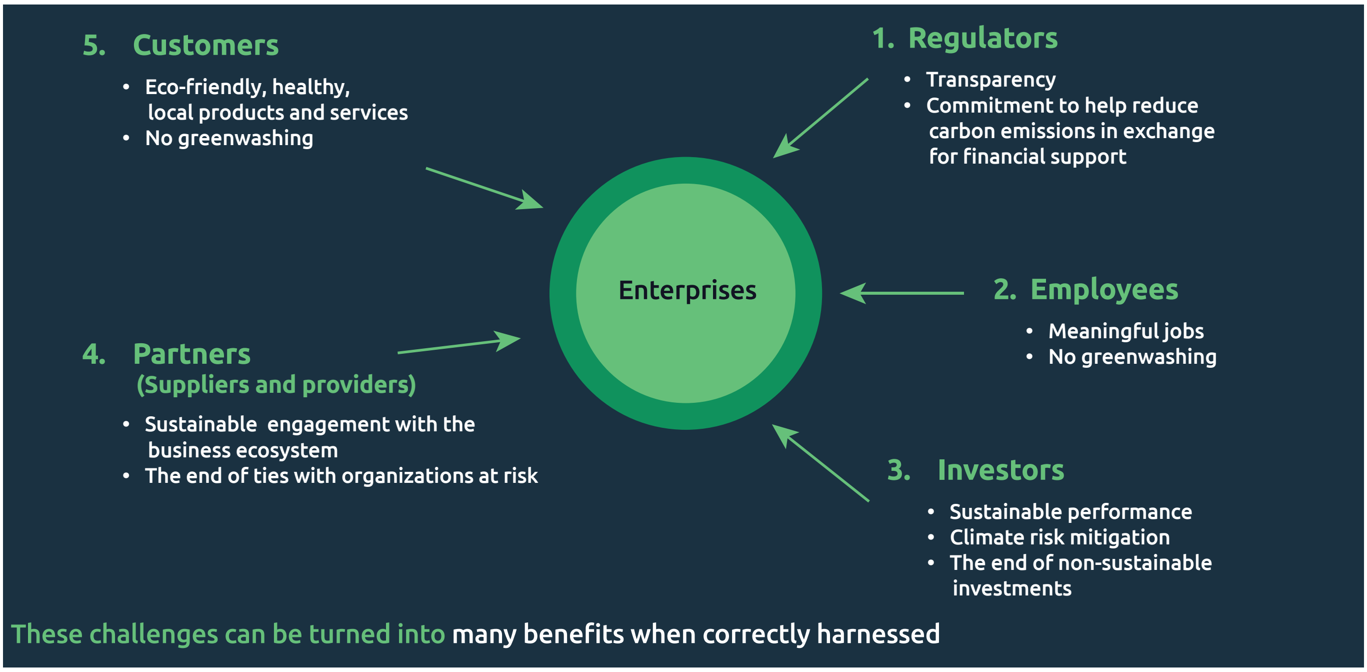
EMPOWERING FINANCIAL INSTITUTIONS TO DRIVE SUSTAINABILITY AND GROWTH

Financial institutions have an opportunity to lead the charge towards a sustainable future

Sustainability is a recent buzz word. Whether it encompasses sourcing eco-friendly products in our personal lives or optimizing business processes – we are all expected to factor in sustainability when making decisions. Sustainability encompasses elements of environment, social, and governance (ESG). As individuals, we can easily adapt to sustainable requirements when making personal choices and the impact of our choices. For organizations, the road can be harder to manage.

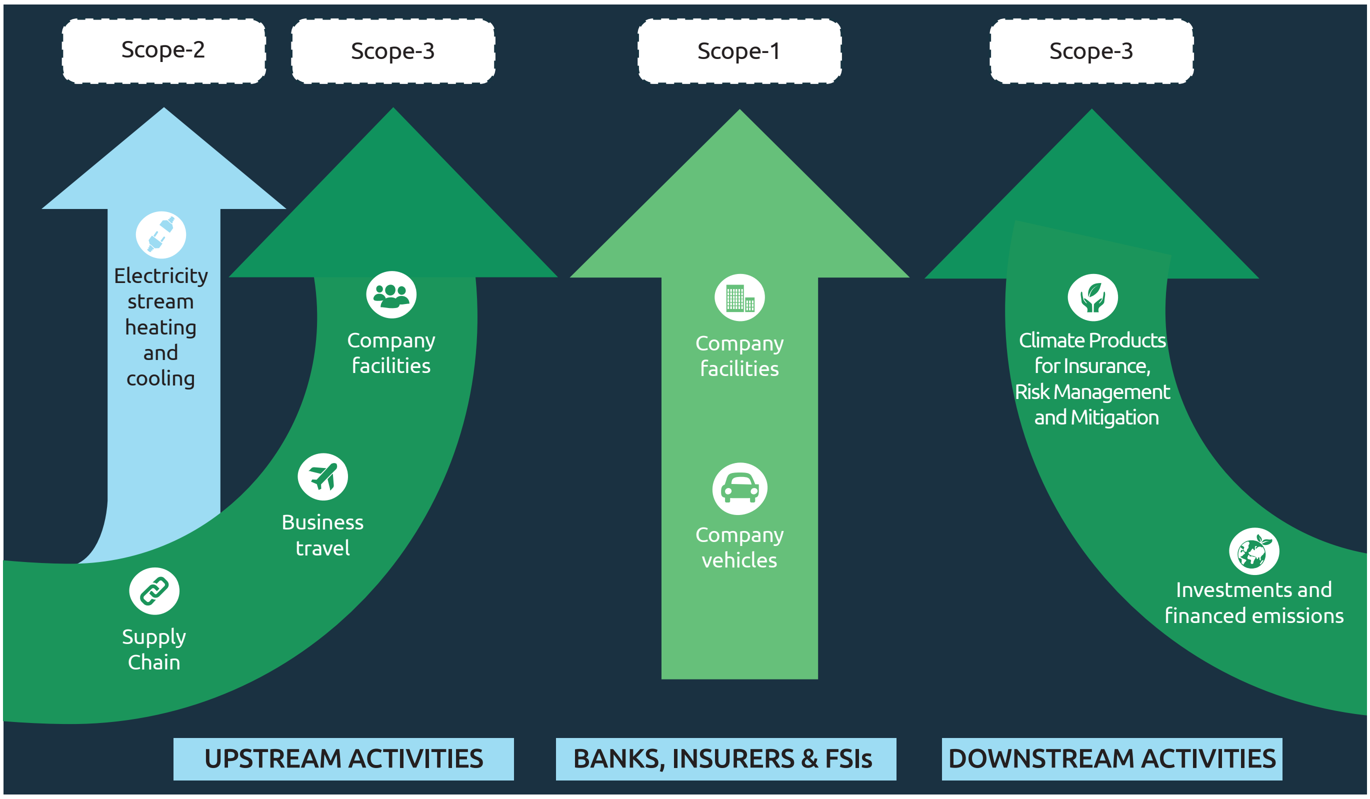
The global pressure from stakeholders to curb climate change is forcing every organization to adopt new approaches, products, and processes to be more sustainable.

Figure 1. Why sustainability matters / Transforming challenges into opportunities
NEED: Organizations are under increased pressure from key stakeholders to curb climate change



THE OPPORTUNITY TO BE A SUSTAINABLE FINANCIAL SERVICES FIRM

Figure 2. Bulk of GHG emissions associated with financial institutions are from investing, lending, and underwriting activities



While sustainability has become mainstream, the net zero and decarbonization journey for the financial services industry requires a different approach with major attention on reducing financed emissions. This is requiring firms to demonstrate their organization's and products' alignment to ESG. It's clear that sustainability is not just an attempt to 'do the right thing' and a good marketing strategy; it is a business imperative requiring commitment from most organizations.

Since not all countries enforce ESG through regulations, organizations can choose to focus on being sustainable to build customer loyalty, make products and services more 'sticky', or to position your brand for growth. The benefits go beyond meeting stakeholder expectations or realizing business performance through growth, as there are many intangible aspects related to this change.

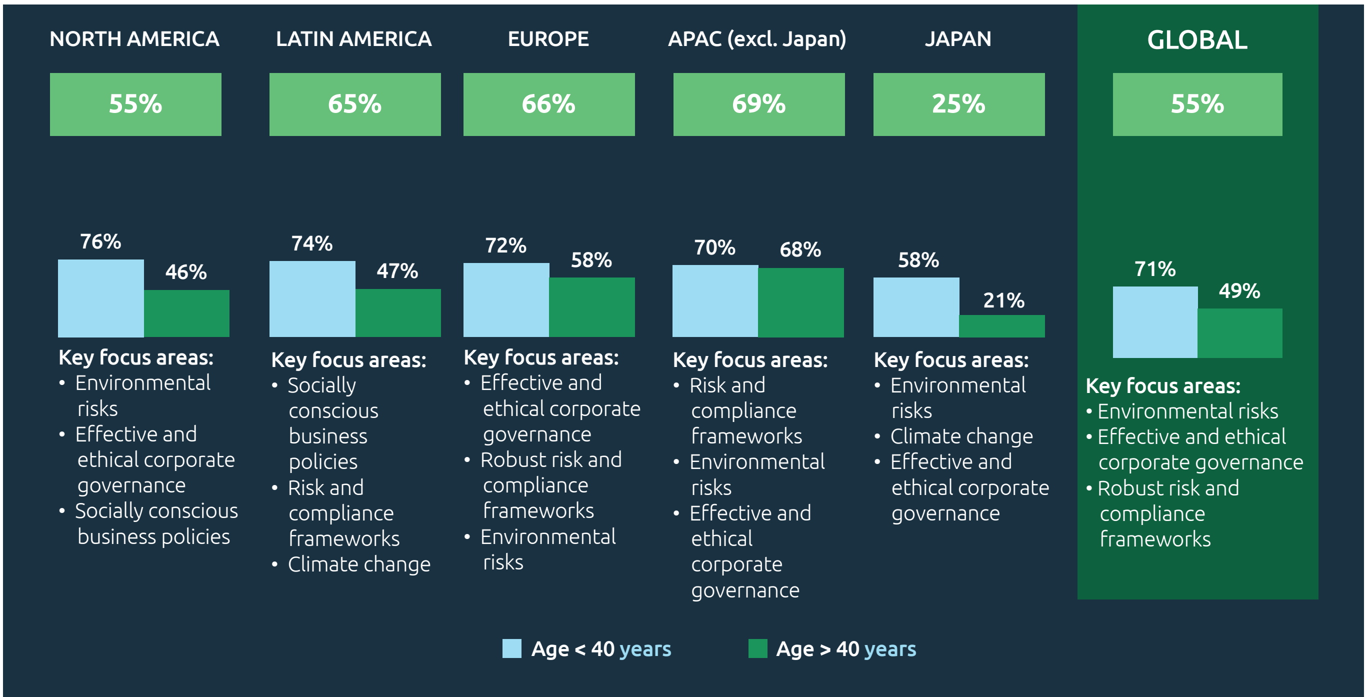
Add any set of features they require to advance their contact centres. Customer relationship management (CRM) systems and a variety of contact centre infrastructures can be integrated with it.

"As more investors choose to tilt their investments towards sustainability-focused companies, the rectonic shift we are seeing will accelerate further. And because this will have such a dramatic impact of how capital is allocated, every management team and board will need to consider how this will impact their company's stock"

-Larry Fink

Black Rock CEO

Figure 3: ESG investment objectives and focus areas for HNWIs



Note: Numbers represent the percentage of HNWIs with ESG as an important investment objective.
Sources: Capgemini Financial Analysis, 2022; Capgemini Global HNWI insights survey, Jan 2022.

Capgemini's World Wealth Report 2022 found that over 71% of young HNWIs (High Net Worth Individuals less than 40 years old) felt that investing in causes with a positive ESG impact is a critical wealth management objective.

Capgemini's World Property and Casualty Insurance Report 2022 explored how climate change will unevenly affect the globe. We uncovered that amongst policyholders and insurers climate change continues to be a top concern. Policy holders are conscious of climate change, and 75% rank it among their top concerns. Insurers are in tune with customers with about 40% ranking climate change as a top priority, with profitability and insurability emerging as related issues.

This report also noted that over the past 30 years globally, economic losses driven by climate change has increased by 250%. Despite this, many insurers have yet to develop a strategy to address this issue in a meaningful way. Fundamental business model changes are required yet only 8% of insurers are on course to achieve climate resiliency.

In addition to the above research, Capgemini published a whitepaper, Equipping Financial Services recently for the ESG Era, based on additional hands-on research. We found that most large financial institutions have developed ambitious long-term goals for ESG targeting dates a decade or more in the future. However, many companies struggle to translate the long-term ESG vision into shorter-term initiatives that will deliver results in the next two to three years, while moving incrementally forward to the long-range goals.

The problem that was uncovered is the inability to measure and track ESG performance and exposure from their current state to a future vision. This problem stems from a lack of comprehensive, accurate, and timely ESG-related data. Without this data, financial services companies will find it difficult to know where and how to get started identifying and executing the concrete improvements to achieve results in the near term.

HOW TO NAVIGATE SUSTAINBILITY

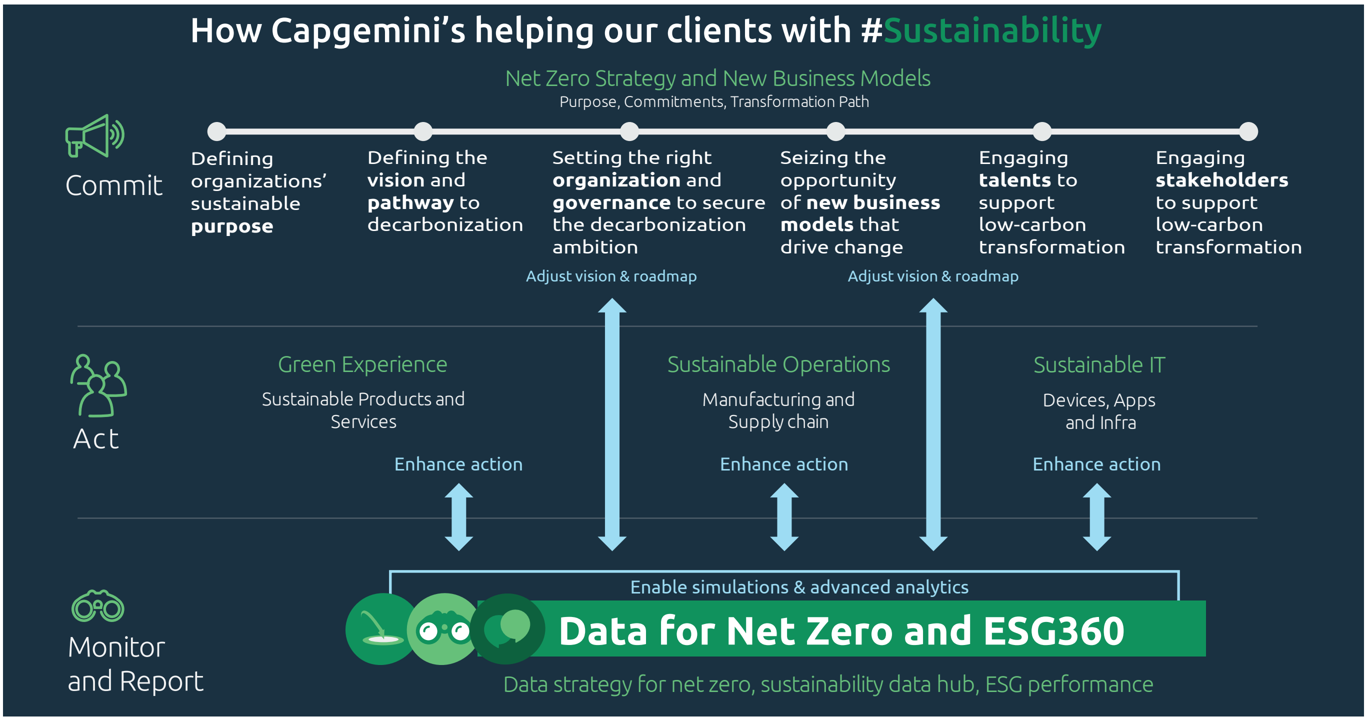
With so much focus on sustainability and desire to enact meaningful change, organizations have started taking action to initiate transformation of their organizations to deliver a measurable environmental impact. Typically, these organizations are looking at neutralizing emissions (net zero) and social and governance impact through diversity, equity, inclusion, and internal controls. To pivot to a net zero strategy, the first step requires commitment to decarbonization. The barriers to change are addressing the challenge of a lack of reliable metrics around how an organization is impacting climate and how an organization is being impacted by climate change.

An organization's commitment begins with answers to these two questions to define the vision and pathway to decarbonization. Armed with these metrics an organization can then start to make changes required to their business model and culture to achieve their net zero goals.

Once you have defined the commitment of your organization, the next step to achieving net zero is acting on those commitments. This may include creating green experiences via sustainable products and services, as well as focusing on sustainable operations, including modernization through sustainable IT, such as devices, applications, and infrastructure.

Once your organization has acted, they must then determine if the sustainability transformation is successful by continuously monitoring and reporting.

Figure 4. Tiers to show how firms should approach their transformation to sustainability



IN CONCLUSION:

Start your journey by having the right foundation to measure, monitor, and report so that organizations can focus on measuring what is important and relevant. Communicate achievements towards your net zero journey and the sustainability impact you're making as an organization. This is where Capgemini's Sustainability Data Hub (SDH) with ESG capabilities and Salesforce solutions such as Salesforce Net Zero Cloud would be a good starting point, since it offers an up to-date or real-time view of your progress and impact.

Salesforce Net Zero Cloud integrated with Capgemini's' SDH centrally manages data from internal and external resources to give a 360-degree view of your organization's environmental impact. It provides an automated, near real-time solution, helping you understand your carbon footprint and track progress towards your sustainability goals.

MuleSoft APIs connect scope 1, 2 and 3 data from energy use, carbon, waste, building assets, business travel and suppliers. After the calculations are in place with updated carbon offset pricing, it provides actionable insight, which can be viewed in a single Tableau dashboard. These insights include Carbon Footprint Forecast, Climate Actions Dashboard, What-If Analysis, Science Based Targets and Business Travel Impact.

Preparing for your sustainability journey and growth requires financial institutions to be able to outpace regulations and empower their workforce to effectively collaborate and build incrementally. Faced with the need to build a solid foundation to measure, monitor, and communicate your sustainability aspirations and commitments, firms can draw on assets and the experience of Capgemini combined with Salesforce's NetZero Cloud platform capabilities to jump start their iterative journey from ideation to pilot in less than 6 weeks.

Salesforce and Capgemini are both committed to NetZero and have been on this journey for more than 10 years.

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