

Banks and their boards need a more strategic approach to responding to societal issues

Responding to new expectations demands a robust governance framework to address environmental, social, and political issues

Leaders of global corporations and financial institutions are facing heightened expectations to play a role in addressing a wide range of social, political, and environmental challenges, including climate change, racial justice and equity, geopolitics, and politically sensitive issues. The largest global banks, whose systemic importance has garnered the attention of regulators and activists, face particular scrutiny. A new report released by [High Meadows Institute](#) and [Tapestry Networks](#), *Responding to societal challenges: A framework for bank boards and their directors*, highlights the complexities that banks and their boards confront in meeting these expectations and provides a framework for how bank executives and boards can respond more effectively to societal issues. “As fiduciaries of some of the most systemically important and powerful institutions in society, bank boards can no longer afford to approach social issues on a reactive, piecemeal basis. To protect both their shareholders and stakeholders, they need a proactive and strategic framework for managing the political expectations they now face,” said Chris Pinney, President and CEO of High Meadows Institute.

As environmental, social, and governance (ESG) issues become ever more politicized, banks face mixed, sometimes conflicting pressures from their stakeholders. Investors are seeking assurance that banks are managing risks and seizing opportunities related to a wide range of environmental and social issues, while customers and employees want to support companies that reflect their values. In addition to governing on behalf of the interests of shareholders, bank boards must also exercise oversight and judgement of the firm’s “political” strategy to manage the concerns and demands of all stakeholders. “We are seeing our social license to operate tied to political issues, and we have to factor that into our strategic thinking,” said one bank director. “At the end of day, we are in the business of managing risk, whether it’s climate risk or reputational risk, and you have to factor that all into how you think about strategy. If you come at this reactively, you will end up in a hell of a mess.”

Based on conversations with board directors and executives from some of the largest global banks, leading institutional and pension investors, regulators, and other stakeholders, *Responding to societal challenges* provides a framework to equip boards to take a more strategic and wholistic approach to their oversight of how CEOs and management teams respond to these issues. Elements of the framework include:

1. Clearly articulate purpose and values and ensure alignment between values and actions.
2. Determine institutional priorities by identifying issues that are material to the bank’s strategy or where it can have greatest impact.
3. Assess stakeholder expectations, impact, and tradeoffs, including among shareholders, employees, and society at large.

4. Update governance processes by defining the role of the board, refining risk oversight frameworks, and adapting governance structures.
5. Engage outside the bank by assessing the value of public statements and engaging with policy makers, within the banking industry, and across sectors.

According to Dennis Andrade, partner at Tapestry Networks, “Bank leaders have seen the brand-enhancing benefits of proactively responding to social and environmental issues and recognize the need to manage related risks; they have also seen the potential destruction of value if they get this wrong. The increasing political sensitivity around many of these issues, the power of social media, and ever-evolving expectations, means they can no longer afford to take an ad hoc response to a broad range of issues once viewed as outside their mandate.”

The full report can be downloaded [here](#).

About Tapestry Networks

Tapestry Networks is the premier firm for building collaboration platforms with leaders of the world’s foremost organizations. Tapestry brings senior leaders together to learn and to shape solutions to today’s most pressing challenges through the power of connected thinking.

About High Meadows Institute

High Meadows Institute is a Boston-based think tank and policy institute focused on the role of business leadership in creating a sustainable society.

Founded in 2013 by a small group of senior business leaders from the private and nonprofit sectors, the Institute works in close partnership with thought leaders, academic and business leadership organizations and other policy institutes to drive positive change.

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