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# THE IMPACT OF SUSTAINABILITY CODES OF CONDUCT IN THE FINANCIAL SECTOR

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## ABOUT THE GLOBAL ECONOMY

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## ABOUT THE AUTHORS



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## EXECUTIVE SUMMARY

This paper analyzes the impact of four major financial sector sustainability codes of conduct, the UN Environmental Programme Finance Initiative (UNEP FI), the UN Principles for Responsible Investment (UNPRI), the Equator Principles (EP) and the Global Alliance for Banking on Values (GABV) with regard to their impact on the sustainability of their members. The codes of conduct focus on the integration of environmental, social and governance criteria into financial decision making in lending, investment, asset management and project finance. The analyses suggest signatories address the sustainability issues that are promoted by the codes in their reporting. However, none of the codes define how financial decisions should be made in order to guarantee the sustainability of the financed project, borrower or investee, therefore, it is hard to assess whether their signatories are more sustainable than non-members. Nevertheless, the results suggest that codes of conduct help to standardize the assessment of environmental and social risks and to integrate them into financial decision making.

Overall, financial sector corporate sustainability voluntary codes of conduct seem to have a positive impact on their members. The effectiveness, however, depends on the quality and content of a code as well as on implementation and compliance mechanisms. Consequently, financial bodies and regulators such as the Financial Stability Board or Group of Twenty should analyze financial sector sustainability codes of conduct with regard to indicators and risk management processes that could help to increase the sustainability and stability of the financial sector.

## INTRODUCTION

The financial sector is one of the industries with the highest frequency of voluntary codes of conduct. The most well-known of these codes within the financial sector are the UNEP FI, UNPRI and EP for project finance. A more recent and much smaller code of conduct is the GABV, which focuses on positive sustainability impacts of banks and other financial institutions.

Often, the strengths and weaknesses of voluntary codes of conduct are discussed on the basis of the conducts themselves. A number of these analyses exist, for instance, for the EP (Amalric 2005; Conley and Williams 2011; Eisenbach et al. 2013; Hardenbrook 2007; Lawrence and Thomas 2004) and for UNPRI (Eccles and Viviers 2011; Gond and Piani 2013; O'Sullivan and O'Dwyer 2009). There is not much research, however, on the actual impact of these codes of conduct on the sustainability performance of banks and other financial institutions.

## FINANCIAL SECTOR CODES OF CONDUCT

The following section will briefly introduce the financial sector codes of conduct analyses. For a more detailed description of the codes, see Olaf Weber and Emmanuel Acheta (2014) and Weber and Ifedayo Adeniyi (2015).

The EP are financial industry standards for determining, assessing and managing environmental and social risks in project finance. Currently subscribed to by 81 financial institutions, EP are in their thirteenth year of implementation. Early co-founders of the EP were largely banks in Western Europe and North America. Currently, EP Financial Institutions (EPFIs) come from all continents, with the current chair of the Equator Principles Association Steering Committee being the South African Standard Bank. The analysis of the implementation and content of the EP has shown mixed results, and EP implementation remains an ongoing challenge. EPFIs who are the actual implementers of EP voluntary codes face an even more difficult challenge: how to implement EP in a way that provides a basis for integrating social and environmental aspects into project finance decision-making processes (Macve and Chen 2010; Wright and Rwabizambuga 2006). Major points of criticism address the lack of enforcement mechanisms that would guarantee compliance with the EP guidelines and the weak integration of climate change issues into those guidelines.

At the end of 2015, UNPRI had 1,325 members, including asset and investment managers, and service providers. The organization's main focus is to understand the consequences of sustainability and to consider environmental and social issues in investment decision making and ownership engagement. A recent UNPRI initiative has been the Montréal Carbon Pledge in September 2014, in which its signatories commit to the measurement and reporting of the carbon footprint of their equity portfolios. Despite its commitments, the UNPRI is criticized that it does not include a mechanism that guarantees that its members take responsible investment criteria into account when making investment decisions.

The UNEP FI has 230 members as of 2015. The members include commercial banks, investment banks, venture capitalists, asset managers, development banks, insurance companies and other financial service providers. The UNEP FI's main focus is the integration of environmental considerations into all aspects of the financial sector's business activities. The initiative started as two codes of conduct for the banking sector and the insurance sector, respectively. Later, it amalgamated into one code of conduct for both industries.

The GABV, founded in 2009, has been growing and has 28 members as of 2015. Its members are small- and mid-size banks, credit unions and microfinance institutions

that focus exclusively on social banking and impact investment. The goal of the association is to use finance to support sustainable economic, social and environmental development (Weber 2013). The principles of the code of conduct focus on a triple-bottom-line approach that is at the heart of the members' business model. Furthermore, the members serve the real economy, enable new business models and support communities. In general, the GABV's principles and its charter emphasize that sustainable banking is not an add-on to conventional products and services, but that members of the code exclusively focus on sustainable banking.

Although all of the introduced codes of conduct strive to make the financial sector more sustainable, the question remains whether they achieve their goal and really create a change in the operations of their membership. The remainder of this paper will analyze this question, starting with a literature analysis and then reporting on the authors' empirical studies on the above-mentioned codes of conduct.

## LITERATURE ANALYSIS ON THE IMPACT OF CODES OF CONDUCT

There are a number of studies about the impacts of codes of conduct on general corporate behaviour, corporate social responsibility and business practices inside and outside of the financial sector. These studies complement the research on the content of codes of conduct, such as the studies of Richard Macve and Xiaoli Chen (2010) and Christopher Wright and Alexis Rwabizambuga (2006). This section, however, follows the proposal of Bernard J. White and B. Ruth Montgomery (1980) to analyze the application of codes; it focuses more on research regarding the *impact* of the codes and less on their content, although both are often interrelated.

Interestingly, the percentage of firms that have signed voluntary codes of conduct is higher in the financial sector than in others (*ibid.*). However, sectors with high environmental and societal impacts, such as mining, have also developed and signed a high number of voluntary codes of conduct. Having voluntary codes in a sector, if these codes truly influence the sustainability performance of the firms in that sector, may create opportunities to drive it in a more sustainable direction.

A study by Mark John Somers (2001) analyzed the impact of internal codes of conduct that mainly focus on guidelines that educate employees on ethical behaviour from their employers. The main finding of the study was that corporate codes of conduct lead to less perceived wrongdoing in organizations. However, they did not increase personal reports about observed unethical behaviour. Furthermore, the study compared corporate codes of conduct with professional codes of conduct, in which the latter are developed by industry associations

and not by the companies themselves. Therefore, they are comparable to codes such as the UNEP FI, UNPRI, EP and GABV. In contrast to corporate codes, the professional codes neither decreased wrongdoing, nor increased the reporting of observed unethical behaviour.

In addition to ethical behaviour, a number of codes of conduct are labour-related. That is, they offer guidelines about how to manage labour relations, in particular for countries with weak labour rights, such as Bangladesh or Honduras. The effectiveness of these codes, however, depends on a number of external variables, and the influence of these variables can be so significant that the same codes can have different impacts on labour rights in different countries. Xiaomin Yu (2008), for example, mentions profit maximization, competition and government protection as main factors influencing the impact of codes of conduct on, specifically, corporate social responsibility. The study suggests that there is a trade-off between the effectiveness of voluntary codes of conduct and financial goals. For this reason, there is a tendency to sacrifice codes of conduct for better financial results, in particular if there are no or weak regulations on labour rights.

Adversely, the results of the studies by Krista Bondy, Dirk Matten and Jeremy Moon (2004; 2008) do not suggest a strong impact of voluntary codes of conduct on corporate social responsibility and sustainability. They found that, independent of the country that the firms are operating in, it is not possible to assume that the presence of a code of conduct can indicate a higher corporate social performance.

As mentioned above, the mining sector is often at the forefront of voluntary codes of conduct because of its societal and environmental impact. It has developed one of the first Global Reporting Initiative's sector supplements (Global Reporting Initiative 2010) and has developed a number of other codes regulating its relation to the environment and communities, such as the Global Mining Initiative founded in 1999 and the International Council of Mining and Metals founded in 2001, which achieved mixed critiques (Amezaga et al. 2010; Fonseca, McAllister and Fitzpatrick 2013; Kirsch 2010; Whitmore 2006). Some authors suggest that these sectoral codes of conduct did not really change the corporate social responsibility and sustainability performance of the mining industry, but rather serve as a means for "whitewashing" or "greenwashing" (Fonseca 2010; Sethi and Emelianova 2006).

With regard to the impact of voluntary codes of conduct in the financial sector, there are some studies that are somewhat contradictory. Bert Scholtens and Lammertjan Dam (2007) found that signatories of the EP were rated significantly higher with their corporate social performance than their counterparts that have not signed the principles. Furthermore, they found that bigger financial sector institutions tend to sign up to voluntary codes of conduct,

while smaller institutions are less frequent adopters. This opens the subject to two questions. First, do voluntary sustainability codes of conduct help their signatories to become more sustainable, or do institutions that already have high sustainability standards sign up to these codes? Second, are differences between signatories and non-signatories of codes of conduct really caused by the code of conduct or by an institution's characteristics (i.e., the size or the financial return of the institution)? This paper will try and provide answers to these questions in the sections that follow.

With regard to the lending business, studies found a moderate connection between being a member of the UNEP FI and the integration of sustainability aspects into the lending business. Christopher J. Cowton and Paul Thompson (2000), for instance, found that signatories of the UNEP FI are more likely to have incorporated environmental considerations into their lending policy than those who are not members. Furthermore, it seemed that UNEP FI signatories have a greater belief in sustainable development and integrating environmental issues into their business due to ethical reasons. However, they did not find that the UNEP FI had an influence on the avoidance of industries with particularly negative environmental impacts. In addition, Cowton and Thompson (*ibid.*) suggest that a significant number of signatories do not comply with the UNEP FI statements. This is in-line with a study by Olaf Weber (2014b) who found that some of the EP signatories did not report according to the EP guidelines. If signatories do not even comply with reporting guidelines of their code of conduct, it has to be asked whether they follow other guidelines that are even less easily controlled or do not require onerous costs of adoption (i.e., costs of project risk categorization, checking quality environmental impact assessment, environmental management plan and costs of monitoring).

Another study on the influence of UNEP FI suggests some impact of the code of conduct on credit risk assessment procedures. By controlling the bank size, Weber, along with Marcus Fenchel and Roland W. Scholz (2008) found that UNEP FI signatories integrated environmental issues into credit risk assessment, costing, pricing and monitoring more often than non-signatories. Interestingly, that led to the fact that non-signatories had to integrate environmental risks into the management of loan defaults more frequently than signatories. This result suggests that UNEP FI membership has an impact on the integration of environmental risks into the credit risk management process and how lenders are affected by credit defaults.

The contradicting results for the impact of codes of conduct on their signatories could be caused by the characteristics and the quality of the respective codes, or firm-level differences. Codes of conduct differ significantly in their content as well as in measures to guarantee compliance. While the EP, for instance, suggest quite clear guidelines

about how environmental and social risks in project finance should be assessed, the UNPRI simply asks for the consideration of non-financial environmental, social and governance criteria in investment decisions; they hardly provide information about how to integrate these aspects. Neither of these codes of conduct have any established compliance mechanism that guarantees consequences in the case that a signatory is non-compliant.

Consequently, Patrick M. Erwin (2011) found that an impact on corporate sustainability of the signatories could be found only for cases of high-quality codes of conduct. Thus, it seems that codes of conduct per se do not necessarily have a positive impact on the performance of the signatory, but that it is the quality of the code that is crucial. What is meant by "quality" with respect to codes of conduct? Erwin (*ibid.*, 538) lists the components that codes of conduct should address and what high quality means for these components. The following components have been modified and expanded by the authors of this paper:

- public availability: codes and their content should be accessible for stakeholders;
- tone from the top: the leadership should be committed to the code of conduct;
- readability and tone: the code should reflect the tone of the stakeholders;
- non-retaliation and reporting: sources should be available to analyze and report code violation and non-compliance;
- commitments and values: both corporate and stakeholder values should be incorporated in the code;
- risk topics: the code should address relevant corporate and stakeholder risk areas;
- comprehension aids: the code should clearly explain its content to all stakeholders;
- presentation and style: the code should be presented in a compelling way;
- implementation: the code should give advice on how it should be implemented and how a decision can be made relative to the code's content;
- connection to core business activities: the code should be central to the core business activities of the signatory;
- assurance: the code should indicate ways in which to gain independent assurance about code compliance; and

- impacts: the code should not only focus on the outside-in relation between business and sustainability, but should address the inside-out relations (i.e., the impact on the environment, society and sustainable development).

More than likely, there is no financial sector sustainability code of conduct that fulfills all quality criteria listed above. In particular, independent assurance is missing from the UNEP FI, UNPRI, the EP and the GABV. The focus of UNEP FI, UNPRI and EP, is rather to enable as many financial institutions as possible to sign up to the code in order to set some minimum standards.

How should codes of conduct be developed to address the listed quality criteria? A review paper by Muel Kaptein and Mark S. Schwartz (2008) argues that the first step should be to analyze stakeholder expectations, as well as other external and broader codes to link to. They also state that the implementation of the code into firms is an important issue. If it is not guaranteed that the code will be taken into consideration for business decisions — for instance, investment or loan decisions — it will not have any effect on a firm's performance.

Based on the quality criteria, Prakash Sethi and Olga Emelianova (2006) formulated conditions for codes of conduct to be successful. They suggest that codes should be initiated by a smaller group of proactive members instead of a big group of industry representatives. All codes in the financial sector discussed in this paper followed this approach. Even though UNEP FI, UNPRI, the EP and the GABV increased their membership over time, they all started with a small group of ambitious financial industry representatives.

Furthermore, Sethi and Emelianova (ibid.) state that high-quality codes should address issues of concern for, stakeholders, and not only those important for the industry. In terms of the codes already discussed in this paper, it was found that while they address some sustainability issues, they are weak in the area of addressing the most pressing topics, such as climate change. When it comes to standards that are outcome-oriented and can be audited and assured, all financial industry sustainability codes of conduct fall short (Sethi 2003). None of the standards propose a compliance mechanism. The EP, however, have a guideline on reporting and, therefore, guarantee the possibility for performance evaluation, although not all signatories are compliant (Weber 2014b).

According to Sethi and Emelianova (2006), all codes discussed lack the independent input and governance control that would assure performance with the code's compliance. The consequence is that performance monitoring is conducted by the signatories themselves and is not independently controlled. Advisory boards or compliance councils independent to the institutions

themselves could solve this problem by providing independent judgment about the compliance of the codes' signatories. Nigerian banks, for example, asked the country's central bank to oversee the enforcement of their sustainability conduct (Oyegunle and Weber 2015). However, the UNEP FI, UNPRI, the EP and the GABV do not have any independent external monitoring of compliance and consequently cannot report about the findings of such an independent body.

Another quality criteria influencing the effectiveness of codes of conduct is the integration into the decision-making process. An explorative study by the authors of this paper on the EP suggests that EP signatories have internal mechanisms, such as integrative tools or evaluation processes, to integrate the results of the social and environmental risk assessment into their project finance decision-making process (Weber and Acheta 2016, forthcoming). Also, the UNPRI states that environmental and social issues should be taken into account, but do not give any advice about how to consider social and environmental criteria in investment decisions. The GABV even states that sustainability aspects are at the core of the business of its members.

Based on the above-mentioned quality criteria, it can be stated that all discussed financial sector sustainability codes of conduct are ineffective due to a lack of crucial parts. A result of this is that many signatories of these codes, although leaders in sustainable finance, are criticized for non-sustainable business practices. Many so-called sustainability leaders in the financial industry have been involved in recent scandals (for example, the Libor scandal [Treanor 2013]), and are criticized for their involvement in the financial crisis and for financing projects and clients with adverse effects on climate change and the environment (Weber and Feltmate 2016). This demonstrates that sustainability codes of conduct do not automatically guarantee high corporate sustainability standards in the financial sector.

However, that still does not answer the question of whether firms with high corporate sustainability standards sign up to high-quality codes, or whether high-quality codes create high-performing firms.

## FINDINGS ON FINANCIAL SECTOR SUSTAINABILITY CODES OF CONDUCT

Two analyses have been conducted to understand the impact of financial sector codes of conduct. The codes that were analyzed are the EP, UNEP FI, UNPRI and the GABV. To understand the impact of the EP, interviews with signatories were conducted that focused on how and why the principles have been adopted and implemented. The other three codes of conduct were analyzed with regard to how their signatories address the topics that make up the content of the codes.

## The Impact of the EP on Its Signatories

In order to analyze the impact of the EP on its signatories, interviews were conducted with representatives of EPFIs that focused on questions about benefits and risks of the EP for the EPFIs, on impacts of the guidelines on project assessment procedures and on the sustainability of projects.

The results of the interviews suggest that the EP are beneficial for the reputation of the signatories. EPFIs that are members of the EP are perceived as taking environmental and societal issues into consideration, in project finance, and therefore guarantee their social license to operate. Furthermore, the EP help to assess the environmental and societal risks of a project in a more standardized and transparent way. Although some of the interviewees analyzed societal and environmental risks before they became members of the EP, the guidelines help to standardize the assessment procedures and to demonstrate compliance.

Generally, the EPFIs did not see negative impacts or risks of the EP. It was mentioned, however, that competitors that are not EPFIs may not take environmental and societal issues of projects into account, and therefore achieve a competitive advantage by being able to finance projects that may be non-compliant with the EP guidelines.

Also, the impacts of the EP on project assessment procedures are positive. The principles help to guarantee operational efficiency with regard to analyzing social and environmental project risks. They also contribute to organization-wide education about environmental and social project risks and how they affect financial project risks. This also affects upper hierarchies because often, if there is a contradiction between the financial risk and the socio-environmental risk, the decision will be made on a higher hierarchical level. Consequently, mechanisms have been developed internally to address social, environmental and financial risks in a standardized way, and to solve the finance sustainability trade-off. Hence, often the EP created organizational and process change with regard to project finance assessment procedure. The EP also place certain pressures to take project sustainability into account because EPFIs are under observance by environmental non-governmental organizations and others that track sustainability controversies in the financial sector.

Looking at general project risk, the EP guidelines help to structure the integration of environmental and social risks into the project risk assessment procedure. The interviewed EPFIs acknowledged that environmental and social risks have significant impacts on the project finance risks, and therefore belong to standard assessment procedures in project finance.

Generally, the results of the interviews suggest that the EP have a positive impact on project risk assessment through the standardization of the process. Furthermore, they guarantee that environmental and social issues are taken into account on different levels of decision making, and are not only addressed in particular environmental or sustainability departments of project finance institutions.

## The Impact of the UNEP FI, UNPRI and GABV

The following sections will look at the impact of the UNEP FI, UNPRI and the GABV on their members. The analysis is based on a comparison of the 10 biggest members of the codes of conduct (judged by their assets under management and on a study conducted for the GABV). The reporting of those members was assessed with regard to how much a member addresses the key terms of the respective code of conduct. Finally, the results of members were compared to other financial institutions in the same country and with similar assets.

For all three codes of conduct it can be stated that members addressed their key issues more often than non-members. For example, UNEP FI members took issues such as sustainability, climate change, social and environmental aspects, human rights, corporate citizenship, water and waste into account more than non-members, and therefore addressed major sustainability themes more prominently than their counterparts. Similarly, UNPRI members have reported more on the code's main themes, that is, environmental and social issues, corporate governance and responsible investment. GABV members report on core sustainability issues, including topics such as sustainable development, community relations, environmental and social issues, poverty, triple bottom line, institution resilience and human rights.

The comparative analysis of the three codes of conduct suggests that they have an impact, at least on how much financial institutions address sustainability issues in their reporting. The question of whether the membership (or other factors) can influence sustainability performance, however, is inconclusive. Therefore, control variables have been introduced in our analysis. It could be found that the region and the size of the institutions measured by their total assets did not have a significant impact on their reporting. Hence, it can be concluded that voluntary codes of conduct have an impact on the reporting of financial sector institutions through topics addressed by the codes "cascading down" to sustainability reporting.

Of course, critics may say that reporting does not mean action on the part of the institutions, and they are partly right. Often, firms tend to report more on positive achievements in corporate sustainability and less on controversies (Niskanen and Nieminen 2001). However, research suggests that the connection between reporting and business activities is relatively strong (Weber 2014a).

For example, there is an increasing number of countries and regulators that have mandated sustainability reporting, independent auditing and assurance of sustainability reporting. This creates reports that reflect corporate activities and that can be used to assess the sustainability performance of the reporting financial sector institution.

### **Additional Analysis of the GABV**

A qualitative analysis of the banks' particular missions as well as the sectors they invest in suggest that the GABV financial institutions follow the principles of their code of conduct that correspond to concepts such as social entrepreneurship (Austin, Stevenson and Wei-Skillern 2006) and blended return (Emerson 2003). The well-being of members or financing projects with environmental and societal benefits is at the core of the mission and strategy of social banks, and GABV members follow the concept of creating social impact as the principal vision and strategy.

In order to analyze whether a social bank's mission could be found in its actual business activities, an analysis was done of which specific sectors and projects GABV members were providing financing for. It was found that the highest portion of the financial institutions' portfolios were within the sectors of microfinance, social housing, environment/renewable energy and education. This result suggests that social banks channel financial capital into different sectors than conventional banks. Social banks focus on sectors with high sustainability impacts while conventional banks usually lend to and invest in sectors proportional their respective economic environment. Furthermore, financing sectors with a positive social or environmental impact is not a niche offering in social banks, but is the main part of their core business.

Despite the positive results, however, the social banking sector still represents a small group within the banking industry. In 2013, *Crédit Coopératif*, the biggest institution in the sample, provided US\$22.4 billion in assets, with the total assets of the sample adding up to US\$77.1 billion. The reason for still being only a small portion of the financial sector could be the ambitious nature of the goals of the code of conduct, and that they exclude banks that do not exclusively focus on sustainable banking. Given this small market share, the direct sustainability effect of these banks is relatively small. Rather than having a direct effect, GABV members could be sustainability innovators (Weber 2005) that lay the ground for social finance products and services to be integrated in conventional banking.

## **CONCLUSION**

This paper has discussed whether voluntary sustainability codes of conduct in the financial sector have an impact on the sustainability performance of the industry. The analysis is based on a literature review and on the authors' empirical studies for the UNEP FI, UNPRI, EP and GABV.

The results suggest an effect of voluntary codes of conduct on the financial sector that is dependent on a number of factors. The first factor is the content of the code. If guidelines are weak or the code does not address important sustainability issues, then the effect will be small. The EP, for example, addresses climate change in an unstable manner, and consequently it cannot be expected that the code will have a significant impact on climate change strategies, as well as on climate change-related products, and services of their signatories. This is similar for the UNPRI, whose code does not provide any guidance about how to consider environmental and social criteria in financial decision making. Thus, it cannot be expected that signatories do more than is expected by the code.

Second, the effectiveness of codes of conduct is correlated with their quality. High-quality sustainability codes of conduct focus on sustainability issues that are important for stakeholders and provide implementation guidelines as well as compliance mechanisms to guarantee a positive impact of the code. The independent control and assurance of compliance is missing, in particular, in all financial sector codes of conduct that have been analyzed in this paper.

Third, results for the EP demonstrated that a sustainability code of conduct can be helpful for general risk assessment. According to the interviewed EPFIs, the principles help with structuring and standardizing project finance decision making, and install sustainability principles in decision making in all hierarchies of the financial institution.

Finally, it was found that signatories of codes of conduct report more about sustainability topics than their counterparts that are non-members. Assuming that reporting is somewhat correlated to business activities, it is suggested that the membership in a financial sector sustainability code of conduct has a positive impact on sustainability practices of their members.

To summarize, corporate sustainability voluntary codes of conduct have a positive impact on their members. The effectiveness, however, depends on the quality and content of a code, as well as on implementation and compliance mechanisms.

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# CIGI PUBLICATIONS

## ADVANCING POLICY IDEAS AND DEBATE



### **CETA and Financial Services: What to Expect?**

*CIGI Paper No. 91*  
*Patrick Leblond*

One of the Canada-European Union Comprehensive Economic and Trade Agreement's (CETA's) main components is a chapter that seeks to liberalize trade and investment in financial services between the partners, while ensuring that markets and their agents will be properly regulated and protected through prudential regulation. Although some observers fear that CETA might undermine the high quality of financial regulations in Canada or the European Union, this paper demonstrates that such concerns are unfounded.



### **Much Ado about Nothing? The RMB's Inclusion in the SDR Basket**

*CIGI Paper No. 84*  
*Hongying Wang*

The International Monetary Fund recently concluded its quinquennial review of the composition of the Special Drawing Right (SDR), accepting the Chinese currency into the SDR basket alongside four major international currencies — the US dollar, the euro, the British pound and the Japanese yen. The Chinese government has spent a great deal of energy and political capital to achieve this outcome. This policy paper explores the political and economic motivations underlying this initiative.



### **The Final Few: Completing the Universal Membership of the IMF**

*CIGI Paper No. 89*  
*James M. Boughton*

The International Monetary Fund (IMF) has 188 member countries. The United Nations has 193. The difference is not economically or politically trivial. Although none of the members missing from the IMF is a large country, two of the five are potentially important in their regions: Cuba and North Korea. What would it take to complete the process to have both countries included as IMF member countries? What are the obstacles to becoming members, and how can they be overcome?



### **Voluntary Sustainability Codes of Conduct in the Financial Sector**

*CIGI Paper No. 78*  
*Olaf Weber and Ifedayo Adeniyi*

This paper discusses the strengths and weaknesses of the financial sector voluntary sustainability codes of conduct. It concludes that enforcement of the codes of conduct is a major issue, that they mainly focus on the business case of sustainability, rather than on their impact on sustainable development, and that the codes of conduct are compromises that each financial institution can agree to without changing their business to move in a more sustainable direction.



### **Canadian Trade Negotiations in an Era of Deep Integration**

*CIGI Paper No. 88*  
*Patricia Goff*

The Canada-European Union Comprehensive Economic and Trade Agreement (CETA) is noteworthy for the Canadian provinces and territories' expanded role and unprecedented involvement in the negotiation, at the request of their European Union partners. Why were Canadian provinces at the negotiating table for the first time for CETA? This paper will explore this question.



### **The Impact of Financial Sector Sustainability Regulations on Banks**

*CIGI Paper No. 77*  
*Olaf Weber and Olawuwo Oni*

This paper analyzes the impact of three financial sector sustainability regulations: the Chinese green credit guidelines, the Nigerian Sustainable Banking Principles and the Bangladesh Environmental Risk Management Guidelines. All three address the connection between financial sector activities and sustainable development, and develop guidelines for sustainable banking policies, strategies, practices, products and services.

## About CIGI

The Centre for International Governance Innovation is an independent, non-partisan think tank on international governance. Led by experienced practitioners and distinguished academics, CIGI supports research, forms networks, advances policy debate and generates ideas for multilateral governance improvements. Conducting an active agenda of research, events and publications, CIGI's interdisciplinary work includes collaboration with policy, business and academic communities around the world.

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