

EDUCATE — ENABLE — EMPOWER

GOVERNANCE

SHORT COURSE **S**

Bank Governance and ESG Integration

Executive Education Programme

14 September 2022



Who we are

IOB

IOB is a professional community of circa 33,000 members who work in banking, investment funds and international financial services. Professional development of our members through education is at the heart of what we do. IOB provides university level programmes to enable our members to achieve and sustain their professional qualifications and Continuing Professional Development (CPD) – essential in meeting customer and regulatory expectations. More than 9,800 individuals studied with us last year and over 23,800 members are registered for CPD schemes administered by IOB.

Excellence in education – a recognised college of UCD

As a recognised college of UCD and the standout banking industry educator, we offer qualifications to the highest standard. We currently offer more than 40 programmes ranging from Professional Certificates (level 7) on the National Framework of Qualifications (NFQ) to Masters Degrees (level 9). We design our programmes to be practical and relevant, but grounded in academic rigour.



Introduction

Welcome to the Governance Frameworks and ESG Integration Executive Education Programme

In response to the volume, complexity and myriad sources of Environmental, Social and Governance (ESG) related regulation and guidelines, IOB has designed this one-day Executive Education Programme to support those charged with governance within credit institutions in navigating stakeholder expectations and in mainstreaming ESG and sustainable finance considerations into their governance frameworks.

Who Should Undertake the Programme?

This programme has been designed for senior executives in credit institutions who are at the coal face of ESG integration. It would also be highly valuable to board members interested in a programme that pulls the key ESG strands together in a practical and accessible way.

Context

It is impossible for companies to ignore the tsunami-like emphasis on ESG issues in recent years. This emphasis has a range of catalysts including, but not limited to, environmental concerns and related cross government initiatives and regional regulatory policy (e.g. Paris Agreement, EU Action Plans on Sustainable Finance), evolving best practice in the area of stewardship (e.g. FRC's Stewardship Code, 2018), investor expectations on responsible investing, and consumer and society sentiment.

For credit institutions ESG risks are defined as risks that stem from the current or prospective impacts of ESG factors on their counterparties or invested assets, i.e. the risks arising from the core activities of institutions. ESG risks materialise through the traditional categories of financial risks (credit risk, market risk, operational and reputational risks, liquidity and funding risks)¹.

The capital requirements regulation (EU) No. 575/2013 (CRR) includes under article 449a the requirement to disclose prudential information on environmental, social and governance risks, including transition and physical risk, addressed to large institutions with securities traded on a regulated market of any Member State. These disclosure requirements are applicable from June 2022 on an annual basis during the first year and biannually thereafter.

The European Banking Authority (EBA) has received several mandates to assess how to include ESG risks into the three pillars of the banking prudential framework.

Its 2021 Report (EBA REP/2021/18) assesses their potential inclusion in Pillar 2 by providing common definitions of ESG risks, elaborating on the arrangements, processes, mechanisms and strategies to be implemented by credit institutions and investment firms (institutions) to identify, assess and manage ESG risks, and recommending how ESG risks should be included in the supervisory review and evaluation performed by competent authorities. The report focuses on the resilience of institutions to the potential financial impact of ESG risks across different time horizons, which needs to be carefully assessed and ensured by institutions and supervisors by taking a comprehensive and forward looking view, as well as early, proactive actions.

The EU Action Plan on Sustainable Finance (2018) and subsequent legislative action by the EC, have objectives that can be divided into three categories:

- Reorienting capital flows towards a more sustainable economy
- Mainstreaming sustainability into risk management
- Fostering transparency and long-termism

The financial services sector is core to the EU's objective of connecting finance to sustainability. This creates both challenges and opportunities for the sector.

While governance comes third in the ESG acronym, 'G' should be the overriding system which influences 'E' and 'S'; 'G' is the starting point from which everything else flows, including a board's perspective on its responsibility towards the environment and its role in society. Its relevance must be understood well and characterised by more than just a few easy to compute governance metrics. This one-day programme will support companies and senior executives as they seek to integrate ESG and sustainable finance considerations into their strategic and risk appetite setting processes.

¹ EBA REP/2021/18 Report on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms

Learning Objectives

The programme will be delivered over one day with the aim of achieving the following learning objectives for participants:

1.

To gain a comprehensive understanding of the drivers (NGO, legislative, regulatory, best practice) of the ESG agenda, stakeholder expectations and the related governance context within which credit institutions must operate;

2.

To understand the terminology within this evolving governance paradigm;

3.

To fully understand why the system of governance must be the driving force behind any environmental and societal and sustainable finance initiatives;

4.

To appreciate how strategic opportunities related to the EU Action Plan and environmental and societal aspects must be mainstreamed into an organisation's risk management framework including an understanding of the critical link between ESG risk, corporate risk appetite, strategy setting and capital;

5.

To understand the relationship between ESG risks, bank balance sheets, stress tests and economic and regulatory capital requirements;

6.

To understand the different economic scenarios driven by physical and transitional risks from climate change over the next 30 years, and how they will impact capital in regulatory and internal stress tests (ICAAPs);

7.

To effectively participate in the wider discourse on strategy incorporating environmental and societal considerations.

Meet the Team



Dr Margaret Cullen

Dr. Margaret Cullen, Founder and Principal of Think Governance Ltd, is a specialist in the areas of corporate and investment fund governance. Margaret holds a PhD in governance from University College Dublin. Her doctoral research explored the role and effectiveness of boards of directors in investment fund governance. She is a published behavioural researcher with particular interest in board effectiveness, processes, dynamics and decision-making, board and corporate culture, stewardship and corporate social responsibility. Prior to commencing her doctoral research, Margaret worked for 12 years in the financial services industry where she gained significant experience in the areas of treasury management, investment fund regulation, compliance and risk management.

Following completion of her doctoral research Margaret joined IOB as Director of Executive Education. She designed and ran the IOB's Certified Bank Director and Certified Investment Fund Director (CIFD) Programmes from 2012. Margaret was the founding CEO and Academic Director of the Certified Investment Fund Director Institute (CIFDI), a specialist institute of IOB which focuses on raising professional standards in investment fund governance through its CIFD Programme. Margaret taught investment fund governance on the programme for 8 years up to April 2020. She has co-authored several thought leadership publications on investment fund governance including Investment Fund Governance: Developing a Risk Based Oversight Framework (published by Deloitte) in 2015 and the Investment Fund Governance Toolkit in 2019.

Margaret has been an assistant professor at the UCD Smurfit Business School since 2007 lecturing on the Professional Diploma in Corporate Governance in the subject areas of executive remuneration and incentives, behavioural aspects of boards and, since 2020, on the responsibilities of the board, incorporating ESG. She is currently Co-Academic Director of IOB's Certified Bank Director Programme on an associate basis and lectures bank governance on the programme. Margaret serves as a non-executive director on the boards of several financial services organisations. She has extensive board and board committee experience. She is a member of the Advisory Committee of the Fund Boards Council in the UK. She is also a Board Assessor with the Institute of Directors in Ireland.



Kevin McConnell

Over a career spanning 25 years in capital markets, Kevin has worked as a strategic advisor to a range of global institutions in the investment and banking industry, advising on Capital, Risk and Strategy. He currently works with a range of European and Emerging-market based banks, developing and testing capital resilience across economic and capital market scenarios. Kevin has also been an advisor to the retail banking sector over the past 12 years in the domestic Irish market, and has been commissioned on a number of occasions by the domestic industry for his work on Stress Testing, Capital Adequacy and Asset Quality. Kevin has also worked with a range of international banks and insurance companies engaged in Economics advisory, Regulatory Stress Testing and Credit/Asset Quality Due Diligence during the same period.

Kevin is Deputy Chairman of the origination platform of one of the largest Collateralised Loan Obligation (CLO) originators in Europe and is Chief Executive of GEM Strategic, a specialist bank consultancy firm, which provides economic advisory services to the banking sector under regulatory submissions for ICAAP, ILAAP and IFRS9 Scenario development. GEM also provides extensive support on bank due diligence on Asset Quality/ IFRS 9 and Capital Adequacy.

He is a Senior Associate of Faculty, IOB Executive Education- Certified Bank Director (CBD) Programme since 2012. He was a member of Committee on Collective Investment Governance (CCIG) of Central Bank of Ireland which supported the development of CP86. He is a former member of the Advisory Committee of the Certified Investment Fund Director Institute.

Kevin has presented to the European Central Bank, European Bank Authority and also extensively to national regulatory authorities on Bank Capital, Credit and IFRS9.

He developed and delivers the Professional Diploma in Applied Alternative Investments programme for IOB, University College Dublin (UCD) and in Wealth/Asset Management on the MSc. in Finance, Trinity College Dublin (TCD). Kevin has won multiple Teaching Excellence awards with TCD over the past decade.

Kevin is a CFA charter-holder, and a former Registered Representative of both the London and Dublin stock markets, and was a Registered Stockbroker while working in the investment banking industry.

Overview

| Day 1 | Modules |
|----------------|---|
| 8am | Introduction, meet and greet |
| 8.05am to 12pm | Module 1 ESG legislative, regulatory and stakeholder context for banks |
| 12pm to 1pm | Lunch |
| 1pm to 5pm | Module 2 ESG risks, bank balance sheets, stress tests and economic and regulatory capital requirements (This module will incorporate a refresher on the capital stack and CRD V requirements) |



Further Information

Delivery

This online programme will be delivered via Zoom over one day (8 contact hours):

- Wednesday 14 September, 8am to 5pm

Participants will be provided with a comprehensive reading list to support self-directed learning before and after the programme.

To express an interest / register

For further information, to express an interest or to register, visit [iob.ie/programme/governance-frameworks-esg-integration](https://www.iob.ie/programme/governance-frameworks-esg-integration)

Professional Body Membership

You must be a current member of IOB, or become a member, to undertake this programme. Those new to IOB can avail of a free trial membership by clicking 'Join' at www.iob.ie.

Fee

The programme fee is €290 which includes the reading list, one day in class, soft copies of the programme materials and the programme certification.

Certificate of Completion

When you successfully complete this programme, you will be awarded IOB's Bank Governance and ESG Integration digital certificate.

CPD

Participants who complete the full programme, will be eligible to apply for CPD hours in the following:

2 x hours LCI

2 x hours FCOIC

3 x hours PB

3 x hours CB

3 x hours AFP

3 x hours CBD

3 x hours CIFD

2 x hours RPP

IOB
1 North Wall Quay, Dublin 1, D01 T8Y1, Ireland
Phone: +353 (0)1 611 6500
Email: info@iob.ie
iob.ie



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