

BankingFutures: A Forward-Looking Approach to Long-Term Change for UK Banks

In the wake of the 2008 financial crisis, the UK financial services industry shifted its focus to restoring trust and shaping a more resilient and consumer-oriented industry. Considered the worst economic disaster since the Great Depression, the crisis served as a vital reminder that banks had failed to appropriately serve customers as well as the public good. Although the UK banking sector holds great importance to the overall economy and society, re-gaining trust in the industry is an ongoing struggle that requires sustained improvements to leadership and culture.

In a recent banking conduct and culture keynote address in London, former Chairman of Barclays, Sir David Walker, discussed the heightened focus on trust and its connection to culture in banks. “Trust in an entity reflects confidence earned on the basis of observed conduct and values which, together, constitute the culture of the organisation.”

To regain trust, a string of EU and UK regulations designed to reduce excessive payouts and halt the reward of poor sales practices have emerged. While there *has* been heightened attention and action since 2008, the formation of the **BankingFutures** project, launched in 2015, particularly grabbed the headlines this year, in part due to the increased pressures for banks to publically release non-financial data, as mentioned in a recent [Financial Times article](#). An initiative such as BankingFutures could provoke a longer-term change agenda for improving the societal impact of banks and, by extension, securing their financial success.

What is the BankingFutures Project?

BankingFutures was created by Leaders’ Quest and Meteos, two non-profits that seek strategic solutions for accelerating positive industry and societal change. Run in conjunction with the Investor Forum, the collaborative project encompasses a structured dialogue between leaders in financial services concerning banking reform. It is comprised of two interlinked reports, offering a roadmap for change that will support the foundation of, as Meteos explains, “a healthy, resilient, and inclusive banking sector in the UK.” Unlike other post-crisis regulatory efforts, this unique, voluntary commitment uses strategic partners and implementation plans to refocus firms’ efforts on positively serving society, not only for the common good it engenders, but also with the view that this will provide a financial advantage in the long-term – and indeed, even contribute to the survival of the bank.

When launched in 2015, the project began with a dialogue involving over 200 industry leaders, investors, and customers including a steering committee with senior representatives from HSBC, Lloyds Banking Group, Barclays, Deutsche Bank, RSA, Schrodgers, the United Nations Environment Programme, and more. In-depth conversations between multi-stakeholder action groups and experts on both SMEs and capital markets took place at special roundtables and meetings, where all participants were actively engaged to build trust and develop solutions together.

BankingFutures phase one included the “Banking on Trust” report, which was released in February 2016, calling upon the UK banking sector to take concrete action regarding these recommended items:

- Achievement of stronger links between the financial system and real economy’s current and future needs (especially the SME sector)
- Re-introduction of long-term culture into investing, recognising that the current model places customers and society at risk
- Commitment to a public process involving consumers, civil society, and regulators to improve customer care and respect

Phase two, which ran from March 2016 to July 2017, identified the imperative actions banks, investors, and policymakers must take to attain the above priorities.

Main Objectives

The project embodies a clear **commitment to action for long-term change** and banking reform. What is the most effective approach to achieving this goal? Dialogue is considered key. BankingFutures provides a foundation for initiating the necessary dialogue between banks, investors, and stakeholders that will deliver lasting value. Non-financial fundamentals, such as culture and conduct, have become pivotal components of this, supporting the overall health of the business. Therefore, there is an increased demand from investors for details regarding the creation of appealing value propositions driven by culture, what information to communicate to employees, and when.

BankingFutures also encourages **the establishment of collaborative solutions that aim to re-build trust among stakeholders**, enabling firms to grow and prosper with society rather than at its expense. Other banking institutions support this initiative as well, reinforcing the need to regain confidence across the UK banking sector through positive actions that reflect high standards. In the Banking Standards Board (BSB) Annual Review 2016 / 2017, for example, the organisation reveals its approach of cultivating a culture of responsibility and accountability rather than blame:

“The BSB does not exist to encourage trust in the banking sector, but to help to raise the trustworthiness of the sector; a very different proposition. The onus is not on customers, members or clients to trust the firm, but on banks and building societies themselves to demonstrate through their actions that they are worthy of being trusted. These actions need to encompass the broad spectrum of competence, behavior and culture.”

Following the scandals and economic downturns, time alone won’t heal trust—according to BankingFutures, a valiant and pioneering effort is required of the industry beginning with its senior leadership.

Key Recommendations

How, then, can banks in the UK make these ideas advocated by industry leaders through BankingFutures a reality? A suggested place to start is by commitment to serve the “real” economy. Senior level employees should work closely with policy-makers, businesses, investors, and the civil society to ensure that all stakeholders are more aware and responsive to investment needs and opportunities in the UK. Firms must additionally focus on banking for the long term, and drive banks through the use of strong value propositions. The report suggests that working with the Investor Forum can help create appealing banking and investment cultures, and encourage

leaders to increase transparency within the bank. This includes the imperative disclosure of non-financial fundamentals that underpin the long-term health of the business. Below are **five recommended measures** to take when determining what information on culture to disclose:

1. Investors should signal to bank management their interest in understanding the drivers that will impact long-term value and societal change
2. Banks then work with UK Finance to agree on key elements of non-financial disclosure to respond to this interest
3. Banks to enhance and prioritise the Strategic Report by furnishing it with these non-financial metrics. (The Strategic Report is a guidance issued by the Financial Reporting Council aimed at providing firms with a broader picture of shareholder value in their annual reports)
4. Banks to disclose the information to help shareholders evaluate the long-term health of the bank
5. Bank boards and senior management to provide annual public stakeholder feedback on their performance against these new metrics

By enhancing and prioritising the Strategic Report, financial services firms should offer shareholders a holistic and meaningful view of an entity's business model, strategy, development, performance, position, and future prospects. The non-financial metrics are designed to aid this endeavour. Public appraisal is also imperative, as banks should involve multiple stakeholders (clients, civil society, and regulators) to improve their overall care and respect for their customers and broader society.

The Impact of BankingFutures

BankingFutures represents a positive collaborative effort, reflecting the increasing desire for firms to recast their purpose to first and foremost serve society and the common good, and do so collaboratively in a way which invigorates the long-term health of the banking sector. The vulnerability of the UK economy after the 2008 financial crisis is a shared problem, requiring trust, engagement, and support from stakeholders across the reach of the enterprise. While senior leadership and participating firms are visibly guiding reform, it is also critical for other positions below the senior management level, as well as firms not participating in BankingFutures, to take notice of this attempt to create a positive feedback mechanism between business and society. The BankingFutures project signifies meaningful future approaches to incorporating long-term objectives, culture, and societal value into strategic reporting. It has also advanced discussion between banks and investors, and is described by some stakeholders as the most meaningful engagement since the financial crisis.

Future Considerations

While an impressive start in terms of participants supporting the initiative, the BankingFutures dialogue is a conversation that still has a long way to go. Will it continue to grow? Its incorporation of different voices, perspectives, and experiences has resulted in a rich series of recommendations, including the measurement of non-financials, for industry leaders to implement effective change and create optimism for the future. That said, senior management might consider taking note and monitoring its trajectory.

Sir David Walker described the desirable relationship between conduct regulator and the regulated to be one of trust, in which the regulator has confidence in a bank's commitment to embed a strong culture, and the bank's board and executives have confidence in an open dialogue with the regulator. He has also declared that all identified transgressions should be judged maturely with credit given for the quality of the bank's overall culture. By embracing the BankingFutures' vision, banks in the UK could be one step closer to bringing the ideals of Sir David Walker's to life.

For more information regarding the BankingFutures project and what banks might expect from its recommendations and outcomes, please [contact our team](#).

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