

CONSCIOUS BUSINESS EDUCATION



**CONSCIOUS
BUSINESS
EDUCATION**



**Co-funded by
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Introduction into Conscious Business Education

Our purpose is to educate the current and next generation of business leaders and entrepreneurs in Europe to conduct business consciously. *Consciously* refers to conducting business in a way that is purpose-driven, ethical, human-centered, sustainable, and inclusive, and where all Business Stakeholders (not only shareholders and managers) benefit. For the last 10-15 years, researchers are increasingly demonstrating that consciously led companies create benefits for all stakeholders while prospering financially above and beyond shareholder-driven companies in many cases. Consciously led companies break through the false choice of *either* you are financially successful, *or* you do good. Conscious businesses have shown to be financially highly successful *and* generate benefits for all stakeholders at the same time. However, the practices of conscious business – and what might be different from a traditional view of business – is not yet an explicit part of business education in Europe. The current economic system is under rising pressure because of unsustainable exploitation of resources and increasing pollution of our planet. Climate change, resource exhaustion, societal inequalities in wealth and access to opportunities are rising. These problems are not separate crises – they can all be rooted in fundamental flaws of the current economic system. A conscious business approach implies a fundamental change towards an economy that is sustainable, circular, prosperous, and inclusive.

Many of the challenges Europe faces require businesses, or support from businesses to create innovative solutions. Businesses are the dominant drivers for innovation, jobs, and economic wealth, which in turn address real problems of real people. Conscious businesses can do this while making healthy profits and without causing ‘collateral’ damage to nature, employees, health, equality, or local communities. Currently, too many businesses are still operating in the old paradigm of material gain while depleting resources, making them (major) contributors to some of our biggest problems such as climate change, inequality, public health, and loss of biodiversity.

We believe businesses can be drivers of good, if they design, organize, and create their business consciously. Therefore, it is of paramount importance to educate current and future business leaders regarding how to manage more consciously so that potential damage is eliminated or minimized, and to increase benefits to society and the planet. We aim to address this challenge by creating and teaching an innovative business syllabus which includes Conscious Business Practices for bachelor-, master- and executive-level education. Based upon the Syllabus, Conscious Business Education trains current business teachers how to incorporate the Syllabus into their business education courses and/or programs.

Goals for the complete syllabus on Conscious Business (21 courses):

1. Describe and teach innovative methodologies to help business students become more conscious leaders.
2. Understand tools and methodologies for conscious business.
3. Apply tools and methodologies to manage businesses better.
4. Embed ethics and ethical dilemmas in every course.
5. Stimulate reflection and development of leaders to become more system-oriented, ethical, inclusive, and conscious.
6. Highlight the superiority of purpose-driven companies.

Consciousness

What does it mean to be conscious?

To be conscious means to be aware of our inner and outer worlds, to be fully awake.

It includes self-reflection on one's own beliefs, emotions, motives, values, goals and impact.

Consciousness also includes the capacity for abstraction which allows humans to manage complexity.



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Key Source:

Kofman, F. (2008). *Conscious business: How to build value through values* (Vol. 1). ReadHowYouWant. Com.

Definition of Conscious Business

In the context of "conscious business," being conscious generally refers to an approach to business that takes into consideration the direct and indirect impacts of business practices on all stakeholders, including employees, customers, the environment, and society at large.

Being conscious in the context of conscious business also involves cultivating a culture of mindfulness and awareness among employees, promoting collaboration and empathy, and encouraging personal and professional growth and development.

Ultimately, conscious business aims to create a more equitable, resilient and flourishing world by using the power and resources of business to contribute to the greater good.

Key Source:

Kofman, F. (2008). *Conscious business: How to build value through values* (Vol. 1). ReadHowYouWant. Com.



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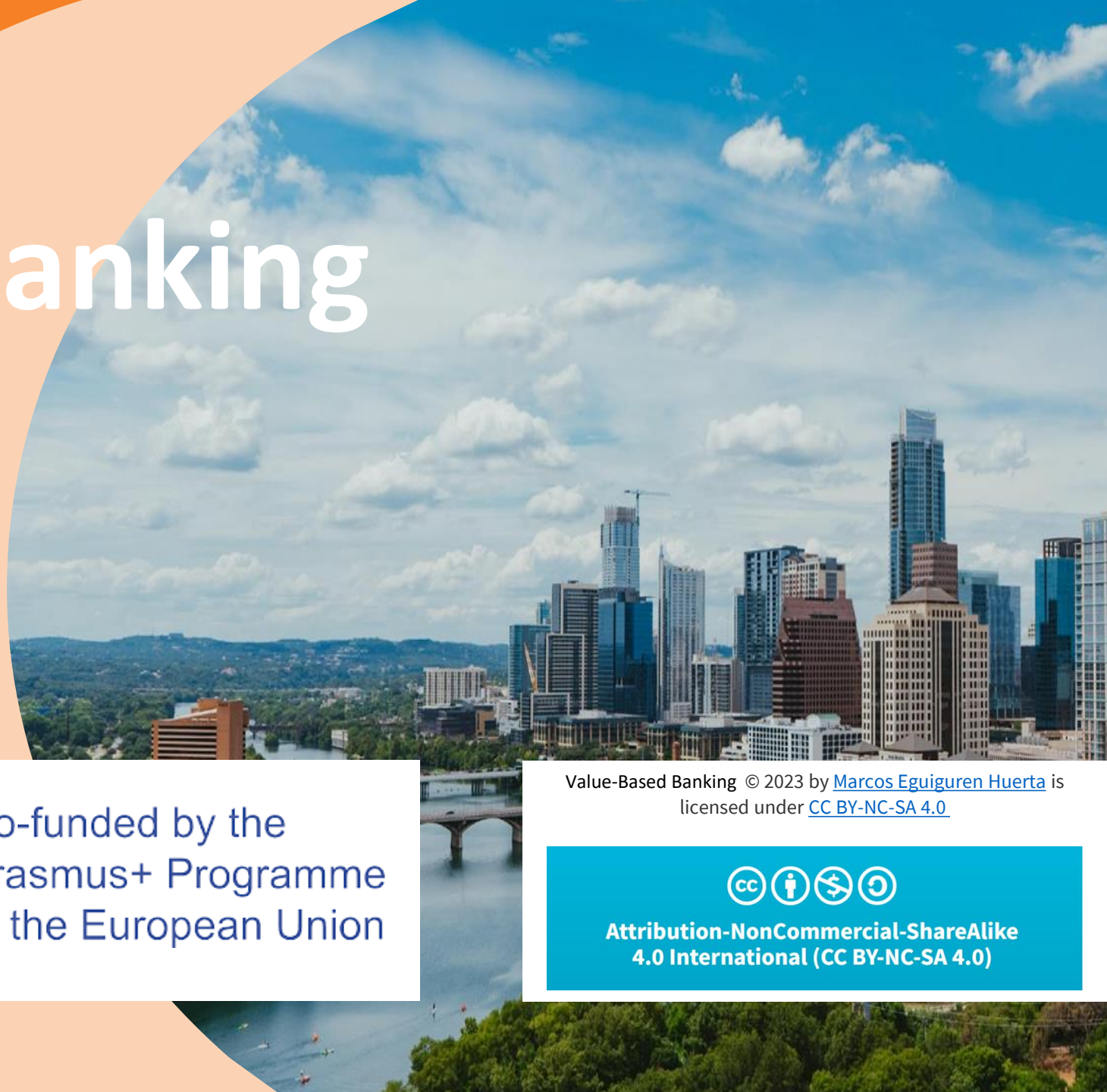
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WELCOME TO THE COURSE

COURSE

Value-Based Banking

Dr. Marcos
Eguiguren Huerta



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Exercise – Initial conversation

Finance plays a pivotal role in shaping our society. Every loan and investment impacts our communities, environment, and economic future, for better or worse. Many people depend on access to finance to live up to their full potential and enjoy a decent and dignified life.

Banking and finance, therefore, come with great responsibility. Banks are not simply neutral brokers of money. They are often creators of money. By deciding how to allocate money, banks are important agents of change.

*Value-based Banks **intentionally** put human dignity at the core of their business model.*

www.gabv.org

COURSE OUTLINE - 1

1. INTRODUCTION AND HISTORY

- The essence of banking. Why banking is a transformational economic activity.
- History of banking in the past 200 years. The eclosion of cooperative, ethical and values-based banking.

2. THE MODERN CONCEPT OF VALUES-BASED BANKING

- Description of values-based banking. The Global Alliance of Banking on Values. The GABV today.
- Purpose
- The six principles of values-based banking. A code of conduct but also a transformational paradigm. Intentionality and consciousness as part of the business model.

3. PRINCIPLES ONE AND TWO: TRIPLE BOTTOM LINE APPROACH AND REAL ECONOMY

- Deep meaning of both principles
- The two principles analysed jointly
- Examples of the two principles in action in the Global South. Examples in Western economies.

4. PRINCIPLES THREE AND FOUR: LONG TERM RELATIONSHIP WITH CLIENTS AND LONG TERM SELF-SUSTAINING AND RESILIENCY

- Deep meaning of both principles
- The two principles analysed jointly
- Examples of the two principles in action in the Global South. Examples in Western economies

COURSE OUTLINE-2

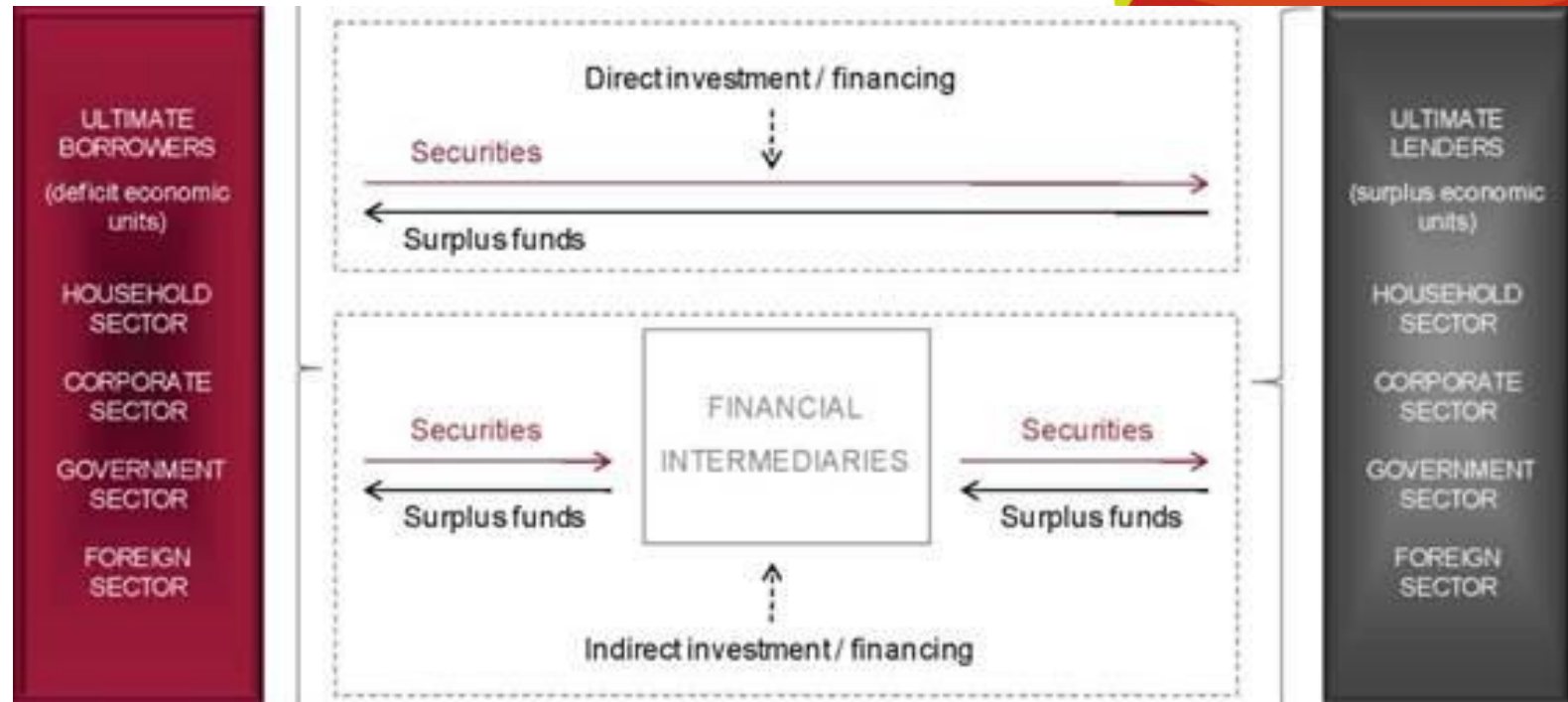
- 1. PRINCIPLES FIVE AND SIX: TRANSPARENT AND INCLUSIVE GOVERNANCE AND ALL OF THESE PRINCIPLES EMBEDDED IN THE CULTURE OF THE FINANCIAL INSTITUTION**
 - Deep meaning of both principles
 - The two principles analysed jointly
 - Examples of the two principles in action in the Global South. Examples in Western economies
- 2. THE PRINCIPLES OF VALUES-BASED BANKING COMPARED WITH UNEP FI PRINCIPLES FOR RESPONSIBLE BANKING**
 - The UNEP FI PRBs, history, detail and meaning.
 - The PRBs compared with the VBB Principles. Excellence of the current business model and performance in the VBB principles vs facilitating the transition for mainstream Banks in the PRBs.
- 3. CONCLUSIONS**
 - Values-based banking as a superior conscious business model approach and ethical excellence within the financial industry.

1. INTRODUCTION AND HISTORY

- The essence of banking. Why banking is a transformational economic activity.
- History of banking in the past 200 years. The eclosion of cooperative, ethical and values-based banking.

The essence of banking

- Financial systems perform the essential economic function of channeling funds from units who have saved surplus funds to units who have a shortage of funds (borrowing & lending).
- There are six essential elements:
 - Ultimate lenders and borrowers
 - Financial intermediaries
 - Financial instruments (*assets*)
 - Creation of money (*bank deposits*)
 - Financial markets
 - Price discovery (*interest rates*)



Banking as a transformational activity

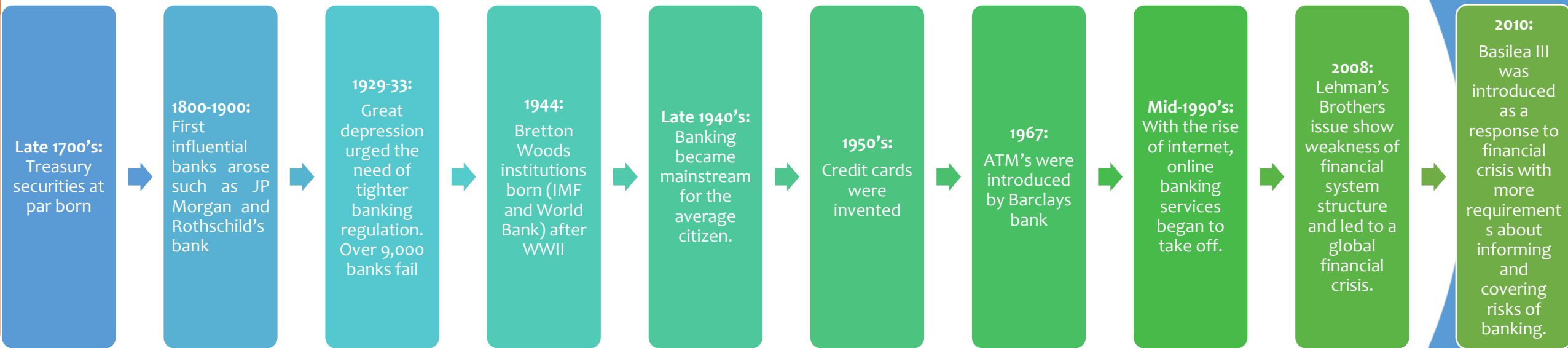
- Commercial banks play a key role in modern economy and their activities serve as a multiplier for economic development. Among others we can outline the following ones:
 1. **Capital Formation.**
 2. **Creation of Credit.**
 3. **Channelizing the Funds to Productive Investment.**
 4. **Facilitate international trade.**
 5. **Bank Rate Policy.**
 6. **Bank Monetize Debt.**
 7. **Finance to Government.**
 8. **Bankers as Employers.**
 9. **Professional services.**



A brief history of banking



History of banking: Modern era



The eclosion of cooperative, ethical and values-based banking.

Economic crises have proved social banking and social finance have become important trends among bank customers in Europe, growing at a faster pace than mainstream banks, transforming social banks from niche institutions to large, publicly visible players.



The eclosion of cooperative, ethical and values-based banking.

Social banks care about making a profit, but equally for promoting human and environmental well-being and to do this, social banks have four features that make them unique:

- **Responsibility.** Social banks know their customers personally.
- **Transparency.** Unlike many mainstream banks, social banks know what is done with the money they lend to their customers.
- **Sustainability.** While most mainstream banks are focused on creating short term profit, social banks focus more on the long-term effects of money.
- **Inclusion.** Being accessible and proactively engage diverse input from society



2. THE MODERN CONCEPT OF VALUES-BASED BANKING

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Values-based banking & GABV

- Values-based banking born to serve the unserved, people and communities that are not reached by existing financial networks (the so called ‘bottom of the pyramid’ market) through microcredit, microloans, microinsurance and other financial products and in many cases local small scale institutions are growing, some to become formalised financial institutions in order to meet growing customer need.
- Banking and finance, come with great responsibility. Banks are not simply neutral brokers of money. They are often creators of money. By deciding how to allocate money, banks are important agents of change.
- With that in mind, there’s a growing number of pioneers and banking leaders from around the world with a values-driven approach to banking. They have joined forces with a shared mission to put finance at the service of people and the planet.

We call them values-based banks, and they form the Global Alliance for Banking on Values (GABV).

Values-based banking & GABV



70 members



+40 countries



16 supporting partners



80k employees



+\$200B annual revenue assets



+60M customers

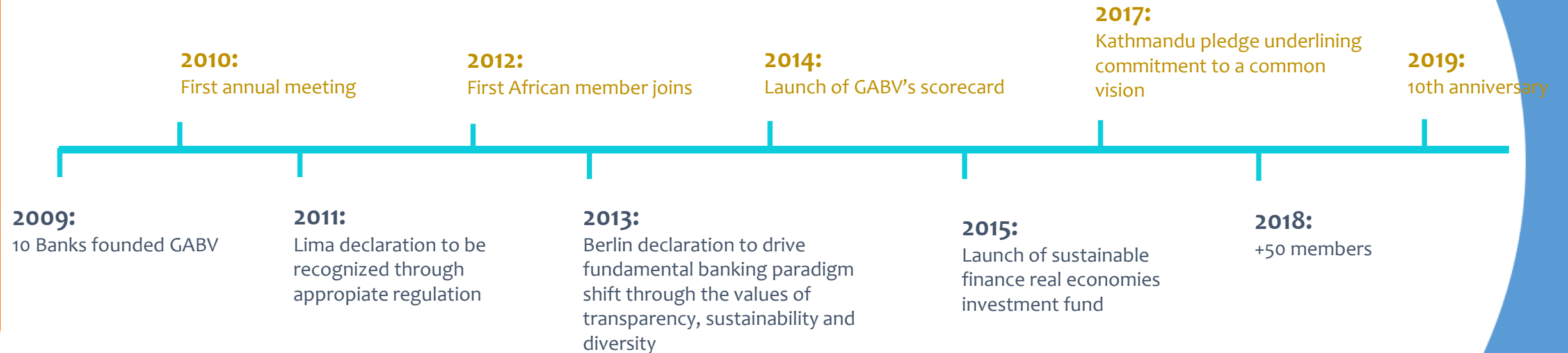
GABV purpose & milestones

Vision: Finance at the service of people and the planet.

Mission: Our purpose is to expand and strengthen the practice of values-based banking, and to lead the way for a financial system that promotes social equity, responds to the climate emergency and delivers true and lasting prosperity and well-being for all.

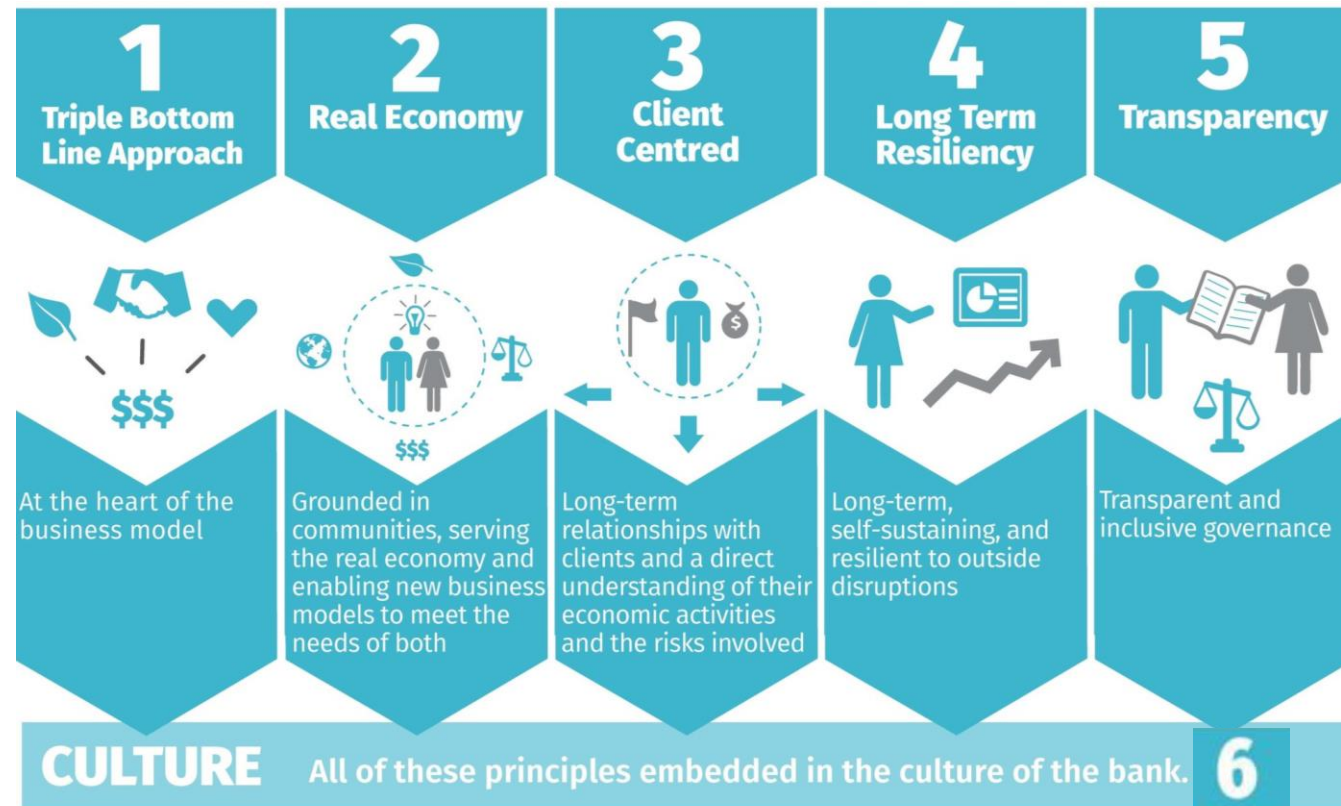
Identity: The Global Alliance for Banking on Values is a movement of innovative leaders and frontrunners in sustainable finance. Integrity, human dignity and the protection of the environment are at the core of their operations.

GABV purpose & milestones



Exercise - The six principles of values-based banking

- Since its founding, the GABV banks have been clear that a set of principles were needed to be developed and shared that distinguish in the minds of customers, partners and coworkers why Global Alliance banks are different from other forms of banking
- For GABV members, business decisions start by identifying a human need to be met, and then establish how to meet that need in a way that is sustainable from an environmental, social and economic perspective, including sustainable profitability for the bank.



Principles in action:



The VSECU's case

Exercise - Role of banking: A transformational paradigm

- With 2007 financial crisis (and even before), the critique turned to capitalism itself with media posing questions such as “Crisis in Capitalism?” and “what’s wrong with capitalism?” with the dominant international financial system and business model as main targets of this criticism.
- Questions focused in how banks generated their profits and moreover, how they share these benefits with their stakeholders including customers, investors, co-workers (especially senior management) and in general, with wider society.
- A group of banks has for some time been answering many of these challenges by delivering strong, straightforward and sustainable banking services focused on a values-based banking model, caring more about influencing real economy rather than the financial economy as a core element of their business model
- For GABV members, business decisions start by identifying a human need to be met, and then establish how to meet that need in a way that is sustainable from an environmental, social and economic perspective, including sustainable profitability for the bank.

The Social Impact Model Of Values-Based Banking



3. PRINCIPLES ONE AND TWO: TRIPLE BOTTOM LINE APPROACH AND REAL ECONOMY

- Deep meaning of both principles
- The two principles analysed jointly
- Examples of the two principles in action in the Global South. Examples in Western economies.

What is Triple Bottom Line (TBL)?

- Triple Bottom Line (TBL) focuses on meeting people, planet and prosperity goals as one. Real Economy and Financial Economy Intermediation can be considered Triple Bottom Line (TBL) if it supports individuals or enterprises delivering impact in at least one of the following categories: Social Empowerment (**People**), Environmental Regeneration (**Planet**), and/or Economic Resiliency (**Prosperity**)
- Evaluating impact in social and/or economic and/or environmental wellbeing of every intermediation is key to know if is TBL or not, with a positive impact considered as TBL while neutral or negative impact can't be considered as a TBL intermediation.
- TBL brings additionality to go beyond local standards, giving credit access to financially excluded/underserved while do not cause any harm to community's wellbeing.

Triple Bottom Line	Non-Triple Bottom Line	
Positive impact	Neutral impact	Negative Impact

Understanding TBL

KEY CONCEPTS

Impact- Plausible positive contribution to social, economic or environmental wellbeing, improving the conditions from the existing situation in the context.

Negative impact- Risk of significant (i.e. large scale and/or extreme) harm to People, Planet or Prosperity. Harm can be to the borrower, her employees, her clients, the community, and/or the environment, as a borrower activity consequence.

Financially excluded- Population without previous access to formal loans, and/or without credit history, and/or with previous negative credit history.

Financially underserved- Individuals and MSMEs with barriers to access the amount and term of credit needed for their businesses to fully develop their potential within reasonably risk limits, due to limited credit history and guarantees

Additionality- Contribution to increasing the positive impact for the People, Planet and Prosperity, additional to the typical conditions and practices prevalent in the context, i.e. a given market at a given time.

Exercise - Understanding TBL



Positive impact categories (from UNEP impact radar, prove additionality marked with an "A")

Social Wellbeing	Economic Wellbeing	Environmental Wellbeing
Food and water(A)	Inclusive, healthy economies	Resource efficiency (A)
Housing (A)	Economic convergence	Waste
Health and Sanitation		Water, air, soil, climate, biodiversity and ecosystems
Education		
Employment (A)		
Energy and mobility (A)		
Culture and heritage		
Information, justice, integrity and security of person (A)		

Real Economy (RE)

Financial intermediation can be considered as Real Economy (as opposed to Financial Economy) if it is directly linked to a Real Economy Asset or Activity. This means that the intermediation is aimed at directly supporting the production of goods and services, as opposed to focusing primarily on buying and selling in the financial markets.

Real Asset/Activity	<ul style="list-style-type: none"> - Local medical clinic - Organic farm - Clothing manufacturer 	<ul style="list-style-type: none"> - Energy-efficient office building - Coal energy plant - Housing for seniors
One degree	<ul style="list-style-type: none"> - Financing of energy retrofit - Financing to food manufacturer - FX forward contract for clothing exporter 	<ul style="list-style-type: none"> - Alternative energy equity stake - Direct financing leveraged buyout - Real-estate fund with direct investments in property
Two degrees	<ul style="list-style-type: none"> - Shares purchased in secondary market for SRI fund - Liquidity deposit with other banks - Financing to hedge fund for buyout 	<ul style="list-style-type: none"> - Hedge of client FX positions with other banks - Mortgage backed securities for low income housing
Three degrees	<ul style="list-style-type: none"> - Specific maturity tranche of mortgage-backed securities - Credit default swap 	
Four degrees	<ul style="list-style-type: none"> - Tranche of a collateralised debt obligation for commercial loans 	

REAL ECONOMY

FINANCIAL ECONOMY

Exercise - Real Economy = Real solutions

- In COVID-19 crisis, despite excess of liquidity pumped from governments through deferral taxes, direct loans, wage subsidies, etc... globally, the intended lending largely failed to materialise.
- Traditional banks citing an uncertain economic outlook to have tightened lending and in the other hand, quantitative easing and artificial stimulation of price assets, made health crisis in financial markets comparatively short-lived.
- Fortunately, this appears not to be the case for values-based banks. In a survey conducted by the Global Alliance of Banking on Values (GABV) among their member CEOs in the Fall of 2021, more than half of the 52 respondents reported **loan growth of more than 5% in the first half of 2021**
- In terms of deposit growth, **more than 70% of respondents observed at least a 5% growth.**
- All this translates in a better chance to overpass health crisis for communities as whole bringing **stability, local recirculation and sustaining and improving lives.**



Exercise - TBL & RE: Applying concepts



ACTIVITY	TBL	RE
Credit card for middle income person in USA		
Financing a meat producer		
Loans to buy EV's		
Trading share's options		
Financing a clinic in a rural area		
Loans to entrepreneurs in North Europe		

4. PRINCIPLES THREE AND FOUR: LONG TERM RELATIONSHIP WITH CLIENTS AND LONG TERM SELF-SUSTAINING AND RESILIENCY

- Deep meaning of both principles
- The two principles analysed jointly
- Examples of the two principles in action in the Global South. Examples in Western economies.

Exercise . WHAT DOES LONG TERM RELATIONSHIP WITH CLIENTS MEAN?

- The current perception of the financial system, including banking is that the system as such is selfish, driven by short-term profit maximization and subverted by greedy managers.
- Values-based banks establish strong relationships with their clients and are directly involved in understanding and analysing their economic activities and assisting them to become more values-based themselves.
- From the GABV perspective, there is substantial consideration for the clients, who are, indeed, treated as if they were actually bankers themselves, and, by banking on values, they are empowered financially to regenerate the economy.
- Depositors need to know where their money goes and will always have the chance of withdrawing their money if the bank is using it in a way that is not in accordance with the clients' values and at the same time, borrowers need a suitable products and services through appropriate channels based on a deep understanding of the needs, aspirations and risks involved in their activities.

LONG-TERM SELF-SUSTAINING AND RESILIENCY

- Values-based banks will adopt a long-term perspective to make sure they can maintain their operations and be resilient in the face of external disruptions
- Being resilient, solvent and sufficiently profitable is a sine qua non for all banks to be able to cope with external disruptions, but it is especially relevant for values-based banks since they aspire to become role models for the financial industry.
- VBB's was not affected by the financial crisis in the same way as mainstream financial institutions in part because they had invested in long-term customer relationships and had not become dependent on the wholesale money Markets.
- For sure VBB's are not immune to struggle and also face a lot of challenges because bank failures occur all across the spectrum of banking. Of the 353 bank failures in the USA between 2008 and 2011, 85% were small community banks. Credit unions were not immune either. In the UK over 50 have closed since 2002.

HOW VBB'S HAVE BEEN PERFORMING? – Real Economy

As a group, the difference between VBBs and GSIBs is clear. The level of lending is on average much higher for VBBs than for GSIBs and it remains core to VBB's activity, with 69% of their balance sheets devoted to lending compared to 40% for GSIBs in 2020.

Real Economy	2020		2015		2010	
	VBB	GSIB's	VBB	GSIB's	VBB	GSIB's
Loans/Assets	68.8%	40.1%	73.8%	41.6%	73.3%	40.0%
Deposits/Assets	79.9%	54.9%	78.2%	52.5%	76.6%	47.4%

HOW VBB'S HAVE BEEN PERFORMING? - Profitability

The ROA for the VBBs is, on average, slightly higher when compared to the GSIBs, even with a greater hit from pandemic than GSIB's and relative to Returns on Equity (ROE), VBBs have superior performance over both time periods analysed

Financial returns & volatility	5y (2016-2020)		10y (2011-2020)	
	VBB	GSIB's	VBB	GSIB's
Return on Assets	0.68%	0.57%	0.68%	0.59%
Return on Equity	8.4%	7.4%	8.4%	7.9%

HOW VBB'S HAVE BEEN PERFORMING? - Growth

When it comes to growth, we realised marked differences between the two groups. One element driving higher growth for VBBs is their relatively small scale. Another is that VBBs with a strong and long-term client focus tend to have higher client loyalty and lower client attrition. In addition, in some markets, clients are consciously choosing to move banking activities to VBBs. Further research on the sources of growth for both groups could be informative.

CAGR's	5y (2016-2020)		10y (2011-2020)	
	VBB	GSIB's	VBB	GSIB's
Loans	9.0%	2.5%	10.9%	3.5%
Deposits	9.5%	4.4%	10.7%	4.5%
Assets	9.4%	4.1%	10.1%	3.1%
Equity	11.0%	2.4%	12.6%	4.2%
Total Income	7.1%	-0.3%	9.6%	0.05%

Exercise - Client-centered: Uganda's Centenary bank case



(full article in <https://www.gabv.org/values-in-practice/intentional-centenary-bank/>)

Exercise - Client-centered: Housing Hope, Beneficial State Bank



5. PRINCIPLES FIVE AND SIX: TRANSPARENT AND INCLUSIVE GOVERNANCE AND ALL OF THESE PRINCIPLES EMBEDDED IN THE CULTURE OF THE FINANCIAL INSTITUTION

- Deep meaning of both principles
- The two principles analysed jointly
- Examples of the two principles in action in the Global South. Examples in Western economies.

WHAT IS TRANSPARENT AND INCLUSIVE GOVERNANCE?

- Transparent and inclusive governance is referring to a hygiene factor in all human activities that aspire to the highest ethical standards.
- Clients and depositors of banks need and deserve transparency on how the bank uses their client's money and how their business model works. All banks must provide full transparency on their business models and use of client funds using common standards to be determined by independent experts such as the Global Reporting Initiative.
- Diversity and inclusion are fundamental for a good governance. Diverse challenges and stakeholders demand diverse solutions.
- We all born as a stakeholders of the financial system and as such all stakeholders should have the right of fair access to the financial system as well as access to air, water, soil or any other common good. And as such, everyone is to a certain extent affected by developments in it.

ALL PRINCIPLES EMBEDDED IN THE CULTURE OF THE FINANCIAL INSTITUTION

- GABV principles and values are reflected in the leadership practices, corporate culture and the organisation of the bank.
- Recognizing that the process of embedding these values requires deliberate effort, these banks develop human resources policies that reflect their values-based approach.
- At the centre of values are cultural values because the other business values depend on the culture of the banking organization, and the way of working on daily financial services offered to customers.
- Being a values-based bank means having sufficient and demonstrated achievements in each of the six principles, but it also means doing this in a coherent way.

EXAMPLES OF TRANSPARENT AND INCLUSIVE GOVERNANCE

Transparent governance

Sunrise Banks is a family owned, nationally chartered community bank. It is governed through an advisory board and board of directors comprised of local business owners, community representatives, and local ownership. It is certified as a Community Development Financial Institution (CDFI) and is also certified as B Corp; a certification granted to organizations that demonstrate a commitment to transparent corporate governance, solid environmental stewardship, and positive community impact. Sunrise Banks originate small business, commercial real estate, and community facility loans in the urban core of Minneapolis and Saint Paul. Over 60% of Sunrise's loans are originated in low income communities.



EXAMPLES OF TRANSPARENT AND INCLUSIVE GOVERNANCE

Diverse governance.

Assinboine Credit Union is a socially responsible financial cooperative. It was formed in 1943 by Winnipeg Electric Company employees in Canada. It has a set of rules describing a desired board composition in which diversity plays an instrumental role. Skills and other competencies such as understanding of Assiniboine's mission and triple bottom line commitment are only part of the mix. Diverse representation of members and the communities they serve complete the requirements. An annual gap analysis is undertaken to check whether gender, age, ethnic or cultural diversity is maintained with regard to those the credit union serves.

EXAMPLES OF TRANSPARENT AND INCLUSIVE GOVERNANCE

Inclusive governance and Inclusive banking

GLS Bank has 3 positions on the supervisory board for employee representatives. The bank also invites all clients to participate in the discussion and feedback process. This is not only evidenced by having a very active and open social media presence but also by inviting all members to the annual meetings and actively asking for their feedback. Banca Etica invites its co-operative members to assess borrowers and in such a way engage them in decision-making.

Exercise – the cases of GLS and Banca Ética

Inclusive governance and Inclusive banking

GLS Bank has 3 positions on the supervisory board for employee representatives. The bank also invites all clients to participate in the discussion and feedback process. This is not only evidenced by having a very active and open social media presence but also by inviting all members to the annual meetings and actively asking for their feedback. Banca Etica invites its co-operative members to assess borrowers and in such a way engage them in decision-making.

Inclusive: Visión Banco and its “constructing dreams” program.

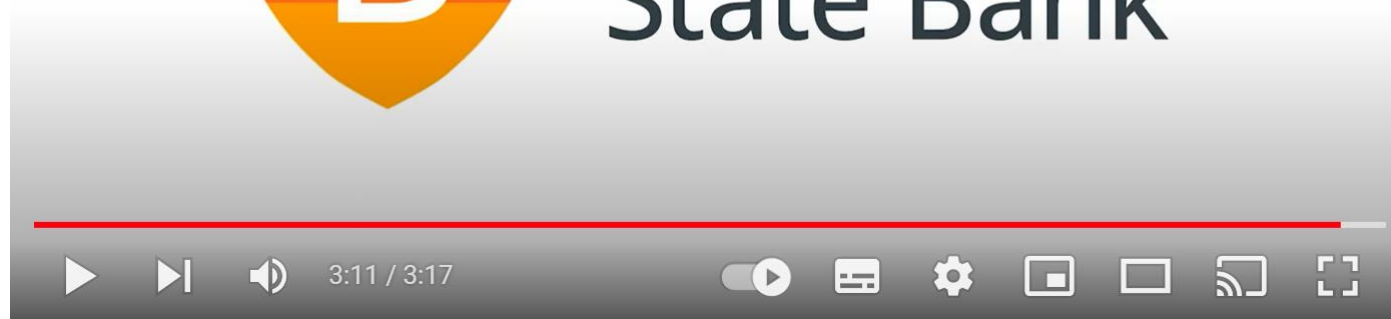


(full article <https://www.gabv.org/values-in-practice/inclusive-vision-banco/>)

Transparent: “Move Your Money” divest/invest initiative.



Beneficial
State Bank



(full article <https://www.gabv.org/values-in-practice/transparent-beneficial-state-bank/>)

Exercise - Values in action: Interactive activity

[Mighty deposits](#)

See your money's impact: A bank comparison site that breaks down public data about how banks use their money and who owns them. You can search for a specific bank to see the breakdown of its investments, or filter banks based on certain criteria (only US banks)

[Open secrets](#)

A nonprofit organization site which analyze political contributions of people and political action committees associated with commercial banks and how much of these contributions go to different political parties (only US)



6. THE PRINCIPLES OF VALUES-BASED BANKING COMPARED WITH UNEP FI PRINCIPLES FOR RESPONSIBLE BANKING

- The UNEP FI PRBs, history, detail and meaning.
- The PRBs compared with the VBB Principles. Excellence of the current business model and performance in the VBB principles vs facilitating the transition for mainstream Banks in the PRBs.

UNEP FI Principles for Responsible Banking History

- In 1991 when a small group of commercial banks joined forces with UNEP to catalyse the banking industry's awareness of the environmental agenda. In May 1992, in the run up to the Rio Summit that year, the UNEP Statement by Banks on the Environment and Sustainable Development was launched in New York, and the Banking Initiative was formed.
- In 2003, Financial Institutions Initiative (FII) and Insurance Industry Initiative (III) merged in to form the UNEP Finance Initiative (FI) and in 2012 UNEP FI and a group of insurance companies took the first steps in anchoring sustainability at the heart of their business strategies when they developed the Principles for Sustainable Insurance.
- In 2019, a coalition of 132 banks convened by UNEP FI developed the first global sustainability framework for the banking industry when they launched the Principles for Responsible Banking.
- As 2022, UNEP FI has 349 members from banking industry all around the world.

UNEP FI Principles and plan of action



PRINCIPLE 1:
ALIGNMENT

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.



PRINCIPLE 2:
**IMPACT &
TARGET SETTING**

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.



PRINCIPLE 3:
**CLIENTS &
CUSTOMERS**

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.



PRINCIPLE 4:
STAKEHOLDERS

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.



PRINCIPLE 5:
**GOVERNANCE
& CULTURE**

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.



PRINCIPLE 6:
**TRANSPARENCY &
ACCOUNTABILITY**

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

UNEP FI Principles and plan of action

 <p>PRINCIPLE 1: ALIGNMENT</p> <p>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	 <p>PRINCIPLE 2: IMPACT & TARGET SETTING</p> <p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>	 <p>PRINCIPLE 3: CLIENTS & CUSTOMERS</p> <p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>
 <p>PRINCIPLE 4: STAKEHOLDERS</p> <p>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	 <p>PRINCIPLE 5: GOVERNANCE & CULTURE</p> <p>We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p>	 <p>PRINCIPLE 6: TRANSPARENCY & ACCOUNTABILITY</p> <p>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>

3-step process guides signatories through implementing their commitment:

- 1. Impact Analysis:** identifying the most significant impacts of products and services on the societies, economies and environments that the bank operates in.
- 2. Target Setting:** setting and achieving measurable targets in a banks' areas of most significant impact.
- 3. Reporting:** publicly report on progress on implementing the Principles, being transparent about impacts and contributions.

Signatories provided information regarding their progress addressing key impact areas (Environmental, Social and Internal Changes) according to their fulfilment of three key steps:

1. Analysis of their current impact on people and planet.
2. Based on this analysis, prioritisation and setting of targets where they have the most significant impact. This is followed by implementing actions to meet targets.
3. Publicly reporting on progress, and, by year four, having this reporting verified by a third-party.

Exercise - UNEP FI PRB & GABV VBB'S PROGRESS

- ❖ Although most of the banks have identified sustainability as a strategic priority to their organization, started analyze impact, some of them already set targets to measure progress and impact of implementing these principles and get early signs of impact in real economy, there is a long way to see a real change.
- ❖ Many banks are navigating the complex process of analysing their impact in line with the PRB requirements. However, the progress made by PRB signatories differs widely.
- ❖ Signatories must accelerate their commitments to address key challenges, notably: 1. **Improve the availability and quality of data**, 2. **Strengthen impact analysis**, 3. **Increase action on further critical sustainability issues** and 4. **Sufficiently link all targets to the outcomes of impact analyses**.
- ❖ The CSAB's independent review welcomes the work done so far, however, encourage a more holistic focus (including on key issues such as human rights, equality, and biodiversity), comprehensive goal setting, and demonstrated execution against these goals by the following PRB Collective Progress Report, with indications of meaningful progress from member institutions in the interim.

- The business case for values-based banking is compelling. It has contributed to the rise in visibility and relevance of sustainable finance globally and could indicate that the sector has reached a tipping point.
- VBB's have proved to get better results than GSIB's during health crisis, in a normalized basis and in a long and mid-term.
- VBB's practice banking with a holistic focus on the real economy to deliver clear societal benefits. They have consistently shown that serving the real economy leads to better and more stable financial returns than those shown by the largest banks in the world
- Although they are not immune to external disruptions and face several challenges to their very own existence, it is very reliable to underline the effort and results through all this journey, being an example for other banks (and especially mainstream banks)
- Inertia and the power of the status quo, including existing personal incentive structures, piecemeal or fragmented ESG integration, and a lack of courage and innovation by banking executives and shareholders, remain barriers to the pursuit of deep-seated, systemic change.

7. CONCLUSIONS

- Values-based banking as a superior conscious business model approach and ethical excellence within the financial industry.
- Open conclusions.

Exercise - Conclusions

- Mainstream banks have gone the wrong way, making money out the money at any cost with high consequences for humanity and the world, which can't take them any longer
- It is undeniable that Values-Based Banking is the very top peak to achieve in terms on how financial institutions have to do banking.
- Having a realistic early approach prioritizing possible things to comply over ideal ones with a clear path to transit from this first possible compliance stage to a full VBB's compliance, is key to sum up mainstream banks to this model in a successful manner. The PRBs can be a path for this.
- Risk of being too rigid becoming it in a frustrating and impossible task to comply and follow or being too loose and not to serve to its purpose to change banking for good and just becoming in another “*greenwashing*” practice.
- A widespread adoption of the principles and a continuing model perfection in guidelines and reporting according to complexity in both, world and financial system challenges, are key for successful in the future.
- Citizens support as banking clients, demanding better services and higher standards to our banks and as people, citizens of the world, backing better practices for all wellbeing and turning against those which do the opposite is basal.

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