports.

As a fellow member of the fundraising committee, a WCIB standing committee that was revived in late 2021 that Jason continues to Chair, I see first-hand the energy and resourcefulness he brings to the tasks he sets himself and his fellow committee members. He always encourages our members, freemen and liverymen to try their hand at being a committee member which gives anyone a chance to contribute to the Company and ultimately to give back to the City. A City that has offered so many of us the possibilities and opportunities we enjoyed in our careers, including being part our brilliant financial services livery.

To Jason, London is all about the people that have made it, and continue to make it, what it is. Simply, the undisputed International financial capital of the world. Being part of the WCIB, and the wider Livery, is a means for him to pay forward what has been received, now in a position as a giver of opportunity and charity.

He is equally enthusiastic about his involvement with the International Bankers Golf Society, which he Captained for the last two of the society's 60+ year-old history, the last 20 of which are as part of the WCIB. He spoke with passion about the team efforts that saw the Society come home with the Horner's Trophy (in 2021) and Distillers Prize (in 2021) for the very first time. As he puts it: "There is some cool stuff that happens when you put yourself out of your comfort zone to meet new people" referring to both the Company's own golf events, as well as the inter-livery matches, the comradery of which he credits with getting him more involved with the livery in the first place. It is this energy that led to him joining the events committee, becoming its Chair and joining the Court in 2015, putting

himself up for election as Junior Warden in 2019, which ultimately brought him to where he is now – Master International Banker. A journey he encourages everyone to consider.

His theme for the year is "London to the World", a direct play on the "Nation to Nation" Latin motto of the Company, his own journey and the uniqueness of the word "International" in our name amongst the Livery. Jason's hope for his legacy as a Master is to have his fellow livery members, from new joiners to those who have already had a chance to make the WCIB what it is today, be proud of what has been achieved, celebrate those achievements and spread the word about them. He is asking us to help him to build on the foundations laid down by the past Masters and the hard word of the Court and the Committees, to make the Company even more diverse and international in its membership, more financially stable and to continue sharing in and enjoying the unique fellowship that makes the WCIB the best Livery Company in the City of London.

Freeman Irina Ons Vilaboa is with London Stock Exchange Group.

Banker, chairman, liveryman… ambulance driver

LIVERYMAN MICHAEL COLE-FONTAYN, DIRECTOR OF JP MORGAN EUROPE AND CHAIRMAN OF THE CISI, AND HIS WIFE ANGELA DROVE TO UKRAINE AT THE END OF JANUARY TO DELIVER AN AMBULANCE AND MUCH-NEEDED SUPPLIES TO THE KHARKIV AND PRZEMYSL PROJECT

"Did I mention I went there at the weekend?" The opener for an early week conversation in any City office kitchen? Not when it's a JP Morgan Europe board director, chair of the Chartered Institute for Securities & Investment, mentioning almost in passing that he and his wife had been in Ukraine for the weekend. Why? "Delivering an ambulance." Of course.

Health care systems have struggled across the world since the pandemic began, but none as much as Ukraine's, with a bloody war raging across much of the country. Enter Alexander Thomas. With a degree in Russian history under his belt, a masters in Russian literature, and an Oxford PhD in contemporary Russian theatre, he was all set to take up a Fellowship in Moscow in April 2022. Then came the illegal and brutal invasion of Ukraine. So instead of the peacetime delights of springtime in Moscow, Alexander found himself 600 km due south in Kharkiv, Ukraine's second-largest city with some 1.5 million souls before the attacks – 2 million in the broader metropolitan area – and just over the border from Russia.

Kharkiv and Przemysl Project
The Kharkiv and Przemysl Project (KHARPP) is a grassroots initiative that was founded by Alexander Thomas and Ada Wordsworth – who had been a student at the same Oxford college but whom he met in Poland after the war started. "The project grew out of our time on the Polish-Ukrainian border," Alexander explains, "helping refugees with their immediate needs as they arrived in Poland. We were near the conflict, so we were able to identify first-hand what people really need when they arrive, as well as being ideally placed to help our friends inside Ukraine itself with their needs. As the war has raged on, these needs have become increasingly acute. "

Now KHARPP operates on two fronts. In Przemysl, Poland at the border, it has a team of Ukrainian and Russian speakers working out of the train station, meeting and helping refugees leaving the country. Where needed, it can provide support with emergency accommodation, onward transport costs, suitcases, and hot meals. It has been on-the-ground since early March 2022, just after the war started. "This gives us a unique insight into the official Polish response effort, and allows us to fill in any gaps which may emerge," says Alexander.

In Kharkiv, the focus of their work has shifted to the reconstruction effort. As of January 2023, it has helped with repairs on over a hundred houses in villages north of Kharkiv, in all of which it was the first aid organisation to reach with the aim of reconstruction. It has also funded the repair of a care home and two medical clinics in the region.

Effective healthcare delivery is key
That's where CISI chair Michael Cole-Fontayn MCSI, Alexander's stepfather, comes in. Adequate transport arrangements for the injured and sick are key to effective healthcare delivery. KHARPP needed an ambulance. They bought one from the main UK supplier of second-hand ambulances, based in Birmingham – who knew? – thanks to a donation from the Fieldrose Charitable Trust. They loaded it with much-needed warm clothing, baby care materials, and Starlink satellite internet devices.

"Starlink is one of the wonders of the world", says Michael. "Or more precisely, off the world." It has more than 3,500 active satellites above us right now, more than half of all working satellites. A mighty chunk of its current traffic comes from Ukraine. Starlink, which Elon Musk launched as a side-hustle to help fund his planned Mars mission, has become an integral part of the country's civil and military response to Russia's invasion, and key to communications for many Ukrainian citizens.

So, having loaded their ambulance with all these treasures, on the last weekend of January 2023, Michael and his wife Angela set off from Woolwich

Clockwise from far left, the roads to Kyiv and Lviv; Michael with ambulance; the Bishop of the Greek Catholic Cathedral; and his Church of the Nativity of the Blessed Virgin in Lviv. Below, the long trip across Europe.

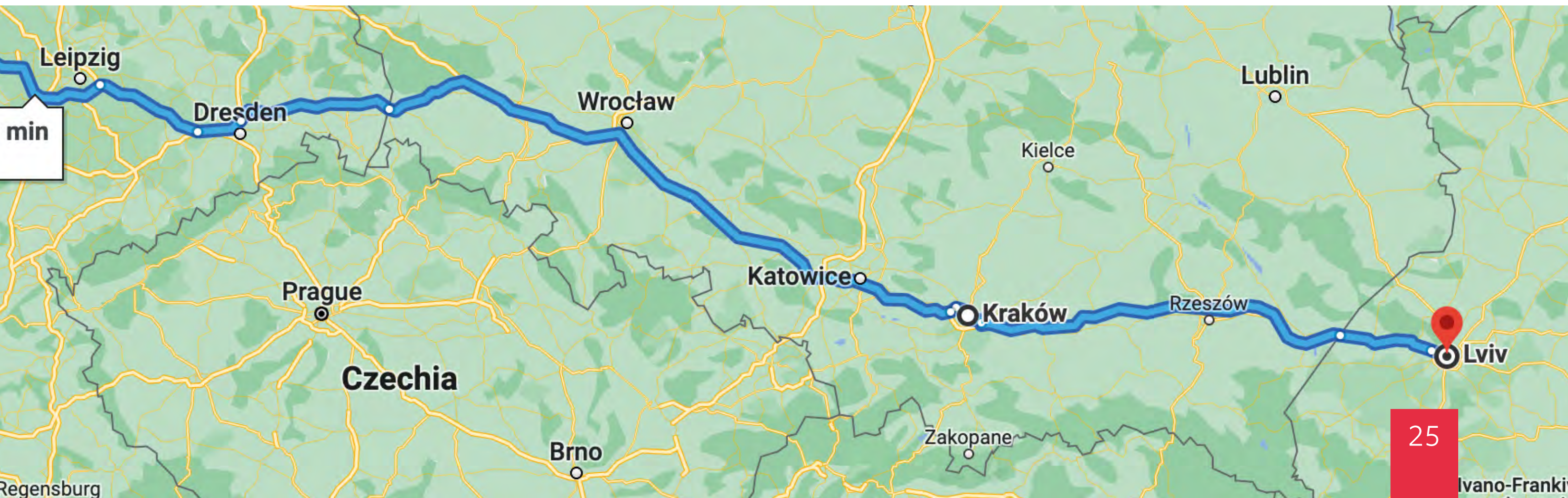
in London and drove it due east across Europe towards Kharkiv. On day one, Friday, ten hours of driving saw them crossing the English Channel and passing through France, Belgium and the Netherlands, before a brief night of rest in Dortmund. Then an early start took them across the German border into Poland, and just ten hours after breakfast that second day they were in Krakow.

A well-earned more leisurely start on the Sunday morning took them in two hours to the Ukrainian border (where their insurance cover ran out, the citizens of EC3, home to Lloyd's of London, being wisely wary of wars). The paperwork, crossing out of the EU, was inevitably tedious, but Michael has high praise for both Polish and Ukrainian officials who understood the value of the mission, bringing a much-needed element of humanitarian aid to the hellish nightmare of life on the frontline of the conflict.

By 5pm on Sunday they were in Lviv. The ambulance was collected early the next morning by a team from the charity in Kharkiv, but not before it was blessed by the bishop of the Greek Catholic Cathedral. With the doors of his cathedral open, prayers, chants, and sprinkles of holy water rained down on the revered ambulance.

Prior to departure back to Poland and onwards to London, Michael and Angela, along with Alexander, managed to squeeze in a breakfast meeting with a Ukrainian MP, who set out the dire need for additional blood donors in Ukraine. During war, they were told, three times more blood is needed than during peace time. Around one quarter of the Ukrainian population has left the country, creating a chronic shortage of blood for the wounded. Prior to the war, Ukraine's largest blood bank was in Kharkiv, but the Russians deliberately bombed the facility to the ground, which has only exacerbated the problem. One of the solutions is a blood bus, which can collect blood in the west of the country, and transport it directly eastwards to where it is vitally needed.

For more information on KHARPP's work, please email contact@kharpp.com. To donate to its work please visit kharpp.com/ how-to-donate.



Sustainable finance: the world in 2023

AT THE COMPANY'S FIRST EVENT OF 2023, CHRIS HAYWARD, POLICY CHAIRMAN OF THE CITY OF LONDON CORPORATION, OFFERED A TOUR D'HORIZON OF THE CHALLENGES WE FACE

Collectively, markets from London to Los Angeles, Singapore to San Francisco, need better transparency, comparability, and credibility in the sustainable finance agenda. We need to position the UK as a one-stop shop; the go-to partner for countries and companies looking for capital and expertise, to help them meet their sustainability goals. The City Corporation is working to facilitate this shift because it knows that sustainable finance is one of the best tools available to policymakers in the urgent race to meet climate targets.

Looking back on the world in 2022, it was unquestionably a year of challenge and change. The economy struggled to cope with successive crises precipitated by Russia's illegal invasion of Ukraine, post-pandemic supply chain shocks, and political upheaval just a couple of miles away in Westminster. The Earth continued to warm with disastrous consequences for humans and animals alike. Mass flooding devastated 33 million people in Pakistan, while the western United States experienced severe droughts, and here, the United Kingdom's average temperature passed the ten-degree Celsius threshold for the first time in recorded history.

These aren't the records to which we should be aspiring. It's no surprise therefore that the Collins Dictionary's word of the year for 2022 was "permacrisis". But there is, I think, a problem with defining 2022 with that word. It suggests that we are resigned to the status quo, that our problems are entrenched, that we find ourselves in a hole so deep that it is inescapable.

We must not accept that defeatism. Collectively, just as humans have been the problem, so too we can be, and must be, the solution. And I believe that starts with shifting the paradigm that has held sway for too long: that finance and sustainability are unrelated at best and opposing forces at their worst. The Green Horizon Summit at COP26 in Glasgow, our own Net Zero Delivery Summit last May, and the launch of the Glasgow Financial Alliance for Net Zero (GFANZ) showcased that finance and sustainability are connected. Green action can lie at the heart of financial services, and indeed, financial services can lie at the heart of green action.

I realise that 2022 provided immense challenges to the sustainable finance agenda. The war in Ukraine prompted discussions in some quarters of retrenching to outdated, carbon-intensive fuel sources. Such short-termism would only saddle future generations with a planetary debt that they would struggle to repay. Together, we must all, whether in the financial services livery companies, in sustainability, or in finance, must ensure that we keep our eyes fixed beyond the immediate horizon, rather than looking down at our feet.

That means looking for global solutions to this global problem. We need a four-pronged approach...

Firstly, we need to reduce frictions. That means strengthening UK policy and regulation with an effective and coherent sustainable finance framework. Secondly, we need to nurture innovation. More creativity in the market will create better products for green and impact finance and services from the UK. Thirdly, we need to attract capital, firms, and exports. With better products for the market, we then need the customers to ensure a greater uptake of green and impact finance and services from the UK to the world. And fourthly, we need to retain size and scale. Encouraging firms to prioritise strategic skills planning to enable effective engagement with the sustainable growth markets of today and tomorrow.

The City Corporation supports the International Regulatory Strategy Group (IRSG), which is providing the joint secretariat with the International Capital Market Association for a new industry working group with a mandate from the Financial Conduct Authority to develop a voluntary code of conduct for ESG data and rating providers. The group met for the first time in December and will produce a Code of Conduct by June 2023. A comprehensive, proportionate, and globally consistent voluntary code of conduct for ESG ratings and data will help ensure the market is fit for purpose, supporting practitioners to assess risk more accurately. It is a valuable opportunity to contribute to the sustainable finance regulatory agenda as the UK becomes only the second country in the world to develop a Code of Conduct for ESG Ratings.

The City Corporation is also harnessing the powers of its brand and reach to lead the debate on the wider challenges the net zero imperative presents. Having previously identified that the "COP circuit" lacked a defined mid-point, an opportunity for business to look both back and forward, we stepped into that void. Last year, the City Corporation hosted the inaugural Net Zero Delivery Summit together with the UK COP Presidency and GFANZ. That Summit brought together nearly 200 international guests, including prominent business and public sector leaders in climate finance such as Special Presidential Envoy on Climate John Kerry, COP26 President Alok Sharma, and GFANZ co-Chair Mark Carney.

But the format will only reach its full potential if it becomes an annual event firmly embedded in the sustainability calendar. On 24 May 2023, we will host our second Net Zero Delivery Summit at the Mansion House in partnership with the Egyptian COP27 Presidency. This year's event is a sign of our commitment to sustainable finance and our ambition to help drive delivery forward with this now annual MOT of the sustainable finance agenda. This year's theme will be a just transition. The focus will be on delivery, promoting examples of best practice from the different sub-sectors of financial services in emerging markets, so that no community, no city, and no country is left behind.

Together, our work developing regulation and leading the wider debate form a massive effort to shift our global perception and make us the go-to place for sustainable finance. The City Corporation is working to facilitate this shift because we know that sustainable finance is one of the best tools available to policymakers in the urgent race to meet climate targets. Crucially, given the precarious economic climate I mentioned at the beginning, we also understand that good growth and good regulation are two sides of the same coin. If we make sustainable finance an integral cog in the engine of our economic system, we will have more enduring, less harmful growth that is better for the bottom line and better for the planet. And though the coming days, week, and months ahead will be immensely challenging, for it would be nothing short of naïve to think otherwise, 2023 is a great opportunity...

2023 is our chance to ensure that the road to recovery for the economy and the planet runs through the streets of the City of London. A shot to convert green soundbites of aspiration into a symphony of action. And a rare chance to convert the fear of "permacrisis" into the hope of "permachange".

A film of this event, held jointly with the Chartered Institute for Securities & Investment and the other members of the Financial Services Group of Livery Companies, is available on the WCIB website.

Chris Hayward

The subversive world of sovereign sustainability-linked bonds

AN INNOVATIVE ADDITION TO THE FINANCIAL ARMOURY FIGHTING CLIMATE CHANGE

Policy performance bonds are a simple, and somewhat subversive, idea introduced by Z/Yen during 2005-2007 as part of the City of London's London Accord project. The initial London Accord project had 24 investment research firms producing a 780 page book to encourage better policies for investment against climate change. The London Accord continues to provide policy-makers and academics with access to reports which highlight the role that the financial services industry can play on the road to sustainable development.

Professor Michael Mainelli, Chairman of Z/Yen and Honorary Member of the WCIB, and his team suggested a series of government-issued climate bonds similar to inflation-linked bonds. The interest on the bonds rose if government policies on climate failed, originally termed "policy performance bonds". With approximately $100 trillion in the debt markets, and approximately $72 trillion of that sovereign debt, the effects could be much greater than corporate green bonds. Though Professor Mainelli's original idea was more directed towards governments rather than corporates, these bonds started being adopted by the corporate world in 2017. The terminology has evolved, with them being called "climate output bonds", "index-linked carbon bonds", or "positive incentive loans", though the terminology seems to have settled on "sustainability-linked bonds". An example of a sovereign sustainability-linked bond might be a government issued bond where, in its simplest form, interest payments are linked to the actual greenhouse gas emissions of the issuing country against published targets. An investor in this bond receives an excess return if the issuing country's emissions are above the government's published target. A sustainability-linked bond thus provides a hedge against the issuing government, or corporation, not delivering on its commitments or targets. Sustainability-linked bonds can be issued against carbon emissions reduction targets but also forest preservation targets and any other area where policy risk is significant. In the case of carbon, the ability to hedge enables the same investor to invest more confidently in projects or technologies that pay off in a low-carbon future because if the low-carbon future fails to arrive the government too bears direct costs of having to pay higher interest rates on government debt. Sustainability-linked carbon bonds eliminate the one risk that differentiates clean energy projects from other energy projects, the uncertainty of government policy actually being directed at a low carbon future.

Examples of potential indices that address this unique risk are:
- Levels of greenhouse gas emissions;
- Levels of feed-in tariffs for renewable energy or percentage of renewable energy in overall energy supply;
- Prices of emission (reduction) certificates in a trading system;
- Levels of taxes on fossil fuels or fossil fuel end-user prices.

In March 2022, the Republic of Chile placed the first-ever Sovereign Sustainability-Linked Bond (SSLB). This $2 billion 20-year SSLB was more than four times oversubscribed - a remarkable achievement given the sovereign bond market's volatility and uncertainty. Sustainability-Linked Bonds (SLBs), and, most noteworthy, Sovereign Sustainability-Linked Bonds

(SSLBs) form a subset of green bonds. However, they differ from green bonds, social bonds, or sustainability bonds in several crucial ways:

- First, the funds raised are not tied to a specific project, but to a corporate or national objective. Liberating the proceeds from a specific project frees the issuer to deliver sustainability improvements using a wide range of means.
- Second, SSLBs and SLBs are issued with specific sustainability performance targets (SPTs), which contain key performance indicators (KPIs), for example: "A 20% reduction in scope 1 & 2 emissions by 2030".
- Third, if the SPT is missed the bond is subject to a "step-up" clause, meaning the bond interest increases.

Uruguay followed suit in October 2022. This issue attracted almost 200 investors from Europe, Asia, the United States, and Latin America, of whom more than a fifth were new holders of Uruguayan debt. Total demand for the bond touched $4 billion, greatly exceeding the $1.5 billion Uruguay decided to issue. The yield spread between this bond and the US Treasury bond used as a benchmark is 170 basis points. If the bond's goals are met, its spread will narrow by up to 30 basis points. Uruguay also added forestation targets to its key performance indicators.

For organisations and individuals seeking to invest in a low-carbon future, uncertainty about government commitment manifests itself in three specific risks:

- Government carbon emission targets being missed;
- Fossil fuel prices remaining low;
- Carbon (emissions) prices remaining low.

Missed targets, low fossil fuel prices, and low carbon prices reduce the profitability of low carbon projects and cause losses to investors. SSLBs act as a hedge against policy risk and can help attract both domestic and foreign direct investment in low carbon projects as they de-risk government policy risk. .

Policy risk affects investment, for example when the worsening economic environment leads governments to talk about "temporary" easing of carbon reduction commitments, or there is a period of low fossil fuel prices, or when lobbying for special treatment of existing infrastructure looks strong. In the case of Chile, with the issuance of the world's first SSLB, the country aims to embed green and financial incentives across several political cycles, while mitigating some of the limitations of existing sovereign green, social and sustainability instruments.

Performance bonds in Europe

Our idea has been to focus on "outcome-based" green bonds rather than "use-of-proceeds" bonds. We were particularly interested in sovereign issuance, as we noted the scale of the sovereign markets, despite the far lower number of issuers, less than 100, made it as important as the 10,000 or so global corporates who can issue debt. We referred to a policy performance bond structure already in existence, inflation-linked bonds, and the hedging that provides against government policy risk.

This sustainability-linked bond idea constitutes an alternative to the "ESG industry" in the narrow domain of climate change emissions. ESG is useful in a number of areas, e.g. water or biodiversity or diversity, but in the strict sphere of carbon emissions it is rendered unnecessary with a combination of carbon pricing and sustainability-linked bonds.

Over the years, the idea took hold with the French government, most notably in the run-up to COP 21 in 2015 when we published a piece on the theme *in English* on their Prime Minister's blog site. Afterwards the French government declared sustainability-linked bonds the best idea they'd heard at COP 21 and pushed us to publish a book on the subject which we did in 2017 – again, linked below.

This publication, along with significant promotion by Z/Yen on the Continent, led in 2018 to a number of continental firms issuing such bonds, e.g. Louis Dreyfus, Danone, Enel. The first such UK bond was issued by TRIG in 2021. The class of bonds is also called performance incentive loans, positive incentive loans, SDG-linked bonds, ESG-linked bonds, sustainability-linked bonds, index-linked carbon bonds, etc.

We were certainly pleased to see this reporting on the substantial growth since 2018 at the beginning of last year (*Bloomberg 22 February 2022*): "Global sales of sustainability-linked bonds, a subset of ESG debt, hit a record $110 billion last year, compared with $11 billion issued in 2020, according to data compiled by Bloomberg. Moody's ESG Solutions expects issuance of the debt to hit $150 billion this year."

Honorary Member Professor Michael Mainelli is Executive Chairman of Z/Yen. The full paper, and the piece on the French PM's blog site, can be found at zyen.com

The impact of climate change on risk and bank lending

LIVERYMAN PROFESSOR MOORAD CHOUDHRY ON WHY CLIMATE MUST NOW BE PART OF EVERY PROFESSIONAL FINANCIAL DECISION

"Climate change, left unchecked, will lead to irreversible harm for generations to come....If the previous decade was marked by a "call to action", then this coming decade must answer it....And the financial sector should be instrumental in driving that change." Sarah Breeden, Executive Director, Supervision, Bank Of England, July 2020

The author penned this article while the "COP27" summit was in full swing. Irrespective of the industry one is concerned with, there is no doubt that the impact of climate change, in actuality and in potentiality, is being felt strongly. And although the banking sector per se does not generate significant climate change-related output, unlike (say) the hydrocarbons, farming, energy or construction industries, the fact that banks finance businesses in these areas means that they will be, as Ms Breeden suggested, at the forefront of change.

In this article we hint at possible implications for banks' strategy and lending policy that the climate change debate is raising, and discuss a possibility that regulatory requirements governing bank lending may be changed to incentivise behaviours.

That the planet is experiencing climate change is, whilst not acknowledged universally, borne out by your amount of relevant statistics. For example,

- The 2010s was the hottest decade since records began in 1880
- 2020 tied with 2016 as the warmest year ever recorded
- The last seven years have been the seven hottest in terms of global average temperatures
- January 2020 was the warmest January on record

(Source: NASA, McKinsey)

CLIMATE-CHANGE RELATED IMPACT ON BANKING RISK TYPES

RISK REGISTER	PHYSICAL RISK	TRANSITION RISK
CREDIT	• Collateral value depreciation, uninsurable collateral; • Customer business viability; • Customer loss of income	• Adaptation costs too high to bear; • Competition from new/disruptive businesses
MARKET	• Market shocks and liquidity crises in response to a specific climate catastrophe; • Repricing for new information causing disruption	• Changes in policies impact unexpected repricing; • Higher volatility in specific asset categories, sectors, specific names or regions
OPERATIONAL	• Disruption to operations and the supply chain; damage to firm's own property assets; • Property assets uninsurable; • Increased cost base (insurance, energy, etc)	• Supply chain disruption and 3rd-party risk; • Higher operational risk costs
LIQUIDITY AND FUNDING	• Money markets funding shock due to catastrophe event	• Reduction in funding sources to firms lacking or seen to lack strong "ESG" image
REPUTATIONAL	• Poor disclosure of material risks	• Negative image or guilt by association; • Not delivering on stated ESG and climate risk related goals
STRATEGIC	• SMCR liability; • Losses from physical impacts leading to material capital loss	• Business model obsolescence due to change in consumer behaviour and/or societal preferences
LEGAL	• Foreseeable, material risks not disclosed	• Legal challenge and court cases charged with contributing to climate change; • Inability to adapt to new laws in sufficient time
CONDUCT	• Conflicts of interest arising due to different types of customers and perceived best interests of the bank	• Presenting misleading or false information on climate risk related issues; • Incentive scheme for "green" products leading to negative unintended consequences
REGULATORY	• Inadequate or inaccurate climate risk disclosures on past or current actions and events	• Pillar 2 Capital add-on due to non-compliance or inadequacy of compliance; Fines due to non-compliance

There are innumerable other indicators to convince those of a sceptical disposition. So the discussions underway at COP27 were understandable for their sense of urgency, notwithstanding that Greta Thornberg has decried the event as so much "greenwashing".

What does the urgency on action to stem the pace of climate change mean for banks? Up to now, guidance from regulatory authorities has focused, essentially, on balance sheet management issues, and the impact on banks loan portfolios of the physical risks and transition risks associated with climate change. For example, one of the earliest pieces of supervisory ruling was the UK PRA's SS3/19. This requires UK banks to implement policies addressing their approach to managing the balance sheet impact of climate change, and to incorporate this into their risk management frameworks. In truth, it would be perfectly sensible for a bank to consider the impact on all its existing risks, and manage this accordingly, even without regulator expectation. The exhibit shows those areas of existing bank risk types that may be affected by the physical and transition risks of climate change; addressing these would simply be good risk management practice.

CLIMATE-CHANGE RELATED IMPACT ON BANKING RISK TYPES

Whilst regulatory guidance in a number of jurisdictions implies, to a certain extent, that the climate-related policies of a bank's corporate customers should be taken into account, there is no explicit requirement to adjust lending policy to reflect the fact that some sectors contribute more to climate change than others. It is reasonably straightforward (using statistics published by UN agencies) to identify those sectors that generate the greatest carbon output. The burning of fossil fuels (coal, petroleum, natural gas) creates the greatest such output; beyond that the evidence points to industrial processes such as cement production, transportation and land use for agriculture being in the "top 3". Hence, a bank that was lending into these sectors may consider to what extent it continues to do so in the long term; should it, for example, insist that customers produce detailed plans demonstrating their commitment to net zero by 2030?

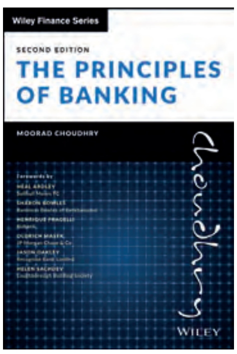
At present, there is still leeway for banks to lend to whoever they wish, provided they are able to manage the result risk in line with regulatory requirements. From a bank capital perspective, whoever one lends to, the capital requirement associated with a loan follows international standardised guidance, and is based on a customer's credit rating.(Put simply, the "risk weighting" applied to a loan, which drives its regulatory capital requirement, ranges from 0% to 100%, or exceptionally 150%, based on the borrower's credit quality. The absolute minimum capital ratio for any bank is 10.5%. For a loan of £100m therefore, risk weighted at 100%, the capital required would be £100 x 1.0 x 0.105 = £10.5m).

But this requirement may be about to change. In August 2022, the EU Parliament put forward a proposed change to bank capital regulation, in Draft Report PE731.818v01-00, that suggested new risk weights for certain types of lending. On page 164, the report states "3. Exposures related to existing fossil fuel resources, as referred to in paragraph 1 of this Article, shall be assigned a risk weight of 150 %.
4. Exposures related to new fossil fuel resources, as referred to in paragraph 2 of this Article, shall be assigned a risk weight of 1250 %."

The "justification", stated on the same page is "...it would be appropriate to propose that a bank that continues to finance fossil fuels should bear the full risk. This is not to prohibit its financing, but rather to ensure that when a bank makes a new investment in fossil fuels, the cost of capital reflects the risks those energies represent for both climate and financial stability." If adopted into EU law, this would remove the core principle of international regulatory guidance that states credit risk capital is a function of the credit risk of the borrower. Instead, irrespective of the customer credit quality, lending to this specific sector would become prohibitively expensive for a bank. Taking the simple example from above, the capital required for a £100m loan to a new customer in the "fossil fuels" sector would rise from £10.5m to £131.25m.

Clearly, this will stop EU-domiciled banks from lending to this particular customer franchise. This may have a beneficial effect on global climate change. But the question is, would it? Limiting this change to EU banks only would simply drive customers to borrow from non-EU banks. We should also expect that lending from the non-bank sector would take up some slack. It appears that the ECB and the EBA realise this. In a "The Supervision Blog" post on 4th November 2022, both bodies noted "We are very concerned that in the ongoing legislative discussions in the EU Council and the European Parliament on the EU banking package, numerous calls have been made to deviate from the international standards..... At stake here are the reputation, the competitiveness and, ultimately, the funding costs of the EU banking sector."

Climate change is a global phenomenon, and action to mitigate its deleterious effects will only have value if undertaken globally. Measures that seek to limit climate change that are focused on one part of the globe may actually have negative unintended consequences. Ideally a standardised approach to bank lending into the hydrocarbons sectors would be adopted worldwide, with hopefully beneficial results. For now, we'll need to wait and see what happens with this particular piece of proposed EU legislation.



Liveryman Moorad Choudhry is author of The Principles of Banking, 2nd Edition (Wiley 2022).

Crunching the numbers to make climate finance work

FREEMAN DR ANGEL GAVIERO ON WHAT IS LEFT UNDONE BY RECENT COPS

After COP27 and the Glasgow Financial Alliance for Net Zero (GFANZ)'s *"over $130 trillion of private capital ... committed to transforming the economy for net zero"* at COP26, reported in the last issue of International Banker, it is time to go down to reality and get to grips with the "how". Let's start with understanding the size of "the challenge" with four questions.

What is the scale of the investment required for 1.5C NetZero? $100-150 Tr. by 2050[1], though it could be smaller if the transition is done fast, as inferred from a recent study on exponential effects in energy technologies.[2]

What is the pace required for this investment over this first decade? Taking as a proxy IPCC's NetZero target of 50% cut for greenhouse gases by 2030[3] (so $50-75 Tr.), it translates to $5-7.5 Tr. per annum for 2021-30; out of which c. $1 Tr. p.a. towards Emerging & Developing Markets (E&DM)[4].

What is the re-allocation effort for this volume? Global primary market flows of equity, bonds and loans reach $15 Tr. p.a.[5], implying the need for 33-50% resource reallocation to climate finance.

What was global climate finance in 2021? Estimated around $1 Tr.[6], up from $640 Bn. (2020)[7], out of which just $150 bn p.a. (2020)[5] went to E&DM. Thus, "the challenge" for this decade has already started with 80-87% ($4-7.5 Tr.) shortfall!

Now, let's understand how GFANZ are doing in "ESG re-gearing" to address "the challenge".

Disclosure and standards: critical for investing/lending into ESG projects and companies in transition; companies' disclosure has been voluntary and so heterogeneous, starting now to become compulsory; standards, methodologies and taxonomies are fragmented, which ISSB[8] is trying to fix.

Integration in decision-making: institutional investors and banks are scrambling to adapt policies, processes and IT systems to digest ESG data; many portfolio methodologies to choose from to produce the risk / return / ESG impact insights to inform decisions; still grappling with governance changes at investment/risk committees and fiduciary duty implications at boards.

Private-public investment schemes: barring solar and wind, many decarbonization technologies are not yet fully private-investable at scale, needing public support (direct investment, grants, tax credits or guarantees); joint financing mechanisms are key, especially for E&DM (country, policy and FX risk).

Regulation: from carbon tax to industry quotas, product standards, etc... all still evolving or uncertain for many industries across jurisdictions; this lack of clarity and predictability jeopardizes private investment, regardless of appetite; ditto for financial regulation in terms of supervision (stress testing) and capital adequacy regime (Basel III) affecting banks (fear of "stranded assets" triggering recaps).

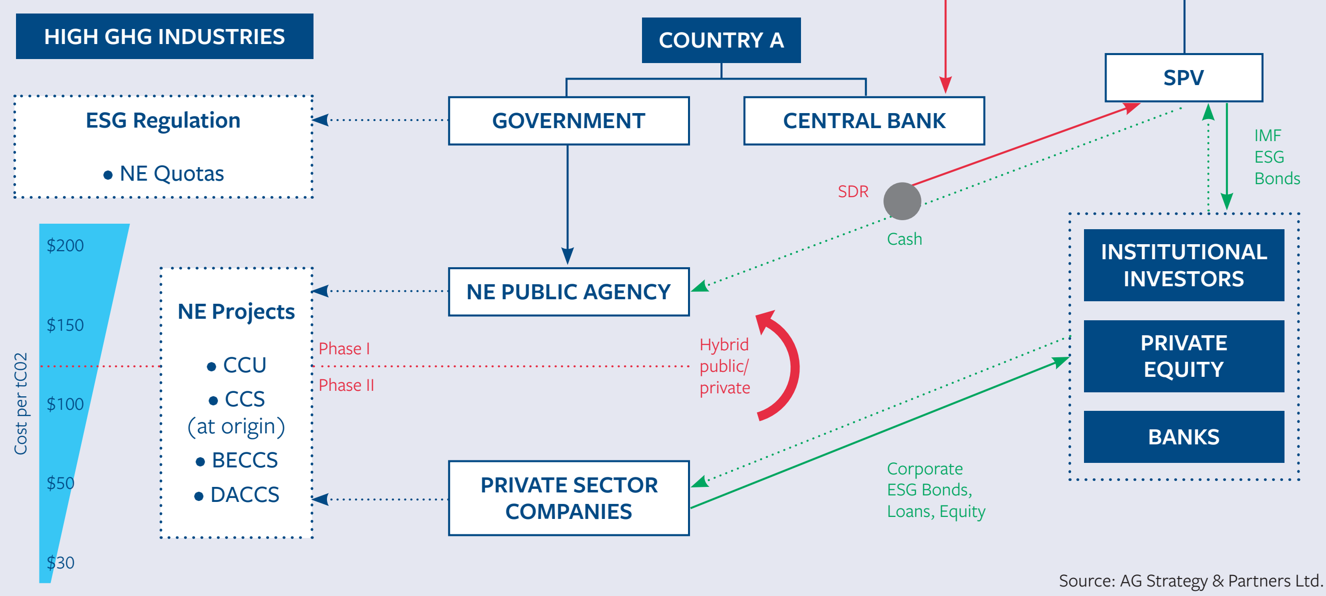
Finally, let's not forget the "north star" (why the planet needs 50% GHG reduction by 2030): we only have 12-16 years left of carbon budget for a 67%-50% chance to 1.5C NetZero pathway[9]. Therefore, *scale & speed are the key problem*, not only quantitatively due to the volume shortfall, but also qualitatively due to above headwinds to GFANZ's "re-gearing", given the carbon budget left.

In the light of this data, I believe it is highly unlikely GFANZ alone will succeed in this resource reallocation. The world needs urgently some out-of-the-box thinking to distil a "Climate Finance Catalyser". Boundary conditions though are paramount: after the Covid stimulus, global cumulative QE has peaked at $25 Tr. and public debt/GDP has reached widespread above-100% records not seen since WWII. Any solution cannot use these levers much further.

A new proposal[10] aims at mobilising, at scale and speed, a large volume of private investment towards the public sector, suggesting to prioritise two of the most urgent and complex climate change issues:

Critical decarbonization technologies in developed markets (CCUS[11], hydrogen, storage...): e.g. CCUS is essential to abate 8-10 GtCO2 by 2050 (currently with just <0.1 GtCO2 in +65 projects globally), but

A NEW MACRO MODEL FOR GREEN AND SUSTAINABLE FINANCE



Source: AG Strategy & Partners Ltd.

needs scale and learning economies to bring costs below $100/tCO2 for wide adoption.

Critical infrastructure in E&DM: e.g. substitution of planned carbon power plants for decarbonized alternatives, accelerating renewable-based electrification of growing cities, or ensuring CCUS technology transfer (from developed economies) to existing hard-to-abate cement, steel and chemical plants.

This proposal suggests ***IMF SDR-backed, AAA-rated, ultra long-term, ESG Bond issuance via SPVs, addressed to global institutional investors.*** Proceeds would be re-directed to each government via its Central Bank selling its SDRs to the IMF SPV (backing the bonds), with a country's Public Agency centralising/prioritizing public investment. SDR selling would not add to the countries' debt.

For countries, participation in this scheme would go hand-in-hand with accepting the roll out of specific demand-driven regulatory measures for targeted industries and/or technologies (e.g. for industries requiring CCUS, by setting negative emissions quotas aligned to each country's NDC[12]). For investors, IMF AAA bonds would be a "business as usual" investment, even better as are fully collateralized with SDRs (i.e. mutualized world countries support) and ultra-long term, ideal for pension funds and life insurance companies.

This would complement their own private ESG financing. For the IMF, the SDR scheme would create a long-term interest rate (akin to its current short-term rate) for SDRs held in the SPV, covering its outstanding bonds' cost of funding. For bond amortization, via (e.g.) a non-call 50 to 100 years maturity, countries would buy back SDRs before year 50.

In August 2021, the IMF created $650 Bn SDR, over existing $204 Bn, to help E&DM to tackle post-Covid debt, suggesting on-lending $100 Bn from Developed to increase support. As a numerical exercise, current $0.85 Tr. SDR balance would be able to finance on average 33% of CCUS's (for Developed & China) and 20% of infrastructure's (for E&DM excluding China) five-year investment needs.

This proposal would require updating the SDR scheme and its size, and probably also to rethink IMF's purpose and composition towards the new G20 reality and global challenge, Climate change, despite (and perhaps "helping to sooth") current geopolitical tensions. Is it time for a Bretton Woods 2.0?

1. Triangulating from BloombergNEF-Jul.2021 ($92-173 Tr.), Boston Consulting Group & Global Financial Markets Association-Dec.2020 ($100-150 Tr.) McKinsey & Co-Nov.2021 ($150 Tr.; taking just the incremental investment for like-to-like comparison)
2. "Empirically Grounded Technology Forecasts and The Energy Transition" (Rupert Way et al; Oxford-Sept.2022; Joule)
3. Arguably the investment deployment should be more upfronted in the decade, instead of the linear assumption used for simplicity
4. Based on triangulation by Blackrock () from study David L. McCollum et al (Jun.2018) and report by International Energy Agency, World Bank and World Economic Forum (Jun.2021)
5. As per BCG & GFMA-Dec.2020, which does not include private investment (though it would be a relatively small fraction of that figure)
6. As per Climate Bonds Initiative-Apr.2022 (includes green, sustainability-linked and transition bonds), and extrapolating for loans & equity
7. As per Climate Policy Initiative-Oct.2021
8. International Sustainability Standards Board (under the IFRS Foundation)
9. 400-500 GtCO2 (±220 GtCO2 equivalent from non-CO2 emissions), which we are consuming at c.31 GtCO2 per year (c.51 GtCO2 equ. including non-CO2 emissions). "Climate change 2021: the physical science basis – summary for policy makers" (IPCC-Aug.2021)
10. "Climate finance – IMF SDR-based public-private financing scheme" (Angel Gavieiro; AG Strategy & Partners; Nov. 2021)
11. Carbon Capture, Utilization and Storage
12. Nationally Determined Contributions (to GHG cuts, as per COP agreements)

£1 Million, 1,000 hours to good causes: the WCIB in action

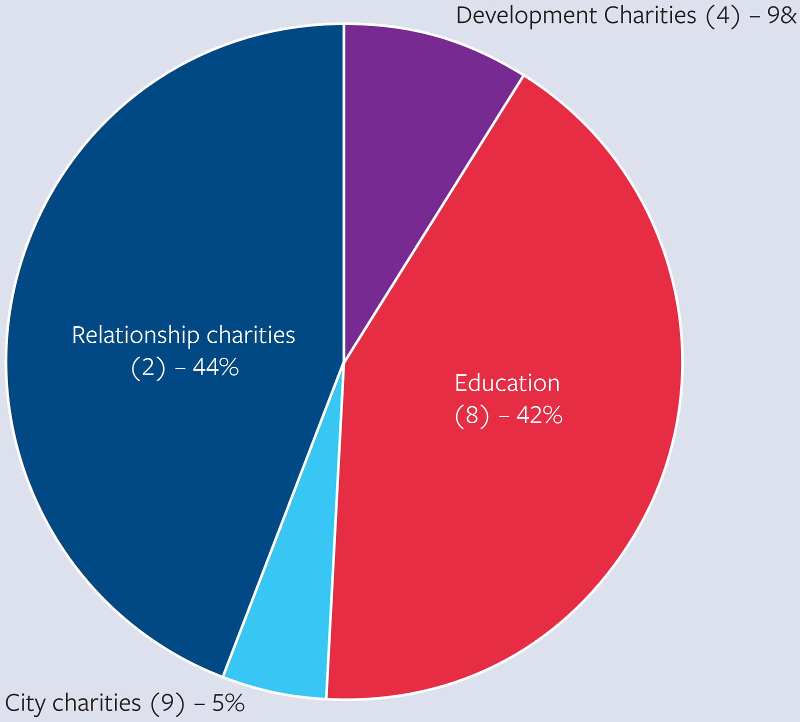
LIVERYMAN PETER GREEN PAINTS A HEARTENING PICTURE OF JUST SOME OF THE COMPANY'S EXCELLENT WORK IN THE PAST YEAR

Many of you generously donate to the International Bankers Charitable Trust (IBCT) alongside your annual membership fees. Most will be very aware of the IBCT, but I suspect, as I was before joining the Charity and Education Committee, many will be unaware of the breadth of initiatives supported by IBCT and our WCIB volunteers.

First some facts and data.

Since the inception of the Trust, we have donated well over £1 million to good causes and encouraged the members to contribute an estimated 1,000 hours per year in support of our various initiatives.

WCIB charities budget allocation



Our charitable activities focus on underprivileged young people in London, financial literacy, education, employability and raising aspirations, plus support for City of London programmes. We believe that maximising the impact of our support – financial and time – is best achieved through limited and deeper relationships. Our financial support should have identifiable impact and is ideally complemented with support of time and expertise.

OUR CHARITABLE DISTRIBUTIONS

This year we plan to distribute close to £135,000—the largest amount to date, excluding years with special appeals. The funds raised primarily through the annual donations of Company members—thank you! - plus income from the core fund and the funds raised through events such as the amazing IBCT Ball at Merchant Taylor's Hall in June 2021.

We support fours strands of activities:

- Educational
- Relationship charities
- City of London charities
- Development charities

The majority of our funding split evenly between Education and Relationship Charities

EDUCATIONAL ACTIVITIES – (42% OF OUR 2022 DISTRIBUTION)

Our support is both financial and mentoring. We support a scholarship to Dulwich College through the Lord George award, the Mansion House scholars' scheme which we partly fund, and also provide mentors for all scholars on the scheme. Our three educational flagship programmes are:

- **Schools Essay Prize run jointly with The Brokerage.**
  We nominate an essay topic and fund the prizes for the top two submissions for each school plus an award to all entering schools. WCIB members assess the top entry from each school to determine and overall

"best essay". In 2022 we are seeking to expand the participation to 18 schools.

- **Debating competition run with support from Debate Mate.** We fund training sessions for participating schools and join the final presentations and assessments.
- **Lombard Prize.** We finance an award for the "best dissertation" at twenty business schools and universities, the winners of which are invited to participate in the Lombard Prize. Entrants provide a summary of their dissertation and an oral submission on two topics – one relating to the financial industry and one with an ethics dimension.

  WCIB members administer the process and judge the submissions with individual members providing guidance to the participants. The winners of the Lombard Prize is awarded a cheque and silver bowl at the WCIB Annual Banquet.

RELATIONSHIP CHARITIES – (44%)

Our two major relationship charities are:

- **The Brokerage** – our major charity partner, where we help to finance the early stages of their "Pathways to the City" to increase the employability of school leavers.

School Home Support

At School-Home Support, we believe that the first step to increasing access to education is to address persistent absence. We work directly with pupils and their families to improve school attendance, behaviour, and engagement in learning. By providing individually tailored practical and emotional support, our practitioners look beyond the classroom to understand and tackle the issues affecting children's education.

Since 2017, the partnership between School-Home Support and the Worshipful Company of International Bankers has greatly enriched our ability to support vulnerable families on matters of economic well-being (EWB).

After consultations, trials and training we created a dedicated EWB coordinator post and a toolkit for our practitioners to use to deliver comprehensive information to service users.

Over the past two years we have focused on expanding the reach of our EWB content. By leveraging our social media platforms, newsletters and website, alongside continued training for all practitioners, we have worked hard to ensure that as many people as possible are benefiting."

In 2022, WCIB made an additional special donation of £5,000 to support the work of SHS on specific hardship. £5,000 provides one of the following, all aimed at reducing persistent absence from school:

- Beds and bedding for 40 children sleeping on the floor or sofa
- New school uniforms for 100 children
- A new fridge, washing machine or oven for 25 families
- Bikes to help 33 children cycle to school

- **School Home Support (SHS)** – SHS works with families to address persistent absence and to support initiatives to increase school attendance. We specifically provided SHS with funds to develop a financial awareness and budgeting programme that help parents to better manage their scarce financial resources, and are increased our support for 2022 to allow SHS to expand this scheme to other regions.

DEVELOPMENT CHARITIES - (9%)

A series of charities that are aligned with our charitable objectives, where we typically provide seed funds to help them develop their proposition. These charities can potentially build into relationship charities, or source other donors once the impact of their efforts have been proven.

For example, in 2021 we provided funds for Financial Futures, a charity that advances the financial education of young people in the UK, principally through support and funding of financial literacy programmes in schools and other settings. In 2022 we have continued funding to allow the programme to be deployed to a further 100 students across our relationship schools

CITY OF LONDON CHARITIES - (5%)

The livery companies in the City of London collectively distribute in excess of £70 million each year. Our contribution may be modest, but impressive given our 20-year history, a far cry from the centuries of legacy building of the older livery companies.

But we do, along with the other livery companies, support various City of London charities:

- **Lord Mayor's Appeal** – supporting five charities (Duke of Edinburgh Award, OnSide youth zones, Place2Be, National Numeracy and Samaritans)

The Brokerage

The Brokerage is a social mobility charity, working with less-privileged young people to improve their awareness of and access to professional jobs. The Brokerage also works with companies to help them achieve their diversity and inclusion goals.

The Brokerage are pleased to have received support and funding from the Worshipful Company of International Bankers (WCIB) for a number of years, working together on a number of initiatives including the annual schools essay competition. Most recently the WCIB have made a donation of £42,000 towards the Pathways to the City programme.

The young people served by the Pathways to the City programme are aged 16-25, from across London, are state-school educated and meet certain socio-economic criteria e.g. were eligible for free school meals. Of the current candidate pool, 59% are female and 89% are from a black or ethnic minority background.

Over three years, we will engage 3,750 young people, 100+ schools and universities and 1,500 volunteers at 30 corporate partners, through our five-stage employability programme.

The Pathway to the City programme has already seen great success in the year that the WCIB has supported it and is on track to reach even more young people, creating access and opportunities for the beginning of their corporate careers.

The Flagship Schools Network is to be a fantastic channel through which the WCIB can continue changing the lives of school aged young people, through increased access to careers in financial services and also hands-on volunteering opportunities for company members.

- **The Sheriffs' & Recorder's Fund** – supporting ex-offenders
- **Lord Mayor's Big Curry Lunch** – supports all veterans of His Majesty's armed forces into employment through the Army's National Charity, the Royal Navy & Royal Marines Charity, and the Royal Air Force Benevolent Fund
- **St Mary le Bow Homeless project**
- **JustShare** – promoting seminars on topics relevant to the City of London.

Livery companies have a long association with the military, in particular the reservists who give so generously of their time in defence of our country and the youth sections. Our support in 2022 covered:

- **16F Air Training Corp Squadron**
- **City of London Sea Cadets Corps**
- **NRHQ RA** (see article on p38 about the Exercise Cockney Rattlesnake)

In 2022, we also supported two unique events, one joyous and one tragic, through a direct appeal to members:

- **DEC Ukraine Appeal**
- **Platinum Jubilee Parade**

WHERE TO NEXT?

On a personal note, I would like to thank all those members who contribute so much to the charitable activities. If you one of the many currently providing financial support, thank you. If not, please consider donating to IBCT in a regular basis – the Clerk will be very happy to hear from you. For those who freely donate time and expertise, you get to see first-hand the impact of your efforts. I hope this is reward for all the hard work. Your efforts make a tangible and substantial difference to many lives.

Earlier this year I mentored a school for the 2022 Sheriffs' Challenge, a public speaking competition. Our school, Newham Collegiate Sixth Form Centre, won their heat and headed to the finals, held in Court 1 at the Old Bailey in front of two Old Bailey judges and the two Sheriffs of the City of London.

An amazing experience to witness the progression of the six students, the effort they put in to the task and their growth in confidence. Offers of help always appreciated – contact Peter Green or Shamir Sangrajka – contact details on the WCIB web-site members area.

Education is at the heart of our activities. We organise and support events, and recognise excellence through awards, for schools, universities and business schools. Our Schools Working Group, under the inspirational guidance of Jean Stevenson, run the Schools Essay Prize and Debating Competition. Our WCIB Prize and Lombard Prize, under the guidance of Omiros Sakaris, recognises the best performing students in financial subjects at twenty business schools and universities.

THE VOLUNTEER DATABASE

Financial support is vital, but equally important is the time and expertise of WCIB members. Volunteering requires both the supply – of time and expertise drawn from our membership – and demand – from our relationship schools and universities. During Covid, the demand-side quite understandably dried up, frustratingly for those who had volunteered, but whose skills were not called upon.

We are reenergising our focus on the opportunities for WCIB members to share their expertise, such as relationship managers for schools, universities and business schools, specific mentoring programmes, speaking on specific topics at schools and business schools, supporting mock interviews for university applicants.

Thanks to Shamir Sangrajka for leading this critical activity that builds on the great work of Jago Toner in creating the 80-name Speakers' Bureau. Please contact Shamir if you have ideas on either the demand or supply-side.

At the recent Freeman's ceremony, it was gratifying to hear "volunteering and charitable activities" being cited, unprompted, as a key factor for many of our younger new members for joining WCIB.

Liveryman Peter Green is Chair of the Charity and Education Committee

Operation Cockney Rattlesnake 2022 takes to the Sierras

OUR ARMY FRIENDS BENEFITED FROM WCIB FUNDING FOR A SPECTACULAR "OVERSEAS ADVENTUROUS TRAINING" EXERCISE IN THE US. MAJOR PAUL DEAN REPORTS

Some 16 members of the National Reserve Headquarters Royal Artillery (NRHQ RA), a unit within the British Army in which I am honoured to serve, took part in Exercise COCKNEY RATTLESNAKE 22 (CR 22) in September 2022. This was an overseas Adventurous Training expedition to the Lake Tahoe region of California and Nevada, USA.

The aim was to complete the 172-mile Tahoe Rim Trail around the Lake Tahoe basin rim (not shore edge), wild camping along the route, and with planned resupply points. With two available Mountain Leaders from NRHQ RA, the groups had seven members each and a Support Team of two.

All personnel are Reservists, based throughout the UK (though one lives in Austria), giving support to the Regular British Army's formations on exercises and operations. Such is the nature of NRHQ RA that this was the first meeting for many individuals.

Parallel to personal development, leadership and working under pressure, teamwork and cohesion were key objectives in the expedition plan. All this and more was tested to the full immediately prior to our departure. With little more than a month before deployment there was a change of Expedition Lead. Testament to resilience and determination, the new

Trekkers who complete the circumnavigation of Lake Tahoe ascend and descend close to the equivalent height of Mt Everest from sea level.

Trekkers look west over Lake Tahoe from the Tahoe Rim Trail

Practising yoga as the sun rises above Lake Tahoe (and a way of stretching off after many miles on the trail)

Leader took over the plan and succeeded in gaining all the remaining authorisations, clearances and permits for the expedition to continue.

The Tahoe Rim Trail was envisioned by US Forest Service Recreation Officer, Glen Hampton, in 1981 and construction of the trail was finished in 2001. The lake itself sits at 6,231 feet with the highest point of the trail at Relay Peak, cresting at 10,285 feet. The trail shares most of its western edge with the slightly longer (2,650 miles) Pacific Crest Trail which runs from Canada to Mexico – more difficult to achieve in 2 weeks!

On arrival in the USA, initial acclimatisation was conducted in Reno, Nevada. Arrival coincided with Labor Day Weekend (a public holiday) and temperatures were close to 40 degrees Celsius. Aware of the dangers from the heat, jetlag and a new environment, trekkers used the first day to buy supplies, check kit and rehydrate.

Packing light was essential, but where to reduce the weight? Everybody had their own ideas but essential equipment for wild camping included tent, sleeping bag, cooker, food, bear box, spare clothes (optional but it did get cold, zero degrees some nights), filtration system and water, water, water. Terrain, weather and water availability dictated the volume of liquid carried and distances for each leg of the trail, as did accessibility for the administrative team to rendezvous with the trekkers for food resupply. In some areas along the trail, water was abundant in streams and lakes but other stretches had nothing. So we started our first day carrying a minimum of seven litres each.

By necessity, we all carried a bear box to store food and any item with a smell that might attract unwanted attention - that included all toiletries, sun creams etc. Shaped like a barrel with a tamper proof lid, the boxes occupied a significant proportion of rucksack capacity. It wasn't all bad - the boxes doubled up as a handy stool to sit on whilst cooking and during the day, food stayed protected in the sturdy canister in the rucksack.

Team 2 on the trail. Captain Heidi Sutton, the medic, has her first aid pack at the ready

A daily routine was quickly established, with early starts (reveille at 05.30 before first light), so that a large chunk of the trekking could be done before the hottest parts of the day. But as the expedition continued the temperature (thankfully) dropped and the availability of water increased, reducing the volume and weight carried. On our fourth day we were saddened to hear the news of the passing of The Queen. Surrounded by the serenity of the trail, individually and collectively we took a moment to reflect.

The scenery is without question really beautiful, but having completed just over half of our circumnavigation and with entry permit in hand, we entered Desolation Wilderness, a 63,960 acre federally protected wilderness in the Eldorado National Forest. Here in this remote location two significant events occurred. The first was a requirement to extract a member of the trekking party with a medical issue and the second, to cope with downwind smoke hazard from a forest fire. The extraction, while unwelcome for all concerned, was executed efficiently and effectively, with minimal disruption. The smoke however, had a more far-reaching impact. The Mosquito Forest Fire had become California's largest of the year and while not in danger from the fire, the smoke had started to engulf the western edge of the Tahoe Rim Trail. The US uses an Air Quality Index and as the air quality became progressively worse and then hazardous to health, the unwelcome decision was taken to evacuate the area. After 10 days trekking from Tahoe City, the teams relocated away from the fire to Samuel P Taylor State Park, north of San Francisco.

From there we continued to complete day treks from our now smoke free campsite. While not the culmination of the trekking phase as planned, the last day's trek seemed fittingly poignant finishing on a beach along the Pacific Ocean and looking out to sea. Maximising the proximity to San Francisco, expedition members undertook cultural tours of Alcatraz Island and USS Hornet in the last few days. This was the aircraft carrier that launched the Doolittle raid on Tokyo in WWII.

For a National Reserve Unit dispersed across the UK and Europe, Adventurous Training is invaluable for personal development, unit cohesion and bonding. Opportunities are few and far between and it is only with the continued support of WCIB that they remain feasible and affordable for Reserve personnel.

We value our affiliation and remain strongly committed to this attachment. On behalf of the National Reserve Headquarters Royal Artillery and those members that took part, we wholeheartedly thank you for the grant towards the cost of this expedition and making such activities possible.

Membership Committee – looking and planning ahead

JUNIOR WARDEN TIM SKEET REPORTS ON THE MEMBERSHIP COMMITTEE'S STERLING WORK

The good news is that membership numbers have held up well in recent months, and indeed the Company is likely to be marginally ahead of budget. More importantly, as we have now left behind the traumas of the lock-downs, our members can gather, reconnect and engage.

Ultimately, as this Committee continues to emphasise, it is one thing to attract new members, but it is equally important to retain old friends and ensure that the key reasons for their joining in the first place remain valid.

This should prompt a debate at one level, as we ponder the lessons of a very peculiar crisis, where technology successfully ensured remarkable levels of connectivity. How much of these new ways of working should and can we retain in order to continue to engage with members from the comfort of our homes?

Ultimately, many of us want the collegiality and congeniality of meeting in person, as borne out by attendance at a host of different Company and non-Company events I have attended in recent weeks and months. Let this therefore be a challenge to us to carefully examine what we have learned during the past couple of years, and do what most of our employers are doing, by reflecting on how best to proceed, noting also that hybrid working, particularly for younger people, seems to be an important consideration.

One immediate lesson for Membership is to continue with our meetings in virtual format. The virtual will nevertheless be interspersed by in-person committee socials. This, we hope, has the benefit of greater efficiency, the likelihood of better attendance, and ensure even those members living overseas or far from London are able to actively connect. For a Company with International in the name, this must surely be an important point and we are pleased to enjoy the wisdom of some overseas members.

Picking up on other observations shared by committee members and since discussed with members and chairs of the other committees, in-person social events are vital forums for networking, but also to showcase our Company and entice colleagues and friends to join our ranks. Thought-provoking and thought-leadership events are a further vital part of

the work of the Company at a time when the world is in flux under the shifting visions of ESG, diversity, Inclusion, CSR, all set against a world of complex political, social and economic challenges. Given the pivotal role of financial services in the world economy, our members should all be a part of the ongoing debate over changes for a better future.

Strong modern communications must also become the hallmark of a savvy and dynamic Company spanning all ages and seniority ranges. The Committee notes the LinkedIn regular posts from the Master, Clerk and others and welcomes this. Indeed, we would like this stepped up and we should explore ways of harnessing the creativity and input of our members to even better showcase our work.

LinkedIn may not be the most popular social media channel, but the Committee notes that it serves us well in terms of advertising our events, activities and thoughts, while hopefully demystifying the benefits of membership. We know we attract members through LinkedIn, who may not previously have heard of the Company.

The message from the Committee is clear. The challenge comes into ever sharper focus as we fight for diary time from our members and seek to attract a constant flow of fresh, diverse and energetic blood into our ranks.

Lively events, strong communications and the unique benefits of offering networking opportunities where we bring together seniors from across our industry and more junior folk are key elements. Interact and sharing fellowship require time, commitment and good organisation. And here, I have consciously not even touched upon the extensive and remarkable charity work undertaken by the Company, itself a huge appeal for many otherwise busy members.

As we head into the year-end, the Committee is actively addressing its succession plan. I will relinquish chairmanship of Membership for the wider responsibilities of Junior Warden of the Company, though stay in post until fresh leadership is in place.

The Committee otherwise remains vibrant and active. We have welcomed new members, but we have also inevitably said farewell to others, or hopefully only "au revoir", acknowledging that career and home life can impose pressures that force choices to be made. We will be making announcements in due course over our succession plan and, moreover, unveiling plans to re-energise our D&I subcommittee, potentially focusing on work around the remarkable 50th anniversary of women joining the Stock Exchange trading floor, due to fall in March next year. Please watch this space.

Liveryman Tim Skeet is Junior Warden of WCIB Immediate Past Chair of the Membership Committee.

Liverymen try a virtual experiment

SIMON HILLS REPORTS ON A NOVEL NEW APPROACH TO COMMON HALL

Liverymen's Committee has decided to experiment with the format of Our Common Hall for liverymen. In recent years a Common Hall has routinely been held immediately before the Installation Dinner. When this approach was instigated it was felt that this afforded the best opportunity to get the maximum number of Liverymen together in person to hear from and question our company's senior leaders as, of all events, this would be the one at which significant numbers were most likely to attend.

However, the opinion had been expressed that this leads to insufficient time between the ending of Common Hall and the commencement of the Installation dinner for members to prepare themselves for this most important event.

So we will experiment with a virtual event in February 2023, usually a fallow period in the company's calendar. Depending on our experience of and feedback on this virtual event, Liverymen's Committee will consider the optimal format for Liverymen's Common Hall in 2024 and make appropriate recommendations to our Court.

Liveryman Simon Hills is Chair of the Liverymen's Committee

The role of the WCIB Finance Committee

JENNY KNOTT ON THE PROTECTION AND GROWTH OF OUR FINANCES

A Finance Committee is a vital part of any not-for-profit organization. The primary responsibilities of the Finance Committee at the WCIB include:

1. MAINTAINING ACCURATE AND COMPLETE FINANCIAL RECORDS

The Finance Committee's most important role is to oversee the preparation of accounts and maintenance of records. We do this for both the Company and for our charitable arm, IBCT. Typical reports that are useful are current period operating results, year-to-date results that include a budget to actual comparison, cash-flow analysis and the investment portfolio performance. These are reviewed quarterly, and committee members ask questions of the Finance Officer and the Clerk.

2. PREPARING AND PRESENTING ACCURATE, TIMELY AND MEANINGFUL FINANCIAL STATEMENTS TO THE COURT AND ENSURING THEY UNDERSTAND THEM

The Court is tasked with making decisions that affect the operations of the Company, so it is important that they have the latest and best information. Relevant and accurate financials allow them to make decisions properly with a proper amount of time to react. The Finance Committee should ensure that the Court has access to the financial information. Finance Committee members should disseminate the useful information to the Court. Helping the Court interpret the numbers will allow them to ask more meaningful questions. A deeper understanding of the finances helps the Court plan for the future more accurately. For example, whether levels of membership fees should be raised.

4. BUDGETING AND ANTICIPATING FINANCIAL PROBLEMS

The budget is a blueprint for the upcoming financial year, and sets a guide for spending. The Finance Committee receives input from the Court, other Committees and the Clerk, to allow the budget to carry out the mission of the upcoming year. Budgeting can be a difficult task in a not-for-profit organization, as revenue from an accounting standpoint often varies from cash flow. For example, late subscription payments or poor ticket sales from events.

Finance Committees creates a budget that anticipates such mismatches and explains the impact on cash flow.

5. SAFEGUARDING THE COMPANY'S INVESTMENTS

The Finance Committee assists in the investment strategy for our capital to optimise returns over the long term.

The Committee ensures the investments of the Company are properly managed. Specifically (including but not limited to) recommending:
– the Company's investment policy, including investment objectives (for example prioritisation of income versus capital versus total growth), investment philosophy (for example preservation of capital) and investment horizon;
– any changes, terminations or appointment of any asset/fund managers or investment service providers;
– the asset classes used for investment and recommend additions and deletions after considering the appropriate risks and controls including diversification and liquidity appetite;
– limits for investments in approved asset classes, at individual fund level where appropriate.

The Finance Committee also undertakes reviews as to:
– the approach to investment in both existing and new investment asset classes, having considered any material environmental (including climate change), social and governance matters;
– asset allocations for all relevant funds ensuring they are in line with the Investment Policy;
– investment decisions for consistency with the Company's purpose;
– the performance of all asset managers, recommending change as necessary.

The Finance Committee then produces a semi-annual report for inclusion in the Master's Report on the investment portfolio.

The development and the implementation of the financial investment strategy must also be linked to overarching strategy, including making a difference to the lives of disadvantaged young people and supporting and promoting the understanding of financial services.

6. COMPLYING WITH REPORTING REQUIREMENTS

The Company has multiple reporting requirements, and although the Clerk is responsible, the Finance Committee assists in making sure all requirements are met. We are deeply appreciative of all the time members give to the Committee and others for all their financial donations to the Company and IBCT!

Liveryman Jenny Knott is Chair of the Finance Committee

WCIB events in Winter 2022-23

6 OCTOBER 2022

Installation Dinner at Drapers' Hall

We held our Installation Dinner at Drapers' Hall on 6 October 2022. Some 200 members and their guests spent an enjoyable evening of fellowship, celebration and fine dining. Our guest of honour and principal speaker was Sir David Clementi who was accompanied by his wife, Lady Sally. We were there to celebrate the admission of the new Master, Jason Van Praagh, who took over from John Bennett MBE.

The Master's admission ceremony took place at the end of the dinner, at which point he addressed the audience with his plans and hopes for his year ahead. The incoming Master then awarded the Honorary Freedom of the Company to our Clerk Nicholas Westgarth, who retires next month after almost 10 years of working with us. He also welcomed Carole Seawert who has taken over as Clerk from Nicholas.

New Liverymen

Martin Zetter and Stuart Crocker KStG were both admitted as Liverymen at our Installation Court meeting on 6 October. Martin has 35 years' experience in banking, finance and accounting, having worked for businesses of all sizes - from small enterprises to multinational groups. He retired from this world in 2016 to pursue his life-long interest in meditation and mindfulness. He formed Mindful-Worklife in 2017, delivering programmes to promote wellness, creativity and resilience in professional workforces.

After spending the first 11 years of his career in the army, Stuart moved into banking where he worked for organisations such as Merrill Lynch, Banque Paribas and Rabobank. He has 30 years' experience as a chairman, director, advisor and business developer to government entities, companies and families. Stuart was honoured to be invested as a Knight of the Order of St George earlier this year. We welcome them both to the livery. *See photo on page 6 of this issue.*

20 OCTOBER 2022

Visit to Estonian Embassy

Over 40 International Bankers and their guests attended a successful event hosted by the Estonian Embassy in South Kensington on 20 October. We were welcomed by Ambassador H.E. Viljar Lubi, who discussed the close relationship between Estonia and the UK in finance and innovation. WCIB Master Jason Van Praagh welcomed everyone. He then gave an introduction to the WCIB, and explained that this was his first official event as Master, as well as our first event at a foreign embassy in several years. Maarja Pehk, Head of Investor Relations and FDI in the UK for Invest Estonia gave a fascinating presentation on the Estonian economy and its online government services. She explained that the only things a citizen can't do online are get married or divorced.

All citizens have a digital identity, and they have a favourable programme for digital companies and investors. There is 0% tax on retained profits, and Estonia ranks high in international tax competitiveness. She also discussed the vibrant community of start-ups, with Estonia having the most Unicorns and VC funding in Europe. Skype was an early success story, and it has gone on to include Bolt, Monese, Playtech and Wise.

Erki Kilu, WCIB member and the CEO of LHV UK, a leading banking services provider, followed with macro economic comments on Estonia. He explained that Estonia is a cashless society, and that Estonian banking is only 30 years old. Estonian fintech company, Tuum, was also at the event to explain how Estonian companies provide much of the foundational technology for many fintechs. Matthew Webb, Matthew Webb, Business Development Director UK and Giorgio Daher, Sales Director, of Tuum explained their core banking platform and described how it is being used internationally.

The presentation was followed by a drinks and canapé reception where we continued our conversation. Everyone from the WCIB was obviously pleased to be out at an event in-person, celebrating our tradition of both fellowship and professional development.

From left to right - The Ambassador, Maarja Pehk, Agaate Antson from the Embassy; Erki Kilu from LHV UK; The Master International Banker; Georgio Daher and Matthew Webb, both from Tuum.

11 JANUARY 2023

The Financial Services Group of livery companies

Sustainable Finance: The World in 2023 2022 was a turbulent year for markets, and sustainable finance didn't come through unscathed.

Following the underwhelming COP27 conference in November, and with global leaders and the industry mulling over the UN COP15 biodiversity conference in Montreal, the FSG opened its 2023 season of events with a special session, jointly with the Chartered Institute for Securities & Investment, hosted live at Grant Thornton's offices in the City of London, featuring some leading-edge practitioners in the fast-changing world of sustainable finance – aka ESG, ethical investing, the climate challenge, et al.

What are the opportunities and challenges facing the UK financial community in the coming year, and how are regulators responding to some of the major challenges, particularly to trust and integrity? The full video of the event is on the WCIB website.

Caption

6 FEBRUARY 2023

Young Interlivery Quiz

We had two teams from the WCIB at the Young Interlivery Quiz. We did not win but nor did we come last. There were representatives from almost 20 liveries in attendance. *Chris Sanders.*

15 MARCH 2023

Annual Banquet at the Mansion House

On March 15 we held our annual banquet at the Mansion House in the presence of the Lord Mayor and Lady Mayoress. Despite the tube strike and impending rail strike the following morning, we welcomed over 320 members and guests.

Included among the guests were His Excellency the Ambassador of Estonia, our military affiliates, our academic award winners and the Mansion House scholars, as well as around 20 Masters from other livery companies. A special shout out has to go to the Master's parents who made the journey all the way from Australia to be at the Mansion House for this special evening.

Our award winners were:

- Adam McKee from Durham University Business School for winning the WCB Lombard prize 2022
- Capt Louise Jones from 306 Hospital Support Regiment
- Major Peter Tait from National Reserves Headquarters, Royal Artillery
- Freeman George Littlejohn who won the Joseph King Memorial trophy for the sterling contribution he makes to the company, both as editor of our magazine and in organising joint events with the Chartered Institute of Securities and Investment.

In his speech the Master underlined how the aims of the Lord Mayor resonated with the WCIB's core purpose as a company to promote financial services as profession, and the City of London. Both the Lord Mayor the WCIB aim to seek to make a difference in the areas of financial literacy and financial inclusion for the most deserving in our society. To echo the Lord Mayor's words, the Master said: "We are – as ever – as one with a shared goal of putting the City at the heart of the UK economy."

Flying the flag

These splendid cufflinks are just one of the elegant items Members can purchase on the WCIB website.

A warm welcome to our new Clerk

IN SEPTEMBER WE WELCOMED OUR NEW CLERK, CAROLE SEAWERT, TO THE COMPANY. WHAT MAKES CAROLE TICK?

Where were you working before joining us?

I was Clerk at the Worshipful Company of Hackney Carriage Drivers, working there on a part-time basis. Before that, I was with the Worshipful Company of Scientific instrument Makers – also part-time – helping them with their marketing and communications and with their programme of events. My other job for the rest of the week was as a business-to-business copywriter – something I had been doing on a self-employed basis since the 90s. As a copywriter, I helped organisations such as law firms, banks and tech companies with their messaging, tone of voice and their written marketing materials. Prior to being self-employed, I ran the Public Relations department at the Financial Times. In addition to running a busy press office, I was in charge of organising, running and promoting a series of annual awards and events, such as the Architecture at Work Award, the Business Design Award and the Financial Times lecture.

When did you first become involved with the livery world?

I joined the Worshipful Company of Marketors in 2013. I soon got stuck in and, over the past nine years, have been on a range of committees, including livery, heritage, comms & PR and events. I'm currently in my fifth year on the Court and I chaired the events committee for two of those years. I'm not a golfer but I'm co-organiser of the Marketors' Inter Livery Golf Day at Verulam Golf Club in St Albans which attracts around 25 teams across the livery world. The International Bankers usually field two teams and have won the trophy on a few occasions.

What is it you enjoy about the livery?

I get invited to things I would never normally be able to attend; I am able to meet a wide cross- section of people I wouldn't otherwise come across; and I can access the interiors of beautiful buildings and hidden gardens that most people aren't able to visit. But, above all, it's the fellowship of being part of a livery company that I value the most.
Why did you decide to join the International Bankers?
After 23 years as a self-employed copywriter, I felt it was time for a change of direction. And, although I thoroughly enjoyed being Clerk to the Hackney Carriage Drivers, I was looking for a Clerk's role that was more full time. When I saw the International Bankers' job advertised I realised that, with my background working for international banks and financial services firms, I would "get" the membership. After finding out about the company during the course of my two panel interviews, I realised this was a livery company that would be a great fit.

What are your first impressions?

I'm struck by how welcoming everyone has been towards me. I've obviously only managed to meet a small number of the membership so far but I'm greatly looking forward to getting to know as many people as possible over the coming months. I'm also pleasantly surprised by the wide range of ages I saw at the Installation Dinner: there was a significant number of members in their 30s and 40s. So often, the average age of attendees at other livery dinners is over 70.

Tell us five random facts about yourself.

- I lived in Thailand for five years as a child.
- I have two Turkish Van Swimming cats (Google it) who were rescued as kittens after being dumped on a pavement in a cardboard box.
- I'm a keep fit enthusiast who enjoys swimming, yoga and Pilates.
- I have lived right next door to Chelsea Football Stadium for 32 years but have never once been to a match.
- It drives me mad when people misuse (or leave out) apostrophes.

Carole is based at our office in Furniture Makers' Hall. You can reach her on the usual email address: clerk@internationalbankers.co.uk Her work days are Monday to Thursday.

...and a fond farewell to Nicholas

HOW DID A CAREER DIPLOMAT WITH DEEP EXPERIENCE SPANNING SOUTH-EAST EUROPE AND CHINA COME TO JOIN WCIB, AND WHAT ARE HIS HOPES AND PLANS FOR THE FUTURE?

Nicholas Westgarth spent almost 10 years as the Clerk to our Company, and during that time was a great friend and supporter to many members, from newbies to Masters, and including your correspondent. Always helpful, always courteous. What brought Nicholas to WCIB in the first place?

“Ten years back, in the autumn of 2022, I was invited for a very nice lunch by a friend who was then the clerk to the Worshipful Company of Fishmongers. I'd recently retired from the Foreign Office, and he asked if I'd ever though about being a livery company clerk? I hadn't. He showed me round Fishmongers Hall and I thought, ‘yes, this is rather splendid, I could see myself here’.

He then put me in touch with Sir Alan Yarrow, that year's Aldermanic Sheriff. Sir Alan, as well as being a member of the Fishmongers Company and its immediate past Prime Warden, is also a Liveryman of the International Bankers. We had an informal chat about the then Clerk, Tim Wood's imminent retirement and after a selection process I duly became Clerk at the beginning of 2013.

“Those ten years have flown past, with some tremendous times and certainly things I would never have imagined doing. I know it's a cliché, but usually clichés are clichés for good reasons. It's about the people, and it's been a fantastic group of people to work with in the company and in the wider Livery and Civic City.

“I really didn't know the City at all well when I started. It felt rather like being posted to a very civilised northern European city as a diplomat. Quite a small city with excellent coffee, very international, but the sort of city where every corner you turn, every road you cross, you're likely to bump into someone you know. That is one of the great assets of this City and I certainly hadn't appreciated that until I started here.

“When I was a boy, I only knew one address in the City, and that was 122 Leadenhall Street - the headquarters of P&O, the Peninsular and Oriental Steam Navigation Company, where my father was Chief Engineer. As a boy I had a pretty broad geographic knowledge of the Far East and Australia, because that's where my father sailed.

“At university, I did science, and then worked in industry for a little while, but it wasn't for me. My university careers adviser suggested I try my hand at the Foreign Office, with my interest in geopolitics and the fact that many of my family lived abroad. He spurred me on by saying, ‘well, of course you won't get in because you're not Oxbridge and you're a scientist’. To everyone's surprise, including my own, I did get in and thus began a 31-year career in the diplomatic service.

“I started in Athens, which is where I finished - a completely circular career. My time was split when I was outside the UK between Hong Kong, China, then Cyprus, the Balkans, and Greece, again. These postings exposed me to the City's global reach, particularly through visits of by the Lord Mayors of the day and their teams. I was in China from 1999 to 2002, just as it was opening up to global finance. The City of London, like all other major cities, were making a beeline for Beijing and Shanghai”.

Nicholas is “absolutely delighted” with his new job post-WCIB – running The Mansion House Scholarship scheme, now in its 22nd year. “The great thing for me is that it keeps me in touch with the livery companies who sponsor the scheme, as well as with the Mansion House and the Civic City. And also with the City's international side, which I see as being critical. The real delight, though, will be getting to know the new batch of students every year.”

So with all the challenges the City faces, are we going to win? “I don't see it as win or lose. We are going to succeed.” And we at WCIB wish Nicholas every success in his latest career with those lucky scholars.

Forthcoming events

DATE	EVENT
11 MAY	LIVERYMEN'S LUNCH AT INFORMATION TECHNOLOGISTS' HALL (LIVERYMEN ONLY)
17 MAY	BREAKFAST TALK WITH HENRY SANDERSON, AUTHOR OF VOLT RUSH, THE WINNERS AND LOSERS IN THE RACE TO GO GREEN. WALBROOK CLUB
18 MAY	INTER-LIVERY SHOOT, WEST LONDON SHOOTING SCHOOL. Seeinterliveryshoot.com for all details.We already have four teams but if you would like to be on the reserve list, should anyone drop out, please contact Alex Rottenburg on attr@aacumen.co.uk
19-20 MAY	INTER LIVERY REGATTA – ORGANISED BY THE CITY LIVERY YACHT CLUB
8 JUNE	WCIB SUMMER PARTY AT MIDDLE TEMPLE HALL AND GARDENS
19 SEPTEMBER	SPECIAL TOWER OF LONDON RECEPTION See Master's Message on page 4 for details

Pictured above:

Rev George Bush
Immediate Past Master John Bennett MBE
Middle Warden Nick Garnish
Kathleen Van Praagh
The Master
The Rt Hon The Lord Mayor Alderman Nicholas Lyons
The Lady Mayoress
Senior Warden Angela Knight CBE
Junior Warden Tim Skeet
Clerk Carole Seawert