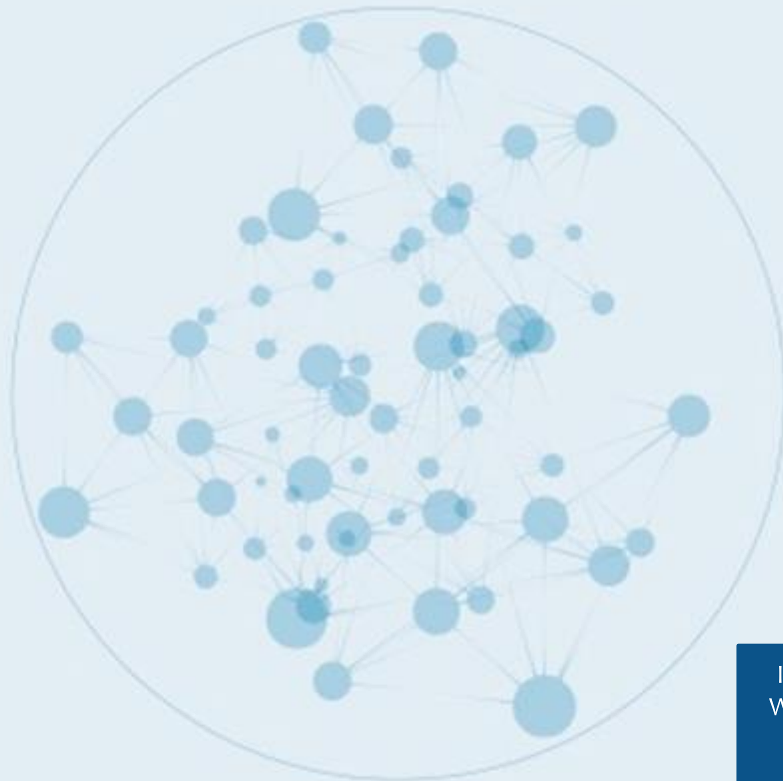
Inquiry: Design of a Sustainable Financial System

UNEP

SUSTAINABLE FINANCE?

A Critical Analysis of the Regulation, Policies, Strategies, Implementation and Reporting on Sustainability in International Finance



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The UNEP Inquiry

The Inquiry into the Design of a Sustainable Financial System has been initiated by the United Nations Environment Programme to advance policy options to improve the financial system's effectiveness in mobilizing capital towards a green and inclusive economy—in other words, sustainable development. Established in January 2014, it published its final report, The Financial System We Need, in October 2015.

More information on the Inquiry is at: *www.unep.org/inquiry* or from: Ms. Mahenau Agha, Director of Outreach *mahenau.agha@unep.org*.

The Centre for International Governance Innovation (CIGI)

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About this report

This working paper results from a workshop the UNEP Inquiry and CIGI held on 2-3 December 2014 in Waterloo, Canada to discuss options for a sustainable global financial system. The workshop included participants from a range of academic and research institutions from the Waterloo region and abroad, including the University of Waterloo, the University of London, Harvard University, and the University of Gothenburg.

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Introduction

The international banking sector increasingly adopts a sophisticated approach to sustainability policy: the question is the extent to which this impacts upon business models, strategies and practices. This paper will seek to assess how the international banking community is building sustainability into corporate strategies; how effectively these strategies are being implemented; how sustainability is being embedded into key business processes and decisions; and how sustainability principles are reflected in reporting.

Theoretically and methodologically, the paper will address the interface between regulatory policy and corporate strategy in terms of impact upon financial institutions behaviour and practices: it applies and informs regulatory theory and policy by examining the effects of mandatory regulation and voluntary self-regulation. The paper focuses on the complex relationship between regulation, institutions and cultural change, and informs the issue of regulatory effectiveness. It presents an assessment of the sustainability performance of banks using a range of frequently used indicators, while also scrutinizing the indicators by examining the extent to which they effectively measure the performance and commitments of banks. While many banks achieve high scores on these indicators, there is evidence that there are significant flaws which are not adequately addressed.

It is argued that flaws that contributed to the global financial crisis – misaligned incentives, information asymmetry, financial innovation and levels of risk – also pose risks from a broader environmental, social and governance perspective. A schism exists between symbolic and substantive efforts towards sustainability, which is indicative of sustainability not being integrated in overarching business strategies. Furthermore, precautionary responsibilities require more attention, as current sustainability efforts are driven by economic and reputation incentives, and are often used to offset unsustainable activities.

The research concludes by arguing in favour of increased convergence of corporate social responsibility and corporate governance, which would embed sustainability into authoritative frameworks, make environmental, social and governance matters more enforceable, and firms increasingly accountable. Yet, these advantages will likely only manifest when self-regulation is reinforced by mandatory regulation in critical areas. The reality is that the finance sector, and the international banks that populate it, are systemically important to economies and societies, and while it is vital that self-regulation is maintained by financial institutions, a framework of mandatory regulation is required to ensure self-regulation is operational and effective, and responsibility is exercised.

1 Reconceiving the Responsibilities of Financial Institutions

The global financial crisis (GFC) and its aftermath consisted of compounding failures in financial markets, institutions, regulation and governance. The "animal spirits" unleashed in unfettered securities markets, massive incentivization of risk-taking and leverage, and the abandonment of effective governance and ethical commitments occurred in a regulatory vacuum. Governments were convinced that lightening the burden of regulation was the means to promote dynamic financial markets and business development. Realizing the consequences of unchecked systemic risks has prompted national governments and international agencies into a major series of regulatory reforms and interventions in financial markets and institutions, the effect of which remains to be discerned.[1]

Research considering the causes of the GFC often quotes a number of flaws: misaligned incentives, information asymmetry, financial innovation and levels of risk.[2,3] Some causes such as information asymmetry[4] and misaligned incentives[5] were catalysts of earlier financial crises. Other elements of the GFC were more specific, namely financial innovation and associated levels of risk.[6] During the GFC, risk exposure was much greater than banks anticipated. As such, it makes sense for banks to monitor risk more closely and reduce risk appetite. It must be appreciated that voluntary efforts in these areas, from the perspective of banks, decreases competitiveness. The question remains whether a trade-off between risk and profits is truly unavoidable and manageable.

Risk does not only concern financial activity and results, it also has impacts on society and the environment. Modernity has brought about the *risk society*, which is "a society increasingly preoccupied with the future (and also with safety), which generates the notion of risk."[7] In this sense, risk is defined as "a systematic way of dealing with hazards and insecurities induced and introduced by modernization itself".[8] If financial risk-taking can bring the global financial and economic system to the brink of collapse, it does not require a great deal of imagination to picture the devastating consequences of excessive social and environmental risk-taking. Civil society groups have argued for risk to be increasingly defined in a social and environmental sense, in addition to financial risk.[9]

This paper will distinguish between two kinds of business responsibilities vis-à-vis society. First, precautionary responsibilities, which entail avoiding negative impacts through business activities. This view corresponds with Immanuel Kant's teachings on morality, which dictate that a person is moral when acting in good will. Secondly, active responsibilities, when businesses undertake activities beneficial to society. This view correlates with the philosophy of John Stuart Mill, which states that the morality of an activity depends on the extent to which it contributes to happiness.

We accept as a projection of a sustainable financial system the working definition of the UNEP Inquiry into the Design of a Sustainable Financial System: "Sustainable development requires changes in the deployment and relative value of financial assets and their relationship to the creation, stewardship and productivity of real wealth. A sustainable financial system is, therefore, one that creates, values, and transacts financial assets, in ways that shape real wealth to serve the longterm needs of an inclusive, environmentally sustainable economy."[10]

The UNEP Inquiry core finding is that a "quiet revolution" towards sustainable finance is under way; this paper seeks to examine some of the dimensions of the policy and practical changes towards sustainability that are currently occurring in the largest financial institutions internationally.

2 Corporate Governance and Corporate Social Responsibility

Self-regulation by business is embodied in corporate governance and corporate social responsibility (CSR), two areas that are increasingly overlapping.[11] Corporate governance is the system through which companies are directed and controlled, aimed at ensuring that duties are exercised according to laws, regulation and codes of conduct.[12] CSR can be defined as the policies and practices included in business operations aimed at maximizing positive impacts on society, and which eliminate or minimize any negative consequences for the society or environment.

Narrow views on corporate governance emphasize legal and accounting compliance, with a focus on shareholder returns. Broader views of corporate governance include environmental, social and governance (ESG) issues, as well as responsibilities to wider stakeholders groups.[13] CSR transparency is more effectively achieved through improving the quality of corporate governance, rather than mandating specific disclosures.[14] It is here that corporate governance converges with CSR, and the legal and moral liability of managers and directors come together.[15]

For many observers, the main concern of responsible business is no longer how to mitigate negative externalities of business practices, but rather how to find ways in which businesses can anticipate and prevent negative impact in the first place. This precautionary turn means a significant step towards increased responsibility of firms, which goes beyond symbolic efforts and implies a major change to the overarching business model.[16]

Given their nature as financial intermediaries, responsible enterprise takes on a specific form for banks. The impact of banks is not only measured through direct operations in offices and branches, but also through investments, which can lead to involvement in unsustainable practices. As banks often provide the majority of external finance to companies, they can require firms to embrace sustainable business models. Bank lending potentially has more impact on sustainable business practices compared to the stock market.[17]

3 Methodological Approach

The present analysis builds on earlier research on banking sustainability. Jeucken developed a way to rate the sustainability performance of banks by looking at indicators such as sustainable banking products, services and environmental risk management.[18]

Scholtens enhanced this framework by adding indicators and categorizing them into four groups: (1) codes of ethics, sustainability reporting and environmental management systems; (2) environmental management; (3) responsible financial products; and (4) social conduct.[19]

In their study of the governance of corporate sustainability, Klettner, Clarke and Boersma explore how corporate governance processes and structures are used to develop, lead and implement corporate social responsibility strategies.[20] The study by Klettner *et al.* is supplementary to the research by Jeucken and Scholtens, as it looks at board and management approaches to sustainability.

For the purpose of this paper the approaches of these studies have been combined. Updating and combining the groups of sustainability indicators offers an extensive methodology for the assessment of self-regulation and reporting of the world's largest banks. In the updated framework, 41 indicators in four different categories are examined**:** (1) Voluntary reporting, initiatives and principles; (2) Responsible finance; (3) Stakeholder engagement; and (4) Governance (see appendix B1).

4 Survey

Both Jeucken and Scholtens surveyed significant numbers of financial institutions, however these were largely European. This current survey for UNEP is more global in orientation surveying the largest banks (with the possibility later of surveying the insurance companies, investment companies and pension funds sustainability policies and practices). It intends to be international and comparative and includes the largest international banks by market capitalization and assets.

The largest 20 banks by market capitalization include banks from the US (5), China (4), UK (2), Australia (3), Spain (1), Ireland (1), France (1), Canada (2), and Japan (1). This gives a useful comparison of Anglo American, European and Asian banks. The largest 20 banks by assets include banks from China (4), Japan (4), US (3), France (4), UK (3), Germany (1) and Spain (1) (see Appendices A1 and A2). While these are the largest financial institutions measured by market capitalization or assets under management, they may well not be all among the most advanced institutions in their policy development and commitments around sustainability.

While some will become more sophisticated in their policies (for example BlackRock, the world's largest institutional investor with $4.6 trillion of assets under management as of 31 December 2015, has been acquiring significant expertise in this field in recent years) other major international financial institutions, particularly those located in the developing world may prove at a more rudimentary stage. However assessing the rate of shifting of the international financial institutions towards corporate responsibility and sustainability will be a useful task.

Because the framework adopted is binary (1 = yes, 0 = no) there is no nuance in assessing the banks. For example, having an ambitious environmental policy or setting an impressive reduction target is rated the same as having an environmental policy that is unambitious and has unimpressive targets. These matters demand a qualitative examination of banks' specific policies and practices. This survey conducts a quantitative analysis of the extensive range of indicators included in the assessment, but will also reinforce this with a qualitative assessment of the processes of leadership and implementation of sustainability policy and practice.

5 Results

Western banks appear to outperform their Asian counterparts overall when it comes to CSR policy commitments and reporting, although not all Western banks do well (see Table 1 to 3 for the overall ranking, regional comparison and country comparison; and appendix B2 for the individual results). One caveat is that the research depends on information available in the public domain. Therefore, it is possible that a bank is doing more in terms of sustainability than the data indicates, but that they did not publicly disclose this fact. A related point is that the data essentially looks at reporting more so than performance. Put differently: the rating framework is a better indicator of how well a company reports on sustainability, not substantively how well they perform on the indicators.

Table 1. Overall Ranking

Bank	Score
Australia & New Zealand Banking Group	37
Westpac Banking Corp	35
Crédit Agricole Group	33
Deutsche Bank	33
HSBC Holdings	33
Royal Bank of Scotland Group	33
Banco Santander	32
Citigroup Inc	32
Lloyds Banking Group	32
Bank of America	31
Barclays PLC	31
Commonwealth Bank of Australia	31
Toronto-Dominion Bank	31
Mitsubishi UFJ Financial Group	29
Mizuho Financial Group	29
Société Générale	29
Royal Bank of Canada	28
BNP Paribas	27
Sumitomo Mitsui Financial Group	27
Wells Fargo	27
Industrial & Commercial Bank of China	25
JPMorgan Chase &Co	25
Bank of China	22
Groupe BPCE	21
Agricultural Bank of China	20
US Bancorp	19
Allied Irish Banks (AIB)	17
China Construction Bank Corporation	10
Japan Post Bank	7

Table 2: Regional Comparison

Indicator	Asia-Pacific	Europe	North America
Voluntary Reporting, Initiatives and Principles	73	80	68
Responsible Finance	69	87	89
Stakeholder Engagement	78	81	75
Governance	16	25	20

Scores = Percentages of CSR indicators reported on by banks in a specific region

Table 3: Country Comparison

Country	Voluntary Reporting, Initiatives and Principles	Responsible Finance	Stakeholder Engagement	Governance	Total
Australia (n=3)	96	96	89	42	81
Canada (n=2)	72	97	78	19	67
China (n=4)	50	52	75	3	45
France (n=4)	67	88	81	13	62
Germany (n=1)	92	94	86	39	78
Japan (n=4)	64	67	72	9	53
Spain (n=1)	95	94	89	39	79
UK (n=5)	92	90	86	34	76
US (n=5)	58	83	72	19	58

Scores = Percentages of CSR indicators reported on by banks in a specific country

5.1 Analysis of Voluntary Reporting, Initiatives and Principles

Reporting

Indicator	Number	%
Sustainability reporting	29	100
Type of sustainability report (Stand-alone)	26	89.7
Type of sustainability report (Integrated)	24	82.8
Global Reporting Initiative	24	82.8
Independently checked	16	66.7*
Application level	12	50.0*

* Percentage of companies using the global reporting initiative framework

All banks address sustainability reporting in some form. 26 banks address sustainability in their annual report, while 24 banks also publish a separate sustainability report. Publishing sustainability information separately predates integrated reporting, which entails disclosing sustainability data next to financial information in the annual report, suggestive of sustainability being considered a core part of operations.[21] The spread of data among annual and financial reports shows that the move towards integrated reporting is still in a transitional stage.

The sustainability disclosure guidelines of the Global Reporting Initiative (GRI) have been widely adopted: 24 banks use the GRI framework to guide their sustainability disclosures. However, only 16 banks obtain external assurance for their GRI disclosures, meaning that two-thirds of banks pursue confirmation of the accuracy of disclosures. Furthermore, only half of the banks reveal their GRI application level. Firms can verify application levels, which effectively indicate the scope of reporting, using a list of required disclosures.[22]

While many banks use the GRI framework, a further probe shows a sobering level of commitment. The figures concerning the application levels and external assurance give rise to doubts about the scope and accuracy of disclosures, which give credence to research showing that companies often make inconsistent GRI claims.[23] Concerns about information asymmetry in reporting are further amplified by research that shows that increased GRI reporting has not significantly empowered civil society stakeholders.[24]

Multi-stakeholder Initiatives and Principles

Indicator	Number	%
Global Compact	16	55.2
UNEP Finance Initiative	18	62.1
Equator Principles	19	65.5

United Nations Global Compact

16 banks report that they participate in the United Nations Global Compact (UNGC). The UNGC is an international multi-stakeholder forum that involves UN agencies, regional organizations, social partners, governments and businesses, with the aim to develop ongoing collaborative relationships. The UNGC relies on the implementation of ten principles across four areas: human rights, labour standards, environment, and anti-corruption.[25]

While the UN Global Compact is often hailed as an effective platform to discuss the role of business in society, it has had modest impact on CSR strategies.[26]It is argued that the UNGC allows the UN to be captured by the interpretations of business interests, that the principles are vague, and that it fails to verify the fulfilment of the principles.[27] One view is that companies primarily benefit from the UNGC, through securing network opportunities and enhanced corporate reputation.[28]

Those who refute the critics argue that there are misunderstandings concerning the mandate and goals of the UNGC: the initiative should be seen as an addition to incomplete state and non-state regulation.[29] Yet, firms are less likely to be delisted from the UNGC in countries where domestic governance institutions work well,[30] which suggests that the UNGC does not offer failsafe supplementary governance for weak state-enforced governance.

United Nations Environment Programme Finance Initiative

18 banks are members of the United Nations Environment Programme Finance Initiative (UNEP FI). UNEP FI is a collaborative forum of financial institutions and the United Nations Environment Programme, which holds a summit every second year, facilitating dialogue between public and private sector actors, with the goal of promoting sustainability in business operations.[31]

In order to become a member of UNEP FI, companies are required to adhere to a statement, which dictates that economic development needs to be compatible with social and environmental welfare.

Similar to the UNGC, businesses express commitment to sustainability, and companies that adopt the statement are not accountable to UNEP FI, nor are there penalties for non-compliance.

If UNEP FI is to be regarded as a forum that brings together stakeholders that express their general commitment to sustainability, then it is not unlike the UNGC, apart from specifically relating to the financial sector. As such, criticisms of UNEP FI are potentially similar to those on the UNGC, essentially that the initiative encourages a degree of rhetorical commitment from companies without the means to verify accurately that these commitments are translated into practical and fundamental changes in policies and practices. Similarly, criticisms may be refuted by stating that the initiative should be seen as supplementary to inadequate private and public policy, and may serve as a platform to develop greater commitments over time.

Equator Principles

In the sample, 19 banks mention that they apply the Equator Principles (EPs). Financial institutions can use the EPs as a management tool to determine and control environmental and social risks in project finance, such as industry or infrastructure projects. Similar to the UNGC, the EPs rely on ten core principles, yet unlike the UNGC, the EPs have a distinct project management perspective.

The project focus of the EPs is one of the issues, as the share of project finance is small considering the total value of global banking assets,[32] and the project component of the EPs can influence the selection of projects. Moreover, concerning the voluntary character and lack of enforcement, the EPs are unlikely to enable substantial changes to the sustainability of projects, or sustainability practices of financial institutions in general.

BankTrack, a global network that tracks the activities of the financial sector, argues that the Equator Principles are too weak to substantially affect the sustainability of project financing. It lists a range of dubious activities by EP signatories to demonstrate that the principles provide inadequate guidance for the funding of socially and environmentally sensitive projects.[33]

Summary

In theory, reporting frameworks improve business transparency, and the formulation of ethical business principles through multi-stakeholder initiatives assists in establishing and achieving sustainable goals. However, the indicators show that these efforts do not offer a silver bullet and have several flaws. There is a large amount of discretion on the part of participating institutions, in terms of what information to disclose, and concerning where, when and which principles to apply. This can result in discriminatory application, instead of fully integrating initiatives in business strategies.

For voluntary sustainability codes and frameworks, the largest weakness is the absence of enforcement. Although these initiatives are voluntary, compliance can be verified, and firms could be penalized for failing to meet requirements. It can be argued that banks are let off the hook easily, by allowing voluntary standards to take precedence over binding regulation, even though these initiatives do not provide a proven supplementary governance framework.

Overall, it is doubtful to what degree these voluntary initiatives can help to align incentives, diminish ESG information asymmetry and establish a shift towards a more sustainable finance sector. It has become clear that participation in these voluntary initiatives comes at little cost, with the instant benefit of banks being able to present themselves as responsible corporate citizens. Consequently, it could be argued these initiatives often seem to primarily benefit financial institutions themselves.

5.2 Responsible Finance

Indicator	Number	%
Environmental Policy	28	96.6
Business Ethics	27	93.1
Sustainable financing	28	96.6

This group of indicators looks at how banks address environmental and social issues in their operations. 28 banks state they have an environmental policy, while 27 banks mention business ethics in the form of a code of conduct, and 28 banks discuss sustainable financing, for example by mentioning responsible finance or sustainable business practices. At first sight, this suggests that responsible and sustainable finance is considered important.

Transparency and Targets

Indicator	Number	%
Transparency of environmental performance	26	89.7
Quantitative environmental management targets	22	75.9
Carbon disclosure project	25	86.2

26 banks are transparent about environmental performance, while 22 banks have set quantifiable performance targets. The degree of transparency and the existence of targets are commendable. Yet, it is critical to note that transparency is often mistakenly understood to be a straightforward concept, while in reality it has many dimensions, namely *who* discloses to *whom*, and *what* is disclosed to meet *what ends.*[34]

In the sample, environmental transparency and performance most commonly manifest in carbon emissions disclosures: 25 banks are participants in the Carbon Disclosure Project (CDP). While the number of CDP participants is high, doubts exist about the degree to which CDP disclosures are valuable for investors, civil society, and policymakers. The disclosures are also accompanied by uncertainties about organizational boundaries, and thus responsibility.[35]

The prevalence of environmental transparency is unsurprising, as a decrease in environmental costs positively affects economic performance, in part mediated through enhanced reputation.[36] Moreover, research shows that environmental performance is often disclosed opportunistically,[37] and that transparency as part of impression management can erode, rather than build, legitimacy.[38] Reputation incentives can also result in uninspired management of sustainability initiatives: companies can maintain risk levels while meeting stakeholder demands by reproducing practices of peers, or by applying industry-wide standards.[39]

Operationalization

Indicator	Number	%
Certified environmental management system	12	41.4
Supply chain management	24	82.8

The material test of environmental commitments is to examine how they are operationalized. As environmental performance is a multi-dimensional construct, it is challenging to define and disseminate objectives.[40] One way for firms to perform this task effectively is by using an environmental management system (EMS), the benefits of which lie in describing, systemizing and standardizing activities aimed at environmental ambitions. 12 banks indicate that they use a certified EMS.[41]

Due to the lengthening and increasing complexity of supply chains, companies face additional hurdles when implementing sustainability standards. Consequently, an EMS is a useful tool to ensure that sustainability objectives are disseminated. 24 banks address supply chain management, yet only half mention using an EMS. Empirical research demonstrates that the business case for the implementation of an EMS partially relies on corporate reputation management: its use positively affects customer satisfaction, customer loyalty, and financial performance.[42]

It is difficult to attribute environmental performance to the use of an EMS, although they are shown to contribute to the dissemination of environmental objectives and awareness throughout operations.[43] Yet, an environmental management system in itself does not represent a complete commitment to environmental responsibility: while companies regularly diffuse standards, this often occurs on a practical basis, without embedding normative implications and stakeholder requirements, using them as a legitimacy front instead.[44]

Responsible Financial Products

Indicator	Number	%
Microcredit	25	86.2
Climate products	20	69
Socially responsible investing	23	79.3
Dow Jones Sustainability Group Index	19	65.5
FTSE4Good	20	69

Despite the GFC, there is continued belief in the capacity of finance to provide solutions to non-financial issues. Banks offer a range of responsible financial products. 25 banks mention they provide microcredit to disadvantaged communities, while 20 banks offer climate products, which include investments in clean energy, sustainable agriculture and green infrastructure. Reliance on markets to provide solutions for ESG issues is problematic, as market-driven economic responsibilities do not automatically translate into social responsibility.[45]

23 banks mention involvement in socially responsible investing (SRI). The International Finance Corporation estimates that new investment needs will reach US$700 billion annually between now and 2030.[46] Over 50 sustainability indices assess ESG performance and serve as SRI benchmarks. These indices are useful to investors, as there is a link between ESG and financial performance.[47] The best-known indices are FTSE4Good and the Dow Jones Sustainability Index (DJSI). In the sample, 19 banks are part of the DJSI, while 20 are included in the FTSE4Good index.

Research into sustainability indices raises a number of issues, such as the lack of standardization and the credibility of information, as well as rating bias and lack of transparency and independence.[48] Furthermore, the methodologies and calculation of company rankings are of crucial importance but frequently opaque.[49] It is also argued that the indices promote a narrow view of corporate responsibilities. The indices are shown to make certain areas of performance increasingly visible, but leave other social and environmental aspects underexposed.[50]

At the time of writing, Apple Inc. leads the top ten of FTSE4Good constituents,[51] despite criticisms about labour rights violations in its supply chains.[52] Volkswagen was listed as the industry group leader for automobile producers in the DJSI on 21 September 2015 and was removed from the index on 29 September 2015 on discovery that it had manipulated the emissions tests to conceal toxic pollutants issuing from the diesel engines of millions of its cars.[53] Even the top rated financial institution in our

sample, Australia & New Zealand Banking Group (ANZ), was discovered in 2016 to have a toxic culture in its dealing room where sexism was rife.[54] Food and beverage firm Nestlé is included in both the FTSE4Good and the DJSI index,[55] notwithstanding criticism about its practices concerning palm oil sources and rainforest destruction. Hence, it is uncertain whether these indices accurately gauge the sustainability performance of the companies and the banks they list in a complete way.

Risk Management and Sector Screening

Yet questions remain: can financial and social profits be combined, or will responsible investments be based on a minimal degree of social responsibility and maximum return on investments? Does responsible investment represent market rhetoric, or is it indicative of genuine commitment to social responsibility in business and finance?[56] A closer look at risk management and the screening of sectors might provide answers to these questions.

Indicator	Number	%
Environmental risk management in investment policy	26	89.7
Screening of specific sectors	26	89.7

26 banks mention the evaluation of environmental risk in investments. While this is a hopeful statistic, many environmental outcomes will only become evident over time. Consequently, it is important to apply a time scale that allows for risks and benefits to manifest.[57] 26 banks mention that they screen high-risk sectors before making lending decisions. Yet, banks continue to fund unsustainable activities such as nuclear weapons manufacturers[58] or major coal and gas projects located in World Heritage sites.[59]

What does this say about responsible financial products and ethical investing? The schism between "regular" finance and investments and ethical variants seems difficult to reconcile, and suggests that a precautionary approach is absent. Financial institutions often appear ambivalent, supporting positive environmental initiatives and damaging projects that will harm the environment at the same time. Investors reward firms that display overall positive social behaviour, rather than exclude companies based on certain products or practices.[60] Therefore, from the viewpoint of investors, the schism mentioned above is not addressed, as firms can be absolved by offsetting unsustainable activities with ethical ones.

Summary

While banks have policies describing ethical behaviour, and offer a number of responsible products, it is noteworthy that only 12 banks state the use of a certified EMS. This gives rise to doubts about the way policies and targets are operationalized and communicated. While banks offer responsible financial products and SRI, and report on environmental risk management and sector screening, they nevertheless continue to finance unsustainable activities.

Adding to these doubts are corporate incentives for environmental performance, which seem to be centred largely on reputation management and economic performance. While these are strong corporate motivators, they can cause bland management approaches, and they are disconnected from risks that manifest in the long-term. A precautionary turn is therefore needed in high-risk investments.

Overall, doubts are justified concerning the environmental and social risk management by banks. The incentives of banks only seem to be aligned with the public good in some instances, and the offering of responsible financial products and investments, while simultaneously investing in unsustainable

activities, does suggests risk management shortcomings, an absence of a precautionary approach, and an ambivalent commitment to sustainable finance.

5.3 Stakeholder Engagement

Indicator	Number	%
Identifies stakeholders	26	89.7
Explains methods of engagement	26	89.7

26 banks identify stakeholder groups, and a similar number describes methods of communication with stakeholders. The purpose of engagement is to establish and maintain practical relationships between firms and a range of stakeholders. Regular engagement enables consensus building and avoidance or minimization of risks to people and the environment.[61] Making stakeholders a central part of moral corporate discourse increases the chance of making social progress.[62]

Yet, stakeholder engagement has a variety of motives, and can be aimed at knowledge gathering, marketing, human resource management and legitimization. Thus, stakeholder engagement should not be seen simply as corporate responsibility, but as an initiative that can be related to corporate responsibility.[63]

Internal Engagement

Indicator	Number	%
Training and education	28	96.6
Diversity and opportunities	28	96.6
Feedback from employees	24	82.8

Being a responsible corporate citizen has internal and external dimensions. Internally, companies have an obligation to act responsibly towards employees. Ethical management entails considering staff as a human resource to be treated with respect. Management would engage in fair dealings with employees, and employ a consultative and participative leadership style, aimed at garnering mutual confidence and trust.[64]

As far as the internal social conduct of banks in the sample goes, the majority seem to be performing well. When looking at staff engagement, 28 banks provide training and education to employees, 28 banks mention that they have direct resources towards diversity initiatives, and 24 banks mention that they actively obtain employee feedback. On paper, banks have addressed the prerequisites to manage its staff in a moral manner.

External Engagement

Indicator	Number	%
Community involvement	29	100
Sponsoring	28	96.6

Considering externally oriented engagement, companies devote resources to public outreach. Moral management of community stakeholders involves considering a vital community as a business goal that is worth actively pursuing. Leading firms would, for example, make efforts to work on affairs concerning the environment, education, arts and volunteerism. Moral management would see community goals and company goals as mutually interdependent.[65]

All banks in the sample mention that they are somehow engaged in the community. All banks but one report that they sponsor public events. These figures suggest a worthy effort to engage external stakeholders. Optimism is tempered by research showing that a clear philanthropic strategy is frequently lacking in community investment,[66] as well as by finding that "external stakeholders are not integrated on a regular but on a case-by-case basis and mostly interaction takes place in a situation of crisis."[67]

Guidance and Standards

Research suggests that present times are signified by stakeholder scepticism, and since the financial crisis banks have had reason to be concerned about their public standing. As such, managers must carefully decide how to convey substantive commitment towards critical stakeholders. Recognizing this fact will help business to take greater accountability for their actions.[68] In order to determine the strategic substance behind stakeholder engagement, this paper looks at the use of recognized guidance and standards such as ISO26000 and AA1000.

ISO26000 provides guidance on how to operate in a socially responsible way, and how to act in an ethical and transparent manner, contributing to the welfare of society.[69]

AA1000 is a series of standards that help businesses to become more accountable, responsible and sustainable. They address a number of issues and provide guidance on sustainability assurance and stakeholder engagement.[70]

Indicator	Number	%
ISO26000	8	27.6
AA1000	7	24.1

In the sample, eight banks mention the use ISO26000, while seven banks state they use AA1000. The specific stakeholder engagement standard AA1000SES is not mentioned by a single bank. Despite banks in the sample widely reporting on stakeholder engagement, these figures show that recognized guidance and standards have not been adopted widely, supporting claims that community investment is often unaccompanied by a clear strategy.

When faced with increasing pressure to be accountable to a number of stakeholders, decisions to implement standards are often made based on cost-benefit calculations, neglecting broadly defined stakeholder interests.[71] Despite this flawed incentive, AA1000[72] and ISO26000[73] are nonetheless defined as practical tools for the advancement of social accountability and engagement.

Summary

Considering the data in the sample, banks engage well with internal and external stakeholders. They report on measures concerning staff training and diversity, and obtain employee feedback through surveys and other means. Of course, reporting on internal stakeholder engagement does not mean that potential and existing employee issues are automatically solved, as evident in the continuing underrepresentation of women in corporate leadership.[74]

Nearly all banks mention externally oriented engagement efforts. Given that previous sections demonstrated that banks are often driven by reputation enhancement, the high degree of corporate philanthropy is perhaps not that surprising. The lack of detailed community investment and stakeholder engagement strategies gives credence to this supposition. Economic incentives are shown to guide the selection of stakeholder management tools by companies. Nonetheless, standards and guidance

concerning stakeholder engagement can help improve the effectiveness and moral dimensions of these initiatives.

5.4 Governance

Leadership

Indicator	Number	%
Board committee	15	51.7
Senior management committee	7	24.1

Following the GFC and the reliance on self-correcting markets, an increased emphasis upon agency responsibilities has applied to financial executives and board members. This means that corporate leadership, specifically the board of directors and executive management, are increasingly held responsible for the design, implementation and monitoring of sustainability objectives and performance.

It is important that the board and the executive management team drive sustainability causes, as their actions create a precedent for the entire company. Yet, the governance of sustainability is still at an early stage, with a limited number of non-executive and executive directors having direct responsibility for sustainability,[75] which suggests that sustainability issues are not a high-priority agenda item in top-level corporate structures.

Our findings seem to confirm this to a degree. We examine board committees, based on titles, as indicators of governance mechanisms to lead sustainability. 15 banks have a board committee that addresses sustainability, while seven banks have a management committee dealing with sustainability. This suggests that involvement in sustainability strategies has not been universal among leadership in all banks. A full understanding of how corporate leadership monitors and implements sustainability requires more in-depth analysis.[76]

Implementation

Firms are integrating ESG elements into their remuneration systems, be it to a limited extent. Using data from 2011, research shows that of 3,512 companies, ten linked compensation to ESG for the board, and 32 did so for executive management.[77]

A study of 600 publicly listed firms showed that only seven per cent tie executive remuneration explicitly to ESG targets, while nine per cent link executive remuneration to ESG but do not mention targets.[78] In this finance sector sample there is also a lack of linkages between environmental performance and remuneration.

Indicator	Number	%
Remuneration incorporates non-financial measures	12	41.4
Safety performance (OHS)	1	8.3*
Environmental performance	0	0.0*
Customer satisfaction	7	58.3*
Employee satisfaction	3	25.0*
Community	2	16.7*

* Percentage of banks that incorporate non-financial measures in remuneration

In the sample, 12 banks incorporate non-financial performance measures in their remuneration scheme, and a number further clarify performance areas. Considering the disappointing figures presented in other

studies, the banks in the sample perform above average in comparison. A closer look reveals that of non-financial measures, customer satisfaction is mentioned most frequently, which is not surprising considering its clear link to economic performance, while environmental performance is not linked to remuneration at all.

Compensation schemes that integrate ESG performance are considered one of the missing pieces of the corporate responsibility puzzle.[79] Yet, there are several hurdles associated with linking remuneration to ESG goals. Key challenges concern the balancing of short and long-term business objectives, as well as the quantifying and weighting of ESG measures.[80] These challenges also form the main concerns: in many cases, the percentage of remuneration related to ESG factors may be small and unlikely to be a significant motivator, especially as opposed to bonus packages linked to profits.[81]

Summary

The figures suggest that sustainability strategies do not constitute priorities to the board of directors or senior management of banks in the sample. A limited number of dedicated board and management committees exist, while ESG goals are integrated into remuneration schemes to a small extent. While the performance of banks in the sample is better compared to that of firms in other studies, the emphasis on customer satisfaction, rather than the environment, reveals that this commitment could have primarily commercial motives.

Does this mean that ESG elements are only integrated in corporate governance to a limited degree? These indicators only reveal a part of a larger extent of governance mechanisms. Future research could scrutinize board charters of committees to approximate the extent to which ESG issues are addressed in governance mechanisms.

One way to ensure that sustainability becomes central to corporate leadership is to redefine fiduciary duties, which currently focus on pursuing the best interests of the company in a narrow sense. Reformulating company directors' fiduciary duties to include social and environmental dimensions could be helpful, facilitating fuller consideration of the triple bottom line.[82]

Conclusions

This paper set out to examine how self-regulatory and voluntary efforts by banks, through corporate social responsibility and corporate governance, address misaligned incentives, information asymmetry, financial innovation and levels of risk. The impact of these weaknesses in the financial sector, revealed during the financial crisis, equally poses immense potential social and environmental risks.

Through synthesizing and expanding previous research that assessed banking and corporate sustainability, the adoption of voluntary reporting, initiatives and principles, the commitment of banks to responsible finance, and efforts towards stakeholder engagement and integration of ESG into governance was examined. Indicators of sustainability reporting and performance were assessed to verify whether they form evidence of sustainability outcomes.

The data indicate that misaligned incentives are not yet effectively countered. While banks make efforts to combine profit and ESG goals, they do so to a limited extent. Non-financial measures are not widely included in remuneration, while products and services have a two-dimensional nature. Stakeholder engagement, a tool that can help align incentives, is often quoted but lacks sufficient credibility, as it can serve many purposes. In many of these initiatives, banks are driven by economic and reputation incentives, which can lead to limited effectiveness in tacking more fundamental environmental and social issues.

Doubts also manifest regarding the ways in which banks address information asymmetry. Banks have different levels of commitment to voluntary sustainability reporting, which concern the scope and the accuracy of disclosed information. Doubts also exist about the efficiency of stakeholder engagement, and the limited take-up of management systems suggests that sustainability information is not systematically disseminated.

Financial innovation, in the form of responsible products and investments, does not adequately address ESG concerns. While many banks mention responsible and sustainable finance, these statements are too often accompanied by investment in unsustainable activities. This also raises doubts about sustainability indices that rate firms according to business practices. At present, it seems that responsible products and investments are used to offset unsustainable activities. An additional case in point is that singling out a product or investment would not be needed if banks adopted an overarching sustainable business strategy.

Lastly, ESG risks are not addressed to a satisfying extent. The scarce existence of sustainability committees suggests that the monitoring of sustainability risks is of limited concern to boards and management teams, despite the existence of sustainability policies. Furthermore, while the majority of banks do mention risk assessment in investment policies and the screening of sectors, they nevertheless continue to fund high-risk activities. The application of voluntary codes and participation in multi-stakeholder initiatives is shown to come at little cost to companies, and lack of enforcement prohibits an increase in accountability.

Symbolic or Substantive?

Do banks actually implement significant changes in order to become sustainable, or do they adhere to expectations without truly changing? Do symbolic initiatives serve as a legitimacy front for banks, obscuring unsustainable activities, or are they a sign of uneven progress and will they develop into

substantial acts over time? At this point the evidence suggests that at present sustainability initiatives of banks are not central to the business strategy and organizational culture.

The evidence in this survey supports the conclusion of the UNEP Inquiry final report *The Financial System We Need* that "The emerging revolution, however, is incomplete. Developed countries' financial systems are adaptive and highly innovative in some respects, but continue to trend towards greater levels of "financialization", where financial returns increasingly arise from transactions that are disconnected from long-term value creation in the real economy.[83] Despite, and in some respects because of, major regulatory developments in the wake of the financial crisis, financial and capital markets are today delivering even less investment in long-term infrastructure. Instead, they continue to reward highly liquid, leveraged trading over the prospects of greater, but less liquid, longer-term returns.[84] While progress toward sustainability is evident, biases toward short-term returns can be an impediment."[85]

This brings the discussion back to corporate governance and CSR as converging activities and commitments. The findings in this paper show that the present integration of ESG in governance mechanisms is limited: policies are established but weakly enforced, while leadership and ESG integration in remuneration fall short. As governance determines the ways in which firms are directed and controlled, it presents a practical opportunity to embed ESG matters into business principles. It follows that advances can be made by further integrating CSR and corporate governance.

The nature of CSR differs from corporate governance in that it is voluntary, while corporate governance is often anchored in corporate law and listing requirements imposed by stock exchanges. Admittedly, corporate governance also has voluntary elements, and can be guided by voluntary codes such as the OECD Principles of Corporate Governance.[86] Nevertheless, corporate governance has advantages compared to CSR, in that it is considered central to decision-making processes, and is frequently embedded in authoritative frameworks.

Increased convergence of governance and sustainability would have a number of advantages. It would make ESG matters enforceable and firms more accountable for their actions. By embedding ESG into authoritative frameworks, the risk of CSR being used as a public relations tool may diminish, and prevent instances in which banks are identified as sustainability leaders, but are simultaneously involved in controversial commercial investments and practices. This may lead to the development of a commonly accepted definition of sustainable finance, and harmonize the indicators used to assess performance, which in turn would improve quality standards and assurance. Yet, these advantages would likely only manifest when they are implemented through regulation and corporate reporting requirements, or by stock exchanges that set out listing requirements.

In the aftermath of the financial crisis, many argued for greater regulation and oversight of the financial sector. While regulation is intended to decrease risks associated with unsustainable finance, it also externalizes responsibilities, embedding sustainability in the law, instead of in corporate strategies and business models. An intermediate measure is the reformulation of corporate governance requirements, for example by redefining fiduciary duties of company directors.[87] This would outline regulatory requirements, yet it would remain the task of companies to address precautionary and active responsibilities regarding social and environmental impact. This allows for the implementation of sustainability in business models, while simultaneously embedding these responsibilities in authoritative frameworks.

Recommendations

In terms of a focus on immediate improvement of the sustainability performance of the major international financial institutions the UNEP Inquiry could make specific recommendations for all banks to achieve international best practice and adopt certified management systems, transparency around GRI disclosures, involvement in the UNEP Finance Initiative, Equator Principles, Global Compact, and OECD Guidelines for Multinational Enterprises.

Most critically if the financial institutions are serious about their commitments to sustainability policies and reporting, they must demonstrate this in their governance and leadership by establishing boards and executive committees to initiate these commitments and review their performance, and by including performance in these commitments in the key performance indicators of the institutions. Finally sustainability performance needs to be included in the key performance indicators and remuneration schemes of senior executives. Regulatory reform and changes to stock exchange listing rules could provide a framework for enhanced fiduciary duties of company directors towards environmental and social responsibilities.

These improvements in policy commitments towards sustainability across the international finance and investment sectors will help. However the ultimate goal will be to fundamentally transform the business models and practices of financial institutions towards sustainability and socially useful and environmentally beneficial finance. This is a long-term goal that will need to be achieved in the coming decades.

Further Research

Further development of this research could usefully encompass:

- Conducting a further qualitative analysis of the policy commitments and reporting of the largest banks, to ascertain the distinctive approaches and weaknesses of the different institutions.
- Extending the sample to cover other major financial institutions listed in the Appendix Tables A3 to A5, to complete a quantitative analysis of their sustainability performance and then conduct a similar qualitative analysis.

Appendices

A1: World's Largest Banks by Market Capitalization (2013)

Rank April 2013	Rank March 2014	Bank	Country	Market Cap. Billion US$ 31 March 2014
4	1	Wells Fargo & Co	US	261.72
5	2	JP Morgan Chase & Co	US	229.90
1	3	Industrial & Commercial Bank of China	China	196.21
3	4	HSBC Holdings	UK	191.43
8	5	Bank of America	US	181.77
2	6	China Construction Bank	China	160.83
7	7	Citigroup Inc	US	144.63
6	8	Agricultural Bank of China	China	126.41
9	9	Bank of China	China	115.92
10	10	Commonwealth Bank of Australia	Australia	115.35
17	11	Banco Santander	Spain	110.57
-	12	Allied Irish Banks (AIB)	Ireland	100.61
11	13	Westpac Banking Corporation	Australia	99.22
22	14	BNP Paribas	France	96.03
14	15	Royal Bank of Canada	Canada	95.18
29	16	Lloyds Banking Group	UK	90.92
18	17	Toronto Dominion Bank	Canada	86.49
13	18	Australia and New Zealand Banking (ANZ)	Australia	83.25
12	19	Mitsubishi UFJ Financial Group (MUFG)	Japan	78.45
27	20	US Bancorp	US	78.11

http://www.relbanks.com/worlds-top-banks/market-cap

A2: World's Largest Banks by Total Assets (2014)

Rank 2014	Bank	Country	Total Assets US $ Billion 31 March 2014
1	Industrial & Commercial Bank of China	China	3,181.884
2	HSBC Holdings	UK	2,758.447
3	China Construction Bank	China	2,602.536
4	BNP Paribas	France	2,589,191
5	Mitsubishi UFJ Financial Group (MUFG)	Japan	2,508.839
6	JP Morgan Chase & Co	US	2,476,986
7	Agricultural Bank of China	China	2,470.432
8	Bank of China	China	2,435.485
9	Crédit Agricole Group	France	2,346.532*
10	Barclays PLC	UK	2,266.815
11	Deutsche Bank	Germany	2,250,638
12	Bank of America	US	2,149.851
13	Japan Post Bank	Japan	1,968.266
14	Citigroup Inc	US	1,894,736
15	Société Générale	France	1,740.745
16	Mizuho Financial Group	Japan	1,708.860
17	Royal Bank of Scotland Group	UK	1,703.955
18	Banco Santander	Spain	1,607.236
19	Sumitomo Mitsui Financial Group	Japan	1,569.987
20	Group BPCE	France	1,567.882

* 31 Dec 2013

http://www.relbanks.com/worlds-top-banks/assets

A3: World's Largest Insurance Companies by Total Assets (2013)

Rank 2014	Insurance Company	Country	Total Assets US$ Billion 31 December 2013
1	AXA	France	1,045.62
2	Allianz	Germany	982.627
3	Metlife	US	885.296
4	Japan Post Insurance	Japan	862.088
5	Prudential Financial	US	731.781
6	Assicurazioni Generali	Italy	620.978
7	Legal and General	UK	599.043
8	Ping An Insurance	China	555.258
9	American International Group (AIG)	US	541,329
10	Prudential Plc	UK	537.629
11	Nippon Life Insurance Company	Japan	525.717
12	CNP Assurances	France	505.426
13	TIAA-CREF	US	498.728
14	Aegon	Netherlands	485.921
15	Berkshire Hathaway	US	484.931
16	Zenkyoren (JA-Kyosairen)	Japan	483.075
17	Manulife Financial	Canada	482.506
18	Aviva	UK	460.009
19	ING Insurance	Netherlands	415,690
20	Zurich Insurance Group	Switzerland	415,053

http://www.relbanks.com/top-insurance-companies/world

A4: World's Largest Investment Institutions by Total Assets

Rank 2014	Investment Manager	Country	Total Assets US$ Billion 31 December 2013
1	BlackRock	US/UK	3,140.715
2	Vanguard Asset Management	US/UK	1,997.915
3	State Street Global Advisors	US/UK	1,701.651
4	Fidelity Investments	US/UK	1,411.250
5	BNY Mellon Investment Management	US/UK	1,149.878
6	J.P. Morgan Asset Management	US/UK	1,129.854
7	PIMCO	US/Germany/UK	1,116.984
8	Deutsche Asset & Wealth Management	Germany/US	931.000
9	Capital Group	US	907.909
10	Pramerica Investment Management	US	804.608
11	Amundi	France	777.111
12	Northern Trust Asset Management	US/UK	641.882
13	Franklin Templeton Investments	US/UK	639.141
14	Natixis Global Asset Management	France/US	629,200
15	Wellington Management Company	US	605.536
16	Goldman Sachs Asset Management International	US/UK	586.106
17	Invesco	US/Belgium/UK	565.283
18	AXA Investment Managers	France	546.702
19	Legal & General Investment Management	UK	540.338
20	T.Rowe Price	US/UK	502.486

https://www.towerswatson.com/DownloadMedia.aspx?media=%7B0F72ECAF-320F-48E1-B043-31D94166AC83%7D

A5: World's Largest Pension Funds by Total Assets

Rank 2013	Pension Fund	Country	Total Assets US $ Million 31 December 2013
1	Government Pension Investment	Japan	1,221,501
2	Government Pension Fund	Norway	858,469
3	ABP	Netherlands	415,657
4	National Pension	Korea	405,521
5	Federal Retirement Thrift	US	375,088
6	California Public Employees	US	273,066
7	Canada Pension	Canada	206,173
8	National Social Security	China	205,168
9	Central Provident Fund	Singapore	200,376
10	PFZW	Netherlands	196,933
11	Employees Provident Fund	Malaysia	182,216
12	Local Government Officials	Japan	179,821
13	California State Teachers	US	172,424
14	New York State Common	US	164,008
15	Florida State Board	US	146,226
16	New York City Retirement	US	143,925
17	Ontario Teachers	Canada	132,445
18	Texas Teachers	US	119,706
19	GEPF	South Africa	117,681
20	Pension Fund Association	Japan	117,636

http://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2014/09/The-worlds-300-largest-pension-funds-year-end-2013

B1: Survey Criteria

Category	No.	Criterion
Voluntary Reporting, Initiatives and Principles	1	Sustainability report
	2	Type of sustainability report (Stand-alone)
	3	Type of sustainability report (Integrated)
	4	Global Compact
	5	UNEP Finance Initiative
	6	Equator Principles
	7	Global reporting initiative
	8	Independently checked
	9	Application level
Responsible Finance	10	Environmental policy
	11	Business Ethics
	12	Sustainable financing
	13	Transparency of environmental performance
	14	Quantitative environmental management targets
	15	Carbon disclosure project
	16	Certified environmental management system
	17	Supply chain management
	18	Microcredit
	19	Climate products
	20	Socially responsible investing
	21	Dow Jones Sustainability Group Index
	22	FTSE4Good
	23	Environmental risk management in investment policy
	24	Screening of specific sectors
Stakeholder Engagement	25	Identifies stakeholders
	26	Explains methods of engagement
	27	Community involvement
	28	Sponsoring
	29	Training and education
	30	Diversity and opportunities
	31	Feedback from employees
	32	AA1000SES
	33	ISO26000
Governance	34	Board committee
	35	Senior management committee
	36	Remuneration incorporates non-financial measures
	37	Safety performance (OHS)
	38	Environmental performance
	39	Customer satisfaction
	40	Employee satisfaction
	41	Community

B2: Individual Results

#	ABC	AIB	ANZ	BS	BOA	BoC	BAR	BNP	CCB	CITI	CBA	CA	DB	BCPE	HSBC	ICBC	JPB	JPM	LLS	MIT	MIZ	RBC	RBS	SG	SUM	TDB	USB	WEL	WBC
1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
2	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	0	1	1	1
3	1	0	1	1	1	1	1	1	0	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	0	1	0	1	1
4	0	0	1	1	0	0	0	1	0	1	1	1	1	1	1	1	0	0	0	1	1	0	1	1	1	0	0	0	1
5	0	0	1	1	1	0	1	1	0	1	1	0	1	0	1	1	0	0	0	1	1	1	1	1	1	1	0	0	1
6	0	0	1	1	1	0	1	1	0	1	1	1	0	0	1	0	0	1	1	0	1	1	1	1	1	1	0	1	1
7	1	0	1	1	1	1	1	0	0	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	0	1	1
8	1	0	1	1	1	1	1	0	0	0	1	0	1	0	1	1	0	0	1	1	0	0	1	0	1	1	0	0	1
9	0	0	1	0	1	0	1	0	0	0	0	0	1	0	1	0	0	1	1	0	1	0	1	0	0	1	0	1	1
10	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
11	0	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
12	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
13	1	1	1	1	1	0	1	1	0	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1
14	0	1	1	1	1	0	1	1	0	1	1	1	1	0	1	1	0	0	1	1	1	1	1	1	1	1	0	1	1
15	0	1	1	1	1	0	1	1	1	1	1	1	1	0	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1
16	0	1	1	0	0	0	0	1	0	0	1	1	1	0	0	0	0	0	0	1	1	0	0	0	1	1	0	1	1
17	1	0	1	1	1	1	1	1	0	1	1	1	1	1	1	1	0	1	1	1	0	1	1	1	0	1	1	1	1
18	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	0	1	1	1	1	0	1	1	1	1
19	1	0	1	0	1	1	1	1	0	1	0	1	1	1	1	0	0	1	1	1	1	1	0	1	1	1	0	0	1
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21	0	0	1	1	1	0	1	1	0	1	1	1	1	0	1	0	0	0	0	1	0	1	1	1	1	1	1	1	1
22	0	1	1	1	1	0	1	1	0	1	0	1	1	0	1	0	0	1	1	1	0	1	1	1	1	1	0	1	1
23	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	0	1	1	1	1
24	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	0	1	1	1	1
25	1	0	1	1	1	1	1	1	0	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1
26	1	1	1	1	1	1	1	0	0	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1
27	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
28	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1
29	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
30	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1
31	0	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	0	0	1	1	1	1	1	1	1	1	0	1	1
32	0	0	0	1	0	1	1	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	1
33	1	0	1	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	1	1	0	0	1	1	0	0	0	0
34	0	1	1	1	1	0	0	0	0	1	0	0	1	0	1	0	0	1	1	0	0	1	1	0	1	1	0	1	1
35	1	0	1	0	1	0	0	0	0	0	0	0	1	0	0	0	0	0	1	1	1	0	0	0	0	0	0	0	0
36	0	0	1	1	0	0	1	0	0	1	1	1	1	0	1	0	0	0	1	0	0	0	1	0	0	1	0	0	1
37	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
39	0	0	1	1	0	0	0	0	0	1	1	1	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0
40	0	0	1	0	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
41	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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