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# Green Finance Companion Guide to the Code of Ethics

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# Foreword

*Professionals are often at the cutting edge of change in our lives, leading the way and setting examples for others to follow. One of the greatest needs of our time is to make sustainable choices for the future, and be mindful of protecting our environment and natural resources. Clients are increasingly aware and concerned about their impact on the planet, and many firms in which professionals work have ESG policies that they expect their staff to uphold. This Companion Guide seeks to help insurance and personal finance professionals understand that their responsibilities when it comes to Green Finance are part of their duty to act ethically, and learn about how they can make a difference day to day to meet the needs of the planet, as well as the needs of their clients.*

**Alan Vallance**  
Chief Executive Officer, Chartered Insurance Institute

*Now more than ever, businesses and individuals are expected to play their part in tackling the far-reaching issues facing society. Whether embedding sustainability principles deep within an organisation's purpose or deploying our expertise, resource and aid in the face of a humanitarian crisis, the challenge remains constant as does the need for action. I hope this guide serves you well and encourages further collaboration as we continue our work to build a more resilient, sustainable and inclusive finance sector for the years to come.*

**Rebekah Clement**  
Sustainability Director, Lloyd's of London

# Introduction

The CII Code of Ethics provides members of the insurance and personal finance professions with a framework in which to apply their role-specific technical knowledge in delivering positive consumer and business outcomes.

This Green Finance Companion supports the **five core duties** set out in the Code of Ethics. These core duties can be used as a lens through which we approach all aspects of our professional work – from interacting with clients and colleagues, to making decisions and applying policies and procedures.

In this Companion to the Code of Ethics, we apply that lens to ensure that CII members have the relevant technical expertise, behaviours and skills enablers to consider green finance factors as part of their work, and set out that doing so is grounded within the ethical principles set out in the CII Code of Ethics, which all members are required to uphold.

# About this guide

## This guide seeks to:

- **Provide an explanation of Green Finance** (what is it, and what is the role of insurance and personal finance professions?);
- **Engage CII members** on climate change and environmental issues;
- Be clear that **the CII expects members to consider the environment** as part of their work;
- **Give members guidance** about how to incorporate Green Finance related thinking into their decision-making, and how to act as a role model when it comes to sustainability.

It is particularly complementary to the second core duty within the CII's Code of Ethics:

*Act with the highest ethical standards and integrity*

Is intended to be used by any and all members of the insurance and personal finance professions, recognising that each individual will have different levels of direct personal responsibilities.

For example, putting environmentally friendly policies in place is likely to be the responsibility of senior management and/or relevant Boards or Committees. However, any practitioner should seek to understand their role in implementing and upholding these policies and procedures, as well as be aware of the long-term consequences of their choices for the climate and environment.

As set out in a similar guidance note on Ethics and Sustainability by another professional body, the Association of Accounting Technicians, 'Members should consider the effects of their work on the ecology and environment. They champion ways of working that are environmentally friendly and should seek to minimise any direct harm their work might cause. Members should consider the 'big three': climate change; resource depletion and toxic materials; and eco-efficiency in their day to day practice and when advising clients.'

## This guide does not:

- **Provide the 'right answer' for every conceivable circumstance** which professionals will face, as it is not possible to account for every possible scenario an individual may encounter in the workplace.
- **Replace existing regulation or standards**, including any environmental policies and expectations set out by individual employers.
- **Provide a detailed checklist** for how the duties and principles apply to every functional specialism or department within a company or practice.

# What is Green Finance?

Green Finance is a term generally used to describe activities related to the two-way interaction between the environment and investment. Whilst terms such as Responsible Finance or Sustainable Finance could include activities related to environmental, social and governance (ESG) issues, Green Finance is used when referring more specifically about activities related to the quality and functioning of the natural environment, including biodiversity loss, greenhouse gas emissions, renewable energy, energy efficiency, natural resource depletion or pollution, waste management, ozone depletion, changes in land use, ocean acidification and changes to the nitrogen and phosphorus cycles. Another related term is Climate Finance, but this is used more specifically still – to refer to activities when the concern is only with preventing or responding to climate change<sup>1</sup>.

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1. <https://www.charteredbanker.com/static/uploaded/6e89f43e-6a3b-41c7-a2a65d41deeee960.pdf>

# The importance of Green Finance

In 2015, the United Nations adopted the Sustainable Development Goals (SDGs) – a collection of 17 global goals designed to be a ‘shared blueprint for peace and prosperity for people and the planet, now and into the future’. The adoption of these goals marked a key turning point for governments and businesses, and has led to an increased focus on mechanisms, such as Green Finance, which will help facilitate achievement of the goals by 2030.

This global effort has seen bodies, organisations, governments and regulators within the financial services sector set out action plans and create resources to enable effective change including, for example:

- Principles for Responsible Investment: Internationally recognised actions for which investment managers can choose to adopt to incorporate ESG issues into investment practice
- Accounting for Sustainability: Working with finance communities around the world to transform finance to make sustainability ‘business as usual’.
- World Economic Forum ‘Stakeholder Capitalism Metrics Initiative’: Designed by over 120 companies, this is a set of data points which enable consistency in ESG reporting, enabling comparisons between companies, regardless of their industry or region.
- Monetary Authority of Singapore ‘Sustainable Finance’: A hub of information related to sustainability, including an annual report detailing progress on efforts to strengthen the resilience of the financial sector to environmental risks, develop a sustainable finance ecosystem, build a climate-resilient investment portfolio and incorporate sustainable practices.
- Hong Kong Green Bond Programme: A government initiative to issue green bonds, to demonstrate support for sustainable development, determination to combat climate change, and promote the development of green finance.
- International Cooperative and Mutual Insurance Federation ‘Sustainability and social responsibility’: A knowledge hub which shares the ways in which ICMIF members address risks that have a wider socio-economic or environmental impact.
- Commonwealth Climate Finance Access Hub: Helps small states, Least Developed Countries and other vulnerable countries unlock climate finance by assisting them to bid for and gain increased access to climate finance.
- Sustainable Markets Initiative: Aims to build a coordinated global effort to enable the private sector to accelerate the transition to a sustainable future. Includes the Insurance Task Force led by Lloyd’s, the task force brings together leaders from global insurance firms to drive progress and deliver initiatives including providing innovative insurance products and services and risk management support.



# Putting Green Finance into practice

The UK's Green Finance Strategy, launched on 2 July 2019, set out three core elements behind the vision to transform 'green finance' beyond just funding green projects, to ensuring climate and environmental factors are fully integrated into mainstream financial decision making across all sectors:

- **greening finance:** ensuring current and future financial risks and opportunities from climate and environmental factors are integrated into mainstream financial decision making, and that markets for green financial products are robust in nature
- **financing green:** accelerating finance to support the delivery of the UK's carbon targets and clean growth, resilience and environmental ambitions, as well as international objectives
- **capturing the opportunity:** ensuring UK financial services capture the domestic and international commercial opportunities arising from the 'greening finance', such as climate related data and analytics, and from 'financing green', such as new green financial products and services.

This can mean different things for different sectors. For example, personal finance activities may be more aligned with the goal of 'capturing the opportunity' – meeting client wishes to invest in green financial products and services and the FCA's vision to create a regulatory environment where financial advisers help their clients capture opportunities as the UK moves to become a low carbon economy<sup>1</sup>.

For insurance professionals, activities may be more aligned with the goal of 'financing green'. The Lloyd's Greener Industry paper set out the role for the global insurance industry in supporting green finance initiatives, noting:

*The investments which insurers make are critical to supporting sectors with their decarbonisation objectives, and there is a need to accelerate efforts to direct capital towards climate-positive solutions and products. With more than \$30 trillion in assets under management, the global insurance industry has deep pools of capital that if unlocked could be increasingly directed toward investments that drive climate-positive outcomes in both developed and developing nations.*

1. <https://www.thepfs.org/news-insight/media/press-releases/articles/advisers-reveal-how-they-want-to-bolster-green-finance-knowledge/94374>

# The role of individual professionals

The scale of the challenge can appear daunting, or even insurmountable. However, professionals are already adept in assessing decisions and choosing the most ethical option when faced with a number of possible solutions. This is a skill built through practice, some trial and error, and is supported by the CII Code of Ethics.

Many of the core duties within the Code of Ethics can be reframed to suit decisions around green finance. For example, 'What is the outcome of this decision for my client?' becomes 'What is the outcome of this decision for the environment?'. Some aspects of the Code even remain unchanged, such as 'What would an outsider think of what I am doing?'.

This Companion Guide seeks to use the Code of Ethics to help members make decisions aligned with the principles of green finance in their daily lives.



# 1. 'You must comply with this Code and all relevant laws and regulations'

As set out within the CII Code of Ethics, this duty **includes an expectation that members will not only work within the letter of the law, but also within the spirit of the law.**

Furthermore, it is not about picking and choosing which regulations are most applicable in the situation at hand, but taking a holistic approach and acting consistently with all regulations and laws at all times. It can be tempting to only consider Green Finance principles at certain times – for example, when Green Finance or ESG is on a meeting agenda, or when you are specifically discussing activities relevant to Green Finance. However, the spirit of regulations and laws designed to promote Green Finance and limit environmental harm must be upheld at all times, and not just when the situation demands you pay attention to them.

**You should understand and abide by laws and regulations relating to Green Finance, and meet the FCA's expectations, including (but not limited to):**

1. Guiding principles on design, delivery and disclosure of ESG and sustainable investment funds;

2. PS20/17: Proposals to enhance climate-related disclosures by listed issuers and clarification of existing disclosure obligations; and
3. PS21/24: Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers.

Regulations in this area are constantly developing, with the FCA Sustainable Disclosure Requirements due in 2023.

**You must meet any CPD requirements necessary for your role.** For example, following the FCA's announcement about ensuring appropriate advice is given for green financial products, 36% of respondents to a PFS poll note that they would benefit from a specialised qualification in this area, whilst 39% were in favour of gaining more knowledge through an e-learning module, and 25% expressed a need for CPD events and lectures in order to bolster their knowledge.

## 2. 'You must act with the highest ethical standards and integrity'

Increasingly, ethical standards and integrity are coming to mean something more than trustworthiness/having a good reputation/being a role model. 'Being ethical', for many people, includes making decisions and choices that are sustainable, protect the planet and reduce the risk of environmental harm.

**Consider what an outsider would think of your choices.** This is a commonly-used device to ensure ethical decision-making, with questions usually framed around 'how would my parent/sibling/partner/best friend react to the decision I have just made?'. However, with a younger generation taking a far greater interest and role in the efforts to protect the environment, try instead to ask yourself 'how would this decision impact the environment in 5/10/15 years?' or 'what would my child/niece/nephew/godchild/grandchild think of this decision if they were to know about it when they are older?'

**Seek to promote professional standards throughout the sector.** Share good practice and seek alignment and commonality with other firms (whilst being careful to avoid transgression of the Competition Act). For example, join networks which seek to promote Green Finance activities, share findings and reports, or encourage your employer to fund or sponsor relevant research.

**Encourage your company to publish a Green Finance strategy,** perhaps under the umbrella of a wider set of commitments, which includes making **proactive choices that benefit the environment.**

**Consider speaking up** if you witness practices within your organisation which would lead to environmental damage. Does your organisation have a whistleblowing policy in place, and does it specifically mention raising concerns about wrongdoing which endangers or damages the environment is protected under the UK's whistleblowing legislation, the Public Interest Disclosure Act?

### 3. 'You must act in the best interests of each client'

Increasingly, clients are more aware of the impact of their choices on the environment and want to make decisions that will do good for the planet (or, at least, not contribute to further damage).

In order to act in the best interest of your clients, it is important to **base your decisions on a clear understanding of client needs, priorities, concerns and circumstances**. Not only does this relate to their needs regarding financial products and services, but it also means taking into account any wishes they have regarding Green Finance. Where possible, including questions that probe deeper into their concerns about the environment, and recommending products that meet their wishes as well as their needs, is advised.

However, some Green Finance products may come with different risks and/or other considerations. Therefore, it is important to **give clients all the information needed for them to make an informed decision**. This includes whether or not a Green product has different benefits/risks compared to a product that could not be considered 'green'. This could also mean you have a duty to track the success of products, and **make sure the promises you make to clients about a product's performance and the after-sale service are true**.

This includes ensuring that Green Finance products live up to the expectations a client has about that product and delving deeper to ensure that they are not merely an example of 'greenwashing'.

The CII Code of Ethics also requires members to **turn down work where a conflict of interest exists between you or your employer and the client**. Conflicts of interest may well arise when dealing with issues relating to Green Finance – for example, decisions made to not do business with certain companies because their practices do not align with your green policy may have an impact on profits, or may restrict products and services available to clients. It is important to ensure that everyone in your business is aware of the possible conflicts of interest that may arise from a Green Finance policy, and be prepared to explain how those conflicts are managed and why a decision to prioritise green choices has been prioritised over competing interests.

## 4. 'You must provide a high standard of service'

Green Finance, as an emerging concern, can be difficult to understand and hard to explain to clients. Therefore, it is essential that the CII Code of Ethics requirement to **communicate with each client in a way that is accurate and straightforward**, and that terms are expressed in a way that the individual client can understand. Particularly relevant to insurance, the CII published a Companion Guide to the Code of Ethics on Transparency and Insurance, which explains this duty in more detail.

This duty further emphasises the need to **make sure reasonable steps are taken to ensure all advice is accurate and suitable for the individual client**. The client may express a wish to invest in Green Finance products, but if their risk appetite is low, or the products do not suit the financial needs of the client, it is essential to explain these aspects of investing in Green Finance, and ensure the advice takes into account all their needs.

Providing a high level of service includes **ensuring your knowledge is up to date** and relevant for your work, and you work within the limits of your abilities and skills. As Green Finance is a new area for many professionals, seeking out relevant CPD about Green Finance products, as well as the impact of non-Green Finance products on the environment, is essential in order to provide a high level of service to clients who are increasingly curious and interested in this area.

## 5. ‘You must treat people fairly regardless of: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation’

Whilst Green Finance is specifically related to the relationship between finance products and the environment, the topic is often included in, or aligned to, discussions about ESG generally. It is therefore important to be aware of the difference between ‘Green’ and ‘Ethical’ investments, to be able to explain the nuances between them to clients.

‘Green’ products do not necessarily mean that they are ‘fair’ for all. For example, building sustainable homes can often come at a greater expense, which puts access to these houses outside the budget of many and could be seen as discriminatory. It is therefore important to **be mindful of the limits of Green Finance when it comes to treating people fairly.**

For further information, the CII has published a Companion Guide to the Code of Ethics focused on Financially Inclusive Customer Outcomes, which provides further guidance on ensuring fair and inclusive outcomes for clients.

It is also important to remember that the impact of climate volatility is often felt most keenly in countries outside of the UK. Floods, wildfires, droughts – we have seen coverage of these, and other similar disasters, in the news and how they have affected communities internationally. Part of treating people fairly is **developing the ability to put yourself in the position of others, and make choices that ‘do good’ for many – not just those in our direct circle.**

Professionals in the UK have a part to play in building resilience worldwide. For example, in the foreword to the 2022 Business of Resilience Summary Report, Rt. Hon Anne-Marie Trevelyan MP, Secretary of State of International Trade, stated ‘The UK is home to the world’s largest insurance centre and has an essential role to play. As a global leader in speciality risk and insurance with almost £2 Trillion of investments under management here and US\$110 Billion of gross written premiums which is bigger than the next three largest global markets combined, the industry is already developing and providing leading edge solutions to overseas customers.’ Professionals will increasingly be called upon to bring their knowledge and skills to tackling these issues on an international stage, and understand their **role includes ensuring the outcomes of solutions are fair for all, and not discriminatory.**

# Selected sources and further reading

CII Code of Ethics hub, including practical guides and other companions: [cii.co.uk/code](https://cii.co.uk/code)

Title	Organisation
The Chartered Insurance Institute Environmental Policy Statement	CII
Green Finance Education Charter	Green Finance Institute
Green Finance Strategy	HM Treasury and Department for Business, Energy & Industrial Strategy
The Economics of Biodiversity: The Dasgupta Review	HM Treasury
Putting the ethics into ESG	CII
Lloyd's ESG Report	Lloyd's of London
Greener industry paper	Lloyd's of London
Insuring a sustainable, greener future: A roadmap for climate action	Lloyd's of London
AAT ethics guidance note: Ethics and sustainability	AAT
The Business of Resilience Summary Report 2022	Department for International Trade
Sustainability and the investment management industry	The Investment Association






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