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Corporate Social Responsibility and ethical issues.
Case study: Banca Etica

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INTRODUCTION

Corporate Social Responsibility (CSR) is not a new concept. Each of us have heard something about the notion of CSR, whether in business, in media or even in popular culture. For example, some years before, in 2009 the film Avatar focused on the corporation's purpose and its obligations towards the society. Each organization has to perform these obligations in order to maintain a balance between the economy and the ecosystem. In a highly competitive and uncertain economic environment, the choice of many companies to explain to the community the influence of their work in society and in the environment, is an advantage. The social statement is a modern instrument, designed to establish and consolidate a continuous dialogue, direct and transparent between business and society. It is a public statement which contains information on the social and on the environmental consequences, direct and indirect of the assets of the business.

The objective of this thesis is to understand the importance of the concept of CSR and how the application of it can positively affect the corporations, the society and the environment.

In the first chapter, we are going to review the most important milestones in the literature of CSR, because we need some literature to pave the basis of our research. In the second chapter, the concept of ethical finance arises. In our day and age, ethical finance encompasses two terms, finance and ethics, that are in strong contrast. Ethics (from the Greek word ethos) are the codes and standards that are strictly related with what is fair and just to do. On the other hand, finance deals with investments and savings.

Nowadays, consumers are more and more sensitive and worried about the environment and the impact that society has on it. Their attempt is to have more information about its status thanks to products', brands' and companies' evaluation. They are paying attention not only to consumption, but also to ethics and sustainability. This is due to the fact that for the first time people are more able to be conscious of their power on it. Thus, their sensibility is becoming wider on all sides. This is evident also because of reactions to financial scandals (Banca Etruria, Parmalat, Wolkswagen) which undermined trust towards companies and institutions. Environmental problems are now tangibly perceived as important ones and it is because of them that the society seems to be more active. "Business for Business" is not only to be considered blind and unsuitable in our day and age, but even more dangerous for the companies' survival itself. Industry is more and more influenced by affirming sustainable development models, focused on new power sources and a new production

process. Dedication to new social problems and innovative management, production and distribution is ought to be more respectful of people's health, workers safety and safeguard of the environment. Many managers voluntarily choose to be socially responsible, ensuring that what is good for society is good for the companies as well.

So, through this chapter we are going to introduce the role of ethical banking and how it can affect the society. Are there differences between the ethical and commercial banks? A great part of the second chapter is dedicated to a special case study in Italy, Banca Etica which offers only socially responsible funds. We are going to see how it operates and which commitments are fulfilled towards the community. After the careful examination of the codes of ethics that Banca Etica is applying and the social report, the curiosity of the student arises so as to prove if Banca Etica is ethic form a statistical point of view. A brief statistical analysis will be introduced in the last chapter of the thesis. In particular we are going to see if Banca Etica is truly committed to an ethical behavior.

1.1 BACKGROUND

The concept of corporate social responsibility (CSR) is used interchangeably with other well known concepts such as *corporate accountability*, *sustainability*, *corporate citizenship* and *corporate governance*.

The roots of CSR extend before the second World War, but we will give emphasis to the definitions that have been appeared during the later decades.

The CSR is divided to three different eras (Murphin 1978). Up to 1950s was the *philanthropic* era in which companies donated a lot to charities. The period of 1953-1967, was characterized by the *awareness* era in which became known the first definitions, and came into view the responsibilities that corporations have to society. The decade of 1968-1973, known as *issue* era, in which companies began focusing on specific issues such as the recycling and pollution problems. The last one, it was during the period 1974-1980, known as *responsiveness* era, where companies took seriously into their account the management and actions such as the examination of ethics in business and the social performance in order to approach the CSR issues. Through the half past century, many prominent authors enriched the literature with a variety of definitions. The term of social responsibility came into view in 1953 with the definition that provided Howard Bowen,¹ in his book *Social responsibilities of the Businessman*, who stated that the term is referred to those activities and obligations that should be fulfilled by a businessman and are desirable and acceptable from the society.

In the decade of 1960s more authors tried to give different definitions about this concept and particularly to state what CSR means, Davis (1960) argued that corporate social responsibility refers to those actions that are beyond the economic responsibilities.

He believed that the decisions which are related with social responsibility made by a firm could bring profits. He mentioned also that social responsibility should be proportionate with social power.

¹ Carroll.A.B ,*Corporate Social Responsibility ,Evolution of a definitional construct*, Business&society,3 September 1999, page 270

In 1970 came into prominence a controversial statement for social responsibility by Milton Friedman² in it's article for the New York Times Magazine. Friedman mentioned that the one and only aim of business is to make profits and to increase the wealth of its stockholders.

One of the most important definition to the concept of CSR is stated from the Committee of European Development (CED) in 1971. It's publication Social Responsibilities of Business Corporations, mentions that the social responsibility for a business is morally necessary in order to act better in society. By the 2000s the emphasis on the theoretical contributions to the concept of CSR have been replaced with empirical researches, related to the CSR, such as the stakeholder theory, business ethics and sustainability.

In the table below we can see the most known definitions. The common point which is obvious through these definitions is the social, environmental and economic impacts of corporations.

Definition Source	Definition
Commission of the European Communities, 2001	A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.
World Business Council for Sustainable Development, 1999	The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.
World Business Council for Sustainable Development, 2000	Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.
Business for Social Responsibility, 2000	Business decision making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment.
Business for Social Responsibility, 2000	Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. Social responsibility is a guiding principles for every decision made and in every area of a business.

² Milton Friedman, —*The Social Responsibility of Business Is to Increase Its Profits*, New York Times Magazine, September 13, 1970, p.126

<p>International Business Leader Forum (IBLF), 2003</p>	<p>Open and transparent business practices based on ethical values and respect for employees, communities and the environment, which will contribute to sustainable business success.</p>
<p>Khoury et al., 1999</p>	<p>Corporate social responsibility is the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance.</p>

Table 1: Definitions for CSR

Source: Adapted from: Alexander Dahlsrud, *How Corporate Social Responsibility is defined: An analysis of 37 definitions*, Corporate Social Responsibility and Environmental management, vol.15, 2008, pg.7

Sustainability

The most well known definition about sustainability was stated by the International Institute for Sustainable Development, also known as the Brundtland report:

*Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*³ Sustainability is understood to embrace economic, environmental stability and social justice. Sustainability reporting has become worldwide significant in order corporations to achieve transparency on both environmental and social issues. Thus, a number of corporate sustainability reporting standards is accepted globally. Some of these are: Global reporting initiative (GRI), AccountAbility's AA1000, ISO26000⁴.

Global Reporting Initiative:

GRI was founded in 1997 by the Coalition for environmentally responsible economies.

It is about the economic, social and environmental issues, human rights, society and product

³ See at *International Institute for sustainable Development* , <https://www.iisd.org/sd>

⁴ www.technopak.com , Corporate Social Responsibility, Crafting Sustained Social Transformation in India pg.7

sustainability.⁵

AccountAbility's AA1000:

It was founded in 1995, provides principles and guidelines for the corporations to be more accountable and sustainable. It is referred to sustainability assurance and stakeholder management.

ISO 26000:

ISO provide guidance for organizations to act in a social responsible manner. The elements that are included in report are related to consumer issues, fair operating practices, human rights and environment.

Corporate citizenship

The term corporate citizenship (CC) is preferred in Anglo –Saxon countries.⁶ In the decade of 1990 the term is used to connect business activity to broader social accountability and service for mutual benefit”.⁷

This definition is giving strong ground to the view that corporation is an entity equivalent to a person. This means that the corporations like the natural persons have obligations and responsibilities to the society. Along with the term of sustainability are the two most usual terms adopted from the business to characterize their CSR. A good corporate citizen should be social responsible. The CSR and CC are the two sides of the same coin.

⁵ Renard Y.J.Siew, *A review of corporate sustaining reporting tools(SRTs)*, Journal of environmental Management 2015,pg.182

⁶ Adapted from World Business Council for sustainable development ,<http://www.wbcsd.org>

⁷ M. Van Marrewijk , *Concepts and definitions of CSR and Corporate Sustainability: Between Agency and Communion*,Journal of Business Ethics 44, 2003 ,pg: 95–105.

Corporate accountability

The Business dictionary ⁸ defines the corporate accountability as the necessity of the corporation to be accountable to the stakeholders. It is used as a synonym of corporate social responsibility. Being accountable means to accept responsibility and to report the results towards the stakeholders in a transparent way.

1.2 How European Commission defines CSR?

There are many and diverse definitions about the Corporate Social Responsibility. According to the European Commission, the concept is referred to the responsibilities that companies have towards society. The application of social responsibility is significant for the sustainability and competitiveness of European enterprises. There are positive advantages in different sectors such as risk management, human resource management and the relationship between customers.

The European Commission supports CSR in Europe and encourages companies to adopt CSR policies in order to achieve innovation into companies and more sustainable economy. In the table below we see the actions for achieving social responsibility.

- | |
|---|
| <ul style="list-style-type: none">• Enhancing the visibility of CSR and disseminating good practices• Improving and tracking levels of trust in business• Improving self and co-regulation processes• Enhancing market rewards for CSR• Improving company disclosure of social and environmental information• Further integrating CSR into education, training, and research• Emphasising the importance of national and sub-national CSR |
|---|

Table 1.2: European Commission Strategy on CSR

Source: Adapted from <http://ec.europa.eu/growth/industry/corporate-social-responsibility> .

⁸ <http://www.businessdictionary.com/definition/corporate-accountability.html>

The CSR strategy that follows the European Commission is created upon the *United Nations Guiding Principles on Business and Human Rights*⁹

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour;and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

*Principle 7:*Businesses should support a precautionary approach to environmental challenges;

*Principle 8:*undertake initiatives to promote greater environmental responsibility ;and

*Principle 9 :*encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

*Principle 10:*Businesses should work against corruption in all its forms, including extortion and bribery.

Table 1.3: Principles of UN Global Compact
Source: UN Global Compact

These 10 principles are strictly related with social responsibility between corporations and society.

⁹ Adapted from : <http://business-humanrights.org/en/un-guiding-principles>

1.3 Why companies should be social responsible?

According to the author of the book, *Business Ethics*, Paliwal M.,¹⁰ there is a variety of reasons about the significance of the corporations to be social responsible. The most important reasons are :

The long term survival:

The key of the organization success is the long run. In order to achieve it, the business should be responsible towards the employees, the costumers and the society because without them it cannot exist.

Public expectations: The business should maintain the balance of society avoiding the pollution of environment, crimes and corruption.

Goodwill: The corporations should take into account the importancy of being responsible to society.

Environment:

When corporations try to improve the quality of life for the community where they operate automatically they solve their own problems and can act better.

Keep the balance: the relationship that characterize the corporations and society should be a relationship take and give, they take from society in order to accomplish long run success and at the same time they have to give to society .

Following the above suggestions about the reasons that corporations should be responsible towards the society, there is a list of advantages for them such as: the improvement of reputation because companies that have integrate the CSR policies have a greater sense of trust and reliability comparing to companies that have not these policies. They have a better access to capital because investors are using social and environmental filters to assess the potential of a business. Finally, the companies that are trying to integrate business with society often end up creating improved conditions for conducting their own business.¹¹

¹⁰ Paliwal M. ,*Business Ethics* ,New Age International ,2006 ,chap.8

¹¹ www.technopak.com , Corporate Social Responsibility,Crafting Sustained Social Transformation in India pg.8

1.4 DIMENSIONS OF CSR

1.4.1 Carroll's model (The pyramid)

Undoubtedly the major contributor in the concept of corporate social responsibility is considered Carroll.A.B¹² (1991). According to his view, the concept of CSR is formed by four fundamental elements which construct the well known 'pyramid' and these elements are mutually reliant.

At the base of the pyramid are the economic responsibilities which have a significant meaning for the firm because without them, they cannot apply the other business responsibilities. Is acceptable the fact that the primary aim of each business is to make profit by producing goods and services that the society needs and wants to buy, but this cannot happen without the respect towards the community.

Above the economic responsibilities are the legal responsibilities which means that the primary goal of every business is to make profit but this should be achieved within the framework of law. Every business is obliged to operate under the regulations and rules of government in order to avoid legal consequences and sanctions.

After the legal responsibilities are the ethical. Despite the fact that the two first categories include ethical standards, there are further activities that are not necessary to be codified by laws but are expected of business by society's members. Ethical responsibilities represents those norms and expectations that are strictly related with dignity, and illustrate a concern for what consumer, employees, shareholders and community regard fair and legitimate. Is the obligation of business to do what is right, faith and just. Ethical responsibilities considered among the most difficult for a firm to deal with because is really controversial what is ethical and what is not .

At the edge of the pyramid are the philanthropic responsibilities. This kind of responsibilities is referred to the activities that every corporation could do in order to be a good corporate

¹² Carroll, A. B. *The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders*. Business Horizons, 1991, vol.34, pg 40.

citizen. These activities are related to actions that improve the quality of life by promoting the human welfare and goodwill. An example is the contribution of business in the education, arts and other sectors in which the community have the opportunity to participate. These responsibilities have a voluntary character which is driven by the desire of business to engage in social roles.

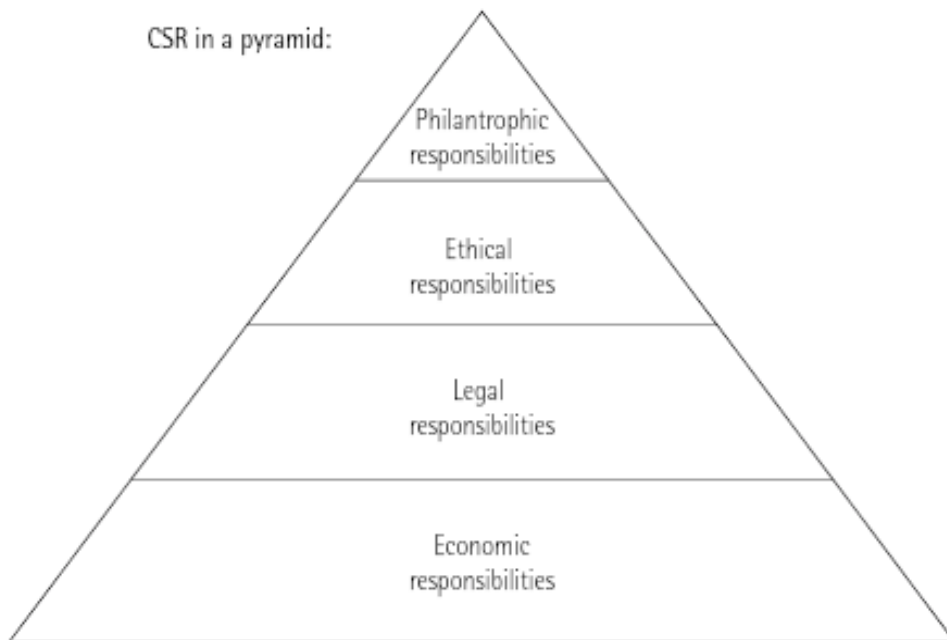


Figure 1: The pyramid of CSR

Source: Carroll A.B, “The Pyramid of Corporate social Responsibility:Toward the Moral Management of Organizationsl Stakeholders” ,Business Horizons ,1991,pg:42

In figure 1, we can see the ierarchy of responsibilities. According to the pyramid, the first aim of every business is to achieve the economic responsibilities. Then, the firm should try to accomplish the legal and ethical, before reaching the top and finally satisfy the philanthropic responsibilities.

1.4.2 INTERSECTING CIRCLE

Another model for the corporate social responsibility is the intersecting circle in figure 2.

This circle is constructed with the same responsibilities to the pyramid. Each circle represent the economic, legal, ethical and philanthropic responsibilities. The four different circles are united among them.

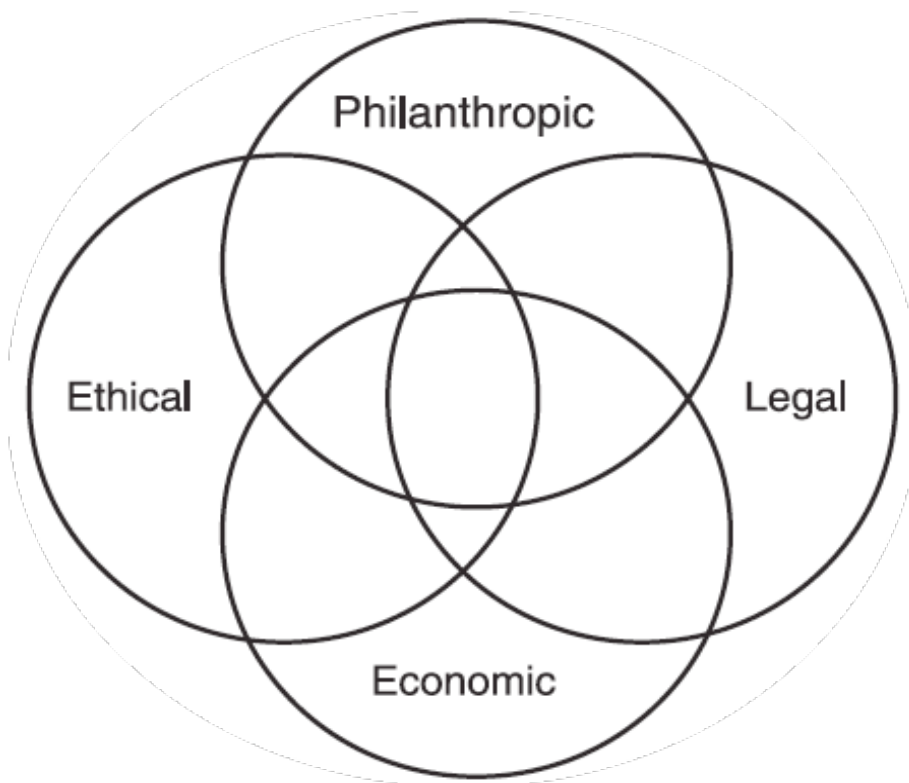


Figure 2: Intersecting circle of CSR

Source:Aviva Geva,Three models of corporate social responsibility:Interrelationships between Theory,Research,and Practice, Business and Society Review, pg.5

The first difference between the Carroll's pyramid and figure 2 is that the responsibilities are not represented anymore in hierarchical order. The fields represented in the circles are interrelated and each responsibility depends on the others. In the intersecting circle, emphasis is given on the responsibilities as a whole entity. According to the intersecting circle, does not exist a more

significant responsibility like in the case of the pyramid where we saw that the most important is the economic responsibility. In this case all the responsibilities have the same significance, does not mean that the social responsibilities outweighs the economic.

1.4.3 Concentric circle (CON MODEL)

In 1971 the Committee of Economic Responsibilities (CED) stated that the main purpose for the business is to serve constructively the needs of society.¹³

The concentric circle which is represented in figure 3 is more similar to the pyramid. It is obvious that the economic responsibilities are in the centre of the circle which means that all the other responsibilities are following the economic responsibilities. There are some similarities with the intersecting circle as well because of the interrelationships among the responsibilities. The inner circle represents the economic functions, the middle circle the social values and the outer circle is describing the emerging responsibilities which business may have the means to address. Thus, from a CSR perspective as expressed in the CON model, all economic responsibilities also have legal and ethical aspects.¹⁴

¹³ Adapted from :<https://www.ced.org>

¹⁴ Geva A., *Three models of corporate social responsibility: Interrelationships between Theory, Research, and Practice*, Business and Society Review, pg.23

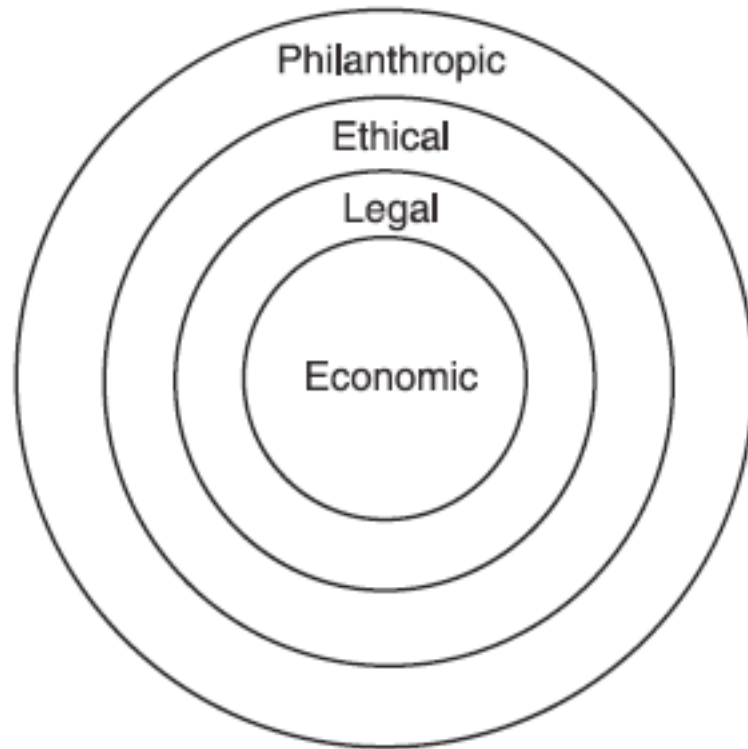


Figure 3: The concentric circle

Source: Aviva Geva, Three models of corporate social responsibility: Interrelationships between Theory, Research, and Practice, *Business and Society Review*, pg.5

It is obvious from the models we presented so far, that the dimensions of CSR are economic, ethical and altruistic.

1.5 Triple bottom line

The term *Triple Bottom Line*, came into view in 1997 by John Elkington¹⁵ in his publication, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. The last years this term is becoming extremely famous due to the fact that corporations are trying to become more sustainable and take to their account the importance of the environment.

This term refers to an accounting technique in which the health of a company is not determined only by its financial performance, or bottom line profit or loss, but also by how well it fulfills its social and environmental responsibilities. *The triple bottom line* represents the three different fields of sustainability, the economic, social and environmental or the well known 3P

¹⁵ Elkington J., *Cannibals With Forks :The Triple Bottom Line of 21st Century Business*, Stony Creek, 1998

(People,Planet,Profit).¹⁶

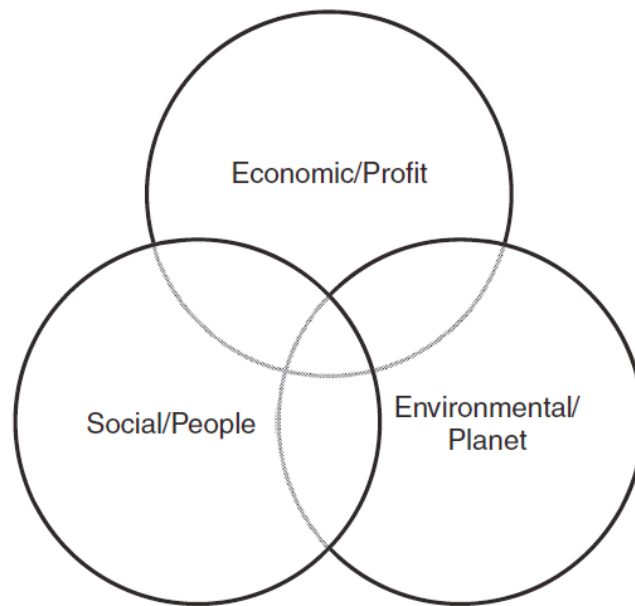


Figure 4: The tripple Bottom Line

Source: John P. Wilson , (2015),*The triple bottom line* , International Journal of Retail & Distribution Management, Vol. 43 Iss 4/5 pg. 434

The companies should take into their account the three different lines starting from the bottom line which is the profit of corporation. The second is the social responsibility towards the people, measures how resposible is the firm throughout its operations. The last bottom line is the planet. The planet is significant for the corporations in the same way that are the previous two, people and profit, because with the last one can measure how responsible is it's behaviour to the environment. We understand that the accomplishment of sustainability is based in the balance between the profit, the people and the planet

¹⁶ John P. Wilson , *The triple bottom line* , International Journal of Retail & Distribution Management, Vol. 43 Iss 4/5 pg. 433

1.6 Stakeholder Theory

The companies should be managed in order to serve the interest of different stakeholders.

Had we tried to give a definition by ourselves for the stakeholder theory we would begin from the etymology of the word stakeholder. The word stakeholder consisted of two words, stake and holder. The term refers to a person who hold the stake. Stakeholder theory is a managerial theory about business. Business can be understood as a set of relationships among groups which have stake in the activities of that business. The term *stakeholder* is well known with governments, businesses and the media.¹⁷ It means different things to different people.

The historical roots of the stakeholder theory are coming from the different fields such as sociology, politics and economics. Is widely used as a tool for strategic management. One of the most important contributor to the stakeholder theory is R.Edward Freeman¹⁸ and his book *Strategic Management:A stakeholder approach* in 1984. The questions that arises related with the term *stakeholders* are: who they are? what they want? and how they will get what they want ? R.Edward Freeman defined stakeholders as persons who can affect or are affected by the firm's purpose.

In the book "Planetary bargain", the author Hopkins M.¹⁹ named stakeholders as:

- owners/investors(shareholders or stockholders)
- customers
- employees
- contractors/suppliers
- the community
- the natural environment

According to Clarkson (1995) these groups are subdivided into two categories, the primary and secondary. In primary category are the groups that are affected directly such as costumers, owners, employees and suppliers. In the secondary, are the groups that affect the natural environment of the corporation such as the government authorities. Business has always had to contend with government in some form or other. Freeman (1984) stated that there are the internal and external stakeholders which represent the two environments of the corporation.

¹⁸ R.Edward Freeman ,*Strategic Management :Stakeholder Approach* ,1984,pg.49

¹⁹ M.Hopkins,*Planetary Bargain :Corporate Social Responsibility matters* ,Chapter 3 ,pg.50

The three fundamental factors that explain the concept of the stakeholder is the business, the natural environment in which the organization operates and the other actors. The goal for the managers of every firm is to manage the relations between the corporation and its various stakeholders in ways that create value for all of them.

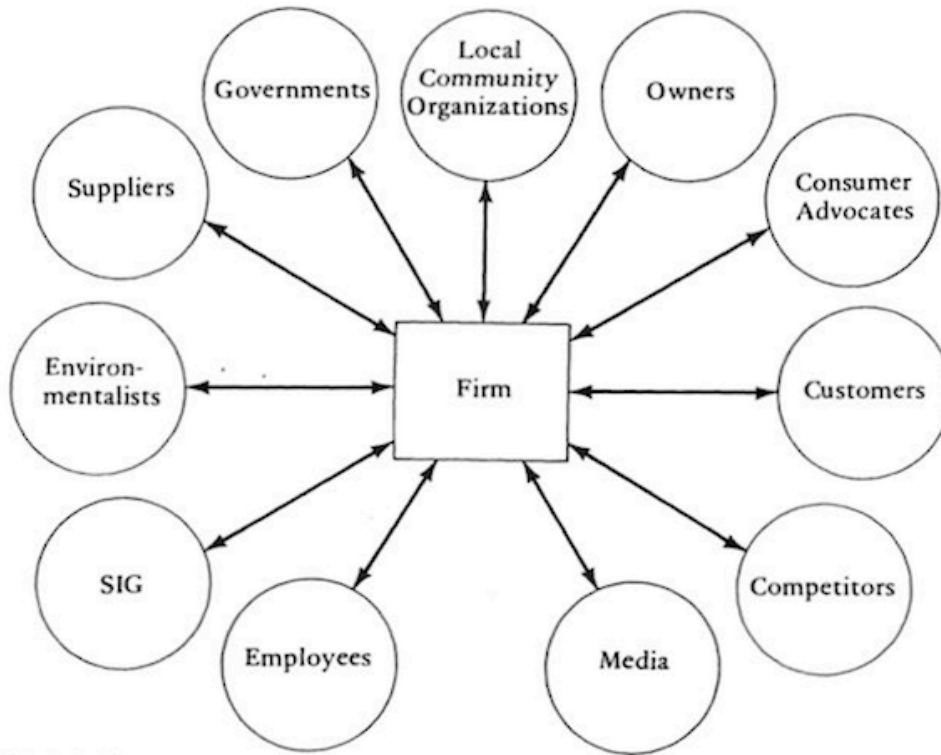


Figure 5:Stakeholder view of Firm

Source : Source:R.Edward Freeman,Strategic management:A Stakeholder Approach 1984,pg.25

In figure 2 we can see that the company is positioned in the centre and interacts with the surrounding stakeholders which are all the groups and individuals that can affect or are affected by the achievement of the organizational purpose. Each of these groups plays a vital role in the success of the business. These groups of stakeholders are important because they cannot exist without the others, but also because they are individuals with interests and human rights. The question that arises is which is the social responsibility of company to each of these groups and viceversa. The owners of the firm who act as shareholders or stockholders do not want only maximization of profits but control as well. The Wall Street Rule, *If you don't like the management ,sell the stock* is

transformed into *If you don't like the management, buy enough stock to through the bums out.*²⁰ The customers want high quality of products at reasonable price. The costumers satisfaction ensure the long run success of company. The employees need to feel satisfaction and to have good working conditions. Furthermore is important the existence of incentives in their work in order to act better. The existence of investment opportunities is fundamental in the community where the corporation operates. Each of these action should be realized with respect to the natural environment. The balancing of the multiple stakeholders interests is the key for the successful management of the corporation. Stakeholder theory is a promising framework for business ethics because recognize the existence of values and morality that a corporation should follow. Stakeholder theory requires management to see the relationship and connections between the world of business and the world of ethics.

1.7 Business Ethics

Business scandals, from Parmalat to Wolkswagen disasters have redirected the attention to ethics and moral issues in the corporations.²¹ Ethics are those principles and guidelines that are designed to help professional conduct business honestly and with integrity.

The pattern of codes of ethics have non discrimination rules such as gender, age and race, are against child labour, do not approve prison or forced labour and have social benefits and fair working hours. A synonym to the code of ethics is the Caux round table principles for responsible business. It is an international organization of senior business executives aiming to promote ethical business practice. The principles are categorized in three parts as shown in the following table.

<p>Introduction Principles</p> <ul style="list-style-type: none"> • “The mobility of employment, capital, products and technology is making business increasingly global in its transactions and its effects. • Laws and market forces are necessary but insufficient guides for conduct.

²⁰ R.Edward Freeman ,*Strategic Management :Stakeholder Approach* ,1984,pg.9

²¹ Clegg S.,Kornberger M. and Rhodes C.,*Business Ethics as Practice*,British Journal of Management ,Vol.18,2007,pg:107-122

- Responsibility for the politics and actions of business, and respect for the dignity and interests of its stakeholders are fundamental.
- Shared values, including a commitment to shared prosperity, are as important for a global community as for communities of smaller scale.

General Principles

- The responsibility of business is beyond shareholders and toward stakeholders.
- The economic and social impact of businesses is toward innovation, justice and world community.
- Business behaviour goes beyond the letter of law toward a spirit of trust.
- Respect for international and domestic rules can be achieved by avoiding trade frictions, and recognize that some behaviour, although legal, may still have adverse consequences.
- Provide support for the multilateral trade systems of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO).
- Respect the environment by the promotion of sustainable development and avoid the wasteful use of natural resources.
- Avoid illicit operations, such as bribery, money laundering and other corrupt practices. Do not trade in arms or other materials used for terrorist activities, drug trafficking or other organized crime.

Stakeholder principles:

All costumers should be treated with dignity and respect .The main responsibility is to make available high quality products that ensure their safety and health as well as the protection of the environment

Employees' interests should be taken seriously and business has a responsibility to:

- provide jobs and compensation that improve workers' living conditions;
- provide working conditions that respect the health and dignity of each employee
- honesty and trasparency between employees and employments
- listen and take into consideration the opinion of the employees
- engage in good faith negotiations;

- avoid discriminatory practices;
 - guarantee equal treatment and opportunity in areas such as gender, age, race and religion;
 - promote the developments skills
 - provide security in the workplace
- be sensitive to the serious unemployment problems

Table 1.7.1: Caux round table

Source: <http://www.cauxroundtable.org>.

The questions that appears in this section are : does really business have any ethics? Can we really think of “Business” and “Ethics” as separate entities? In 1994 Freeman²² provide the separation thesis about the business and ethics. He mentioned that business does not include moral decisions and moral decisions does not include business. According to the separation decision the integration of ethical standards to management is difficult because the economic priorities are overlapping the other considerations. At the same time is acceptable the fact that ethical decisions are part of economics because every decision affect the community. The separation thesis point out the fact that a business should be profitable or morally just. According to *Collins and Porras*²³ the key for the long run success of the company is the integration of the profitability with the other aims that satisfy the society.

As far we see that ethics in business matters to firms, stakeholders as well as to society. Let’s try to think about a company that has an unethical reputation and behavior towards their employees. Such a company would also have a difficult time recruiting and retaining valued professionals. So the damage to reputation will result in the reduction of employee productivity and loyalty. The ethical relationship is affected by integrity. Both ethical and integrity play an important role on a company’s operations. Ethics is also important for employees because they are attracted by companies which are social responsible and ethical.

²² Werhane P.and Freeman R.Edward ,*Business ethics:the state of the art* ,International Journal of Management Reviews ,1999 ,pg:1-13

²³ Collins J. and Porras J.,*Built to last* ,Harper business,1994

1.7 SOCIAL AND FINANCIAL PERFORMANCE

Corporations are trying to integrate environmental, social and governance issues into their business by changing the operations such as the research, development and production plans. Many proponents of the CSR have shown that there is a positive link between financial social performance.

The good financial performance ensure the long run success of the firm. The good relationships with stakeholders play a vital role to the social performance and as a result it leads to the increasing of financial performance (Orlitzky, Schimdt and Rynes 2003). So the satisfaction of the stakeholders help the firm to gain performance advantages. There are a variety of empirical studies that have analyzed the relationship between the social and the financial performance of a firm, and have proved that there is a positive link. In 1997 *Griffin and Mahon*²⁴ provide an evidence that exist a link between the social and financial performance and is positive. In 2001, *Margolis and Walsh*²⁵ mentioned that 127 published studies empirically examined the relationship between companies, socially responsible conduct and their financial performance. Corporate social performance has been treated as independent variable. In 109 of 127 studies the results show a positive relationship between corporate social performance and financial performance. Only 7 studies found a negative relationship whereas 28 studies reported a non significant relationship.

The proponents of CSR claims that CSR leads to improved financial performance, enhanced brand image, increased productivity among other benefits, whereas the opponents argue that CSR is waste of time for top executives managers.²⁶

²⁴ Callan J. and Thomas M., Corporate financial performance and corporate social performance: An update and reinvestigation

²⁵ Margolis JD and Walsh JP. *Misery loves companies: rethinking social initiatives by business*. Administrative Science Quarterly vol.48, issue 2, 2003, pg:268-305

²⁶ Mousiolis T. and Zaridis D. *The effects in the structure of an organization through the implementation of policies from CSR*, Social and Behavioral Sciences, 2014, pg:634-638

It has already been mentioned the importance of the application of the concept of CSR in all the sectors of the society and particularly in business which covers a great part of the economy. Among the different definitions that we studied, a conclusion arises. The conclusion refers to the basic component of CSR which is the respect towards society. Corporations cannot exist if they target only the maximization of their profits and not on environment in which they operate. Emphasis during this is put on the ethics that a business should possess. Even if business and ethics or ethics and finance as it is going to be indicated later, constitute two different entities. It has to be noted that the existence of the first presupposes the success of the second.

2.1 NEED OF ETHICS IN BANKING

“The superior person understands rightness; the inferior person understands profit”

(Confucius)

During the last 30 years several speculative bubbles have occurred (Elisabeth Paulet, 2011), such as :

- 1987: Financial Krach financier
- 1990-1991: Asset depreciation in Japan, affecting the financial and property sector.
- 1990: General property and banking crisis
- 1994-1995: The Mexican crisis
- 1997-1998: The Asian crisis
- 1999: The Russian crisis
- 2001: The Argentina crisis
- 2002: The credit and information crisis
- 2007: The subprime crisis

It can be seen during these events that the primary aim of the banks was the maximization of profits.

The first conclusion that arises from the last event, the subprime crisis, is that banks created an amount of money greater than the liquidity really needed by the global system (Artus and Vurard, 2005). Secondly, the risk that should be supported by the banking institutions, has been transferred to private agents.

Throughout this period, a group of sustainable banks that are members of the *Global Alliance for Banking on Values* (GABV)²⁷ used the principles of sustainable banking, which are the following:

²⁷ Further information on the GABV can be found at www.gabv.org.

- Tripple bottom line approach (Profit, Planet, People) at the heart of the business model.
- Grounded in communities, serving the real economy and enabling new business models to meet the needs of both.
- Long-term relationships with clients and a direct understanding of their economic activities and the risks involved
- Long-term, self-sustaining, and resilient to outside disruptions
- Transparent and inclusive governance
- All of these principles embedded in the culture of the bank.

Table:2.1 Principles of Sustainable banking

Source: <http://www.gabv.org/about-us/our-principles>

More and more banks have realised that the relevance of sustainability issues is not limited to financial risks of environmental catastrophes. Sustainability issues are strictly related to the investment business through the supply of ethical funds, supply of environmental technology funds, development of eco-efficiency funds and the extension to sustainable development funds by including social issues. (Marcel Jeucken, Leon Klinkers and Jan Jaap Bouma, 2001).

More financial institutions are entering this business field all the time, and those already established in the market have started to develop a wide range of special customer oriented ‘eco-financial’ and ‘socio-financial’ products.

The major aim for the banks is to maintain the market power. It has been given more emphasis on making the financial products more profitable than ensuring safe investments in the long term.

The so-called *Collevocchio declaration* ²⁸ represents the role and the responsibilities of banks in the sustainability. Banks should embrace the following six commitments (Francesc Relano, 2008) :

- Commitment to sustainability .
- Commitment to “do not harm”.
- Commitment to responsibility .
- Commitment to accountability.
- Commitment to transparency.
- Commitment to sustainable markets and governance.

Banks are involved in a very competitive environment. They should engage the CSR philosophy and address the sustainable development towards the society and its clients through the projects they finance. This could be achieved with the following directions:

The Equator Principles (EPs) and the Social Responsible Investments (SRI).

2.1.1 The Equator principles (EPs)

The term *Equator*, is referred to the balance between developing and industrialized countries and between the northern and southern hemispheres.²⁹ Equator Principles, developed by the *International Finance Corporation* (IFC), is a set of environmental and social benchmarks that are adopted voluntarily by financial institutions where projects costs are greater than US\$10 million. They commit to not lending to borrowers who are unable to comply with the social and environmental policies.

Some of the most important concepts that underlies the Equator principles are the following :

- Ensure a social and environmental assessment is carried out by the borrower that identifies

²⁸ Collevocchio is a municipality located about 70 klm North of Rome. The Declaration was the first civil society statement on the role of financial sector and sustainability, and was signed by over 100 civil society organizations. For further information see at https://en.wikipedia.org/wiki/BankTrack#cite_note-1

²⁹ Worsdorfer M. ,*Equator principles: Bridging the gaps between economics and Ethics?*, Business and Society Review, vol.120, is.2, pg:205-243

relevant social and environmental impacts, and the appropriate measures to be taken to mitigate and manage them.

- Guarantee compliance with all local laws.
- Commit to a process of free, prior and informed consultation with affected communities for projects with significant adverse impacts, including demonstrating how those communities concerns have been adequately addressed.
- Ensure an independent social or environmental review of the project and the consultation process by an expert not directly associated with the borrower to ensure Equator Principles compliance.
- Appointment of an independent environmental and/or social expert to verify the monitoring information of the borrower.

Table 2.2 :Equator Principles

Source: The A to Z of Corporate Social Responsibility, 2010

As we can see the Equator Principles are represented as a way to add credibility to the CSR policies of banks. The adoption of principles by banks is made on a voluntary basis. In Italy, the Equator principles are adopted by the Intesa SanPaolo bank.

2.1.2 Socially Responsible Investments

Socially responsible investment (SRI) also known as ethical investment, is an investment based on ethical, social and environmental criteria. This means that SRI are against investing in arms manufacturers, tobacco companies and anything that is considered harmful for the person and the society.

FUNDS OF THE INVESTMENT POLICY	
A cornethical unit trust	NO: arms, tobacco, alcohol, animal testing.
Amity fund	YES: Companies that contribute to the quality of life, in the sectors of education, health and security.
Conscience fund	YES: Companies that take into account the sector of ecology, the good relationships with the employees and are devoted to charity. NO: tobacco, alcohol, arms, gambling, oppressive regimes, animals abuse.
Investment fund Ethical	NO: tobacco, alcohol, arms, gambling, oppressive regimes, nuclear energy
Ethical trust	YES: good health, protection of environment. NO: arms, alcohol, gambling, animal testing
Fellowship trust	NO: gambling, alcohol, tobacco, arms.
Fidelity famous names trust	NO: tobacco
Health fund	YES: good health, protection of the environment NO: alcohol, tobacco, gambling.
Merlin Ecology fund	NO: arms, tobacco, nuclear energy
Stewardship Unit Trust	NO: arms, gambling, alcohol, tobacco, affairs in countries with dictators
Target Global opportunities	NO: arms, gambling, tobacco companies. YES: companies that are corporate responsible towards the stakeholders and they care about the environment.

Table 2.3: Funds of the Investment Policy

Source: La Finanza e la Banca Etica, Economia e solidarietà, Ricardo Milano, pg:144

The above table is important because it allows us to understand how the different funds are diversified by sector.

Beginning from 1980s activism intended to stop foreign investment in South Africa, there has been a rise in socially responsible investment (SRI) in the United States and Europe.³⁰ There are a variety of definitions about what it means socially responsible investments. The *dictionary of finance and banking* defines the SRI as the strategy that aims to increase financial value but at the same time supporting ethical and sustainable business practices. Such a strategy is giving emphasis in social,

³⁰ Starr A. Martha, *Social Responsible Investment and Pro-Social Change*, Journal of Economics Issues, Vol.42, No,1, 2008, pg:51-73

environmental and ethical factors. An ethical investment is based on transparency, integrity and accountability. Furthermore, SRI is based on the proposition that corporate responsibility and social concerns are valid parts of investment decisions. SRI considers both the investor's financial needs and the investment's impact on society. (B. Branch, 2012)

Apart the general commitment to environmental and social responsibility that there are in CSR policies, it has been observed that an ethical fund is a good way for the asset management of the company for the following reasons (A. O' Rourke, 2003):

- Demonstrate to others in the organisation the efficacy and value of environmental work, which is why it is important to ensure that financial performance is also achieved.
- Use the research on the companies to limit the (otherwise possibly hidden) exposure to environmental and legal risk,
- Learning specialist environmental vocabulary and language.
- Use the fund as an experiment in which environmental and financial interests can coincide.
- Use the fund to learn how to best assess companies on environmental and social grounds (for potential other applications).
- Demonstrate its environmental work and commitment to its stakeholders. Ethical funds become a 'profile' product which is especially needed in the case of the financial industry whose effects are mainly indirect, and thus hard to describe.
- Use the development and research of the fund as a way of 'learning' the environmental and sustainability field. The department then acts as a locus for knowledge management around environmental issues including teaching mainstream analysts about environmental concerns.

There are six voluntary and aspirational principles of socially responsible investment according to the United Nation (UN) :

- Incorporate environmental, social, and corporate governance (ESG) issues into investment analysis and decision-making processes.
- Be active owners and incorporate ESG issues into our ownership policies and practices
- Seek appropriate disclosure on ESG issues by the entities in which we invest
- Promote acceptance and implementation of the Principles within the investment industry
- Work together to enhance effectiveness in implementing the Principles
- Report on activities and progress towards implementing the Principles.

Table 2.4 :The principles for responsible investments (surveys edition)

Source: Financial Times (London) 13 June, 2006:vol.4

The principles were developed by a group of large institutional investors in a UN-convened process and launched by *Secretary-General Kofi Annan* in 2003.³¹

In this point arises the question if ethical investments are also good investments.

Previous studies mostly have been positive about the SRI performance. *Hamilton, Jo* and *Statman* (1993) look at the performance of socially responsible mutual funds. They found that 17 socially responsible mutual funds established prior to 1985 outperform traditional mutual funds of similar risk over the 1986–1990 period, but that their excess returns are not statistically significant.

Similarly, *Statman* (2000) reports that the Domini Social Index, an index of socially responsible stocks, outperforms the Standard & Poor's (S&P) 500 index and socially responsible mutual funds do better than conventional mutual funds over the 1990–1998 period, but the differences between their risk-adjusted returns are not statistically significant. Finally, a study made by *Gariant Chow, Robert B.Durand* and *Szekee koh*, in 2014 shows that in the majority of cases, ethical investments are also good.

³¹ See at http://www.unpri.org/wp-content/uploads/PRIRecruitmentBrochure_FINAL.pdf

2.2 ARE ALL BANKS THE SAME ?

Banking is fundamentally a business of trust, If we don't have our costumers trust, we won't have their business. (C.Kendric Fergeson, Chairman of NBC, Oklahoma).

It is obvious that for the financial markets to function and for banks to operate, a necessary requirement is a high level of trust. Trust means confidence and the business confidence consist of two things: competence and belief that a firm has expertise and knows very well what is doing, and the trust of its management and employees. Technical and ethical considerations go hand in hand.

It is worthless to ask banking institutions how responsible they are. In todays economy, all institutions claims that are socially, environmentally and economically integrated to the philosophy of sustainable finance. But since that we are not living in a perfect world arises the question if all banks are the same. There are three different types of banking approach. (Francesc Relano and Elisabeth Paulet, 2012). The first one is about the banks whose ethical approach is mainly based on what they say, represented by commercial banks³². The second approach is related to the banks whose ethical approach is based on what they are, represented by cooperative banks³³. Last but not least, are the banks whose ethical approach is based on what they do , the ethical banks.

In the table below we can see the differences between the ethical and conventional banks.

The main difference between them is that the ethical banks go deeper in the objective of socially responsible finance.

Ethical Banks	Conventional banks
<p>Business model</p> <ul style="list-style-type: none"> • Profit making, but parallel optimization of social added value. • Focus on banking basics: savings collection and credit disstribution • Credit policy 	<p>Business model</p> <ul style="list-style-type: none"> • Purely profit-maximizing oriented(focus on shareholder value) • Complex investing banking activities, especially in the global financial market • Credit policy

³² The Oxford Dictionary on business and management, defines the commercial banks as those banks whose provide a wide range of financial systems to public and to firms.

³³ According to wikipedia *Cooperative banking* is retail and commercial banking organized on a cooperative basis. Cooperative banking institutions take deposits and lend money in most parts of the world.

<p>Based on triple bottom line Analysis (environmental, social and financial).</p> <ul style="list-style-type: none"> • Transparency <p>Saving-borrowing solidarity</p> <ul style="list-style-type: none"> • Lending policies as well as the loans granted are published • Outreach: local • Growth resulting from enhancing regional development, fostering cooperation and supporting endogenous progress • Decentralization, autonomy, limited size, and local scope of risk management 	<p>Single bottom line screening (based primarily on financial performance)</p> <ul style="list-style-type: none"> • Transparency • Depositors-borrowers are kept separate • Details of loans, granted remain secret (commercial confidentiality) • Outreach:Global • Growth resulting from opportunities created due to the international competition between territories • Mergers, concentration, economies of scale, and international scope of risk management
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Table 2.4: Major differences between ethical and conventional banks

Source: Paulet E., Parnaudeau M. and Renalo Francesco, *Banking with Ethics: Strategic Moves and Structural Changes of the Banking Industry in the Aftermath of the Subprime Mortgage Crisis*, Journal Business of Ethics, vol.131, pg.203, 2015.

As we can see from the above table, there are structural differences between ethical and conventional banks. The first ones gave emphasis on sustainable development, whereas the second ones put emphasis on the maximization of profits.

Another important difference between ethical and conventional banks is the fact that the depositors of ethical banks have the possibility to know where their money has been invested. Ethical banks providing the depositors with the opportunity to choose between ethical, social and environmental projects. The main characteristic of ethical banks is that their transactions are based on transparency and encourage solidarity between borrowers and depositors.

2.3 BRIEF HISTORY OF ETHICAL BANKS

The Ethical banks came into view in the second half of the 1970s, both in the United states and Europe. Ethical banks refuse to participate in the speculative operations of the financial market because they consider that this economic logic is responsible for social inequalities and ecological problems as well the several crises that have occurred (Relano,2008). Their primary function was to guarantee the financing of initiatives that are important from ethical and social point of view. The main activities are concentrated on credit distribution and savings. Particular attention thus is given to social and environmental screening such as ecological housing and organic agriculture. Ethical banks emphasis on the three pillars of sustainable development which are the social, environmental and economic dimensions of the project that they finance.

Ethical banks are strictly related with integrity, responsibility and affinity. Banks stands between savers and borrowers acting as both bridge and shield. It is necessary for banks to act with integrity towards people who deposit money to them. They should be responsible about the social and economic consequences of their investments.

2.3.1 ETHICAL INSTITUTIONS AROUND THE WORLD

Ethic Finance is appeared for the first time in1976 with the presence of *Grameen Bank*.³⁴ The aim of the bank was to eliminate poverty and improve the socio-economic condition of the rural poors. The bank provides loans to poor people, especially to women. The first European ethical bank was the Triodos Bank established in Holland in 1980. Now is a part of Triodos group which consists of five financial institutions: a charity, a warranty fund, the bank, an insurance company and Triodos participations. (Burlando 2001).

Triodos Bank lends only to organisations and businesses with social and environmental aims.

Pushed by the green movement, Ökobank was born in Germany in 1988 to pursue the goal of environmentally friendly and socially useful projects support. It gathered 22.300 partners. Its deposits exceed 200 billions; its employees are more than 105 billions.

Alternative Bank Suisse (ABS) was born in 1990, emphasizes ethical principles instead of maximum profits, with features that remember Ökobank such as: collection actually counts

³⁴ Grameen in Banglash language means “rural” or “village”. This name gives the sense of the mission. For further information see at <http://www.grameen-info.org/history/>

more than 400 billions. In 1993 the bank deposits counted 140 billions, whereas the employees were 106 billions.

In Europe there are some solidarity holding companies. The most important one is called Oikocredit (previous Ecumenical Development Cooperative Society).³⁵ It has a 220 billions capital gathering, whose 50% is used for financial cooperation projects in the south of the world deposit. Oikocredit is located in the US and it also has several representative office in many areas in the south of the world.

2.4 ETHIC FINANCE IN ITALY

The project for setting up an Ethical Bank in Italy is represented by the MAG movement. MAGs (Self-management mutual association) are Cooperatives societies or, as they prefer to define themselves, self sustainable societies of people that save and use private capital to finance fruitful projects. They are therefore authorised by the members to lend money to other members with favourable interest rates and repayment conditions, providing support services and not requiring any pecuniary collateral.(Federica Calidoni and Alessandro Fedele, 2009)

YEAR	MAG MOVEMENT
1978	MAG Verona
1980	MAG 2 Milano
1983	MAG in Udine
1985	MAG 3 in Padua, MAG 4 Turin,
1986	MAG Liguria, MAG 6 Reggio Emilia, MAG Venezia
1989	Consortium Ctm-Mag (today Consortium Etimos which operates in Padua), with a proposal for ethical finance oriented towards the south of the world.

Table 2.5: Mag movement in Italy

Source: La finanza e la Banca Etica, Riccardo Milano 2011,pg 82

³⁵ For further details see at : <https://en.wikipedia.org/wiki/Oikocredit>

As we can see from the above table, the first Mag experience began in 1978 and took place in Verona with the birth of a mutual aid association created in order to help a group of young people who occupied some abandoned land with the purpose of farming on them but was unable to access any credit by the traditional banking sector.

In 1980, followed the so – called Mag 2 in Milan. New Mags were set up in Padua, Turin, Udine , Reggio Emilia and in Venice.

CASE STUDY: BANCA ETICA

This section of the second chapter is devoted to a case study. We thought that after having examined the meaning of corporate social responsibility in the first chapter and the role of ethical banking during the beginning of the second chapter, the reader might want to deal with a practical example of an ethical bank in Italy, the well known Banca Etica.

In 1999 Banca Etica opens its first branch office in Padova, is the first ethical institution in Italy.

2.5 CODE OF ETHICS

2.5.1 MISSION

Banca Etica is a pioneer of an idea which considers bank as a meeting place where people and organizations mutually express transparency, solidarity and participation. Their idea pursues the goal to make bank also a cultural instrument to promote a new economy based on the importance of its social and environmental impact judgement. They want to stimulate creditors to develop skills and autonomy required to acquire financial, social and environmental responsibility. It aims to guarantee precision, management and credit line efficiency, good use of resources and profit statement for the money saver according to our bank mission and values. They carry out our activities in order to respect people, environment and cultural peculiarities of different territorial contexts in which Banca Etica operates, in order to obtain a higher quality of life, orienting bank activities to the Statute

goals.

Their goal is to allow non-profit and for-profit social economy subjects to access to credit, evaluating enterprises, people and projects mainly because of their ability to produce “social value”.

2.5.2 VALUES

The Code of Ethics is based on the following values:

- **Centrality of the person** – An essential duty of Banca Etica, which acknowledges, respects and defends the person and promotes interpersonal relations, that are to be found on non-violence as an essential value to develop an environmentally friendly economic model at people’s service.
- **Equity** – A fair distribution of wealth and resources, orientated to overcome social inequality, which is harmful to human dignity, and to acquire financial resources required to pursue a life project, in respect of personal needs and in recognition of everybody’s contribution to social, relational and economic value creation.
- **Responsibility** – A permanent focus of bank and of all those institutions who collaborates with it to the non-economic consequences of economic operations, i.e to the social and environmental consequences of financial brokering and entrepreneurial activity, in order to pursue the aim to operate for all the stakeholders advantages, still respecting the environment and generations to come.
- **Transparency** – A required feature of relations and communication between Banca Etica and its stakeholders. It is based on the stakeholders right to have significant information about the bank, in order to allow people to take into account the bank choices and behaviours and to decide therefore on a free and equal level.
- **Cooperation** – The awareness that common good can be achieved only thanks to combined efforts: working together allows to fulfill objectives much higher than those achievable through separated individual efforts.
- **Solidarity** – The acceptance of the request of those people who live in real disadvantage situations. The responsibility to search for solutions pursuing common interested and convenient to people who deposit in difficult conditions.
- **Participation** – The acknowledge of partners, co-workers and money savers right to take part in decisions. The commitment to play an active role in the mission

achievement through money responsible use.

- **Moderation** – A lifestyle intended to satisfy everybody's essential needs. Choices are orientated by awareness that, in a sustainable economy project, common good achievement needs a change hinged on goods consume limitation. This concerns in particular non-renewable power sources, enterprising spirit promotion, research of quality instead of quantity, the launch of trade procedures which are not only pecuniary and commercial, directed to stimulate donations and fair-trade.

- **Efficacy and efficiency** – The tendency to a better use of resources, in order to let them give all the stakeholders higher benefits in seeking stated aims more suitably. Those values guide strategic choices, political line and operative behaviours of all those who cooperate in Banca Etica mission.

2.6 Ethical point of view

Banca Etica activities are coherent with principles inspired by ethical finance and social and civil economy, which pursue an idea of equal economic and social development, also respectful of human rights. It is founded on pursuing common interest and weaker social subjects inclusion, both in the North and in the South of the world, based on common goods protection and regeneration and on environmental balance, on work centrality and human capital priority rather than on the financial one.

Banca Etica performs money collection and financial concession activities in order to facilitate money use, designed to increase the wellness of society, to recognize and appraise all territories peculiarities in a global vision.

These activities realization is the result of all Banca Etica stakeholders cooperation, who in the strict sense are:

- partners;
- money-savers;
- beneficiaries of credit;
- collaborators;
- suppliers;
- subsidiary companies;
- project partners (i.e. those organizations Banca Etica collaborates with. Banca

Etica undertakes goals and activities beyond traditional trading and financial intermediation).

In a wider sense:

- Communities and institutions which represents the bank (public institutions, enterprises, civil society organizations, social partners),
- All those who, even if not directly, are affected by social, environmental and financial effects of the bank activity (financially supported beneficiaries, local communities in which it operates affected by its activity, future generations).

The social wellness Banca Etica wants to contribute to is, in the first place, granted by the availability of stakeholders, required goods to pursue goals and values in line with Banca Etica idea of banking. According to Banca Etica, savings and credit system help people realize their life projects, and help organizations pursue their social and business goals. Foremost, Banca Etica wants to satisfy primary needs and realize projects that could intensify quality and accessibility to common goods, not in contrast with common interest. Banca Etica fosters the access to these goods according to social equity criteria. It works according to the principle of justice, as a standard of equity and impartiality in the treatment of needs, contributes, merits, conception of good, ideals and values of the stakeholders.

Equity of treatment emerges from the permanent dedication to develop peculiar listening skills and to evaluate impartially the expectations of the stakeholders (concerning needs, merits, values, good conceptions). Debates allow partners to identify answers based on a common choice, that ought to be respectful of everyone's autonomy.

Banca Etica also aims to have mutual advantage with stakeholders and to refrain threats, deceits, coercion. For this purpose, the bank adopts a non-violent conflict solving method, to avoid exploits due to its powerful position, and also to avoid a single stakeholder to be damaged in his material, ideal and moral interest due to its cooperation with the bank.

According to this principle, Banca Etica intends to:

- guarantee rights of those stakeholders who, considering their needs, are to be found in disadvantageous conditions (equality of needs);
- acknowledge to stakeholders the right to enjoy wealth and wellness state produced by financial intermediation activity, which is based on everybody's contribute to cooperation activity and to value creation (equality of contributions and merits);
- start new relations respecting everybody's identities and expectations; search for those common elements which could, through debates, make possible to achieve

common good founded on different values, needs and projects accord.

Banca Etica is indeed inspired by democratic values as an autonomy exercise condition and as the stakeholders' self-control skill. This bank aims to give everybody the possibility to debate (equality of needs, ideals, concepts of common good,procedural justice idea). According to Banca Etica, the real sign of the collaborative character of good relations with the stakeholders is to be found on confidence, reliability and reputation. This is an essential part of Banca Etica social wealth, together with other forms of wealth, as the financial and the human ones.

2.7 Commitments to the groups of stakeholders

Commitments to partners

- Administration of financial resources intended as social wealth, in pursuance of giving them more value over time and to employ them to reach wellness and social value growth rather than wealth remuneration increase;
- Equal distribution of potential profit given by activities, according to the previous statement;
- Development of financial products focused on both material and non-material wealth creation for territories and communities in which our partners live and operate. This development is based on the acknowledge of needs thanks to partners contributions too;
- Incentive to access credit, services and bank products under the best possible conditions, by virtue of the contribute given by partners to Banca Etica project.

Commitments to money-savers

- Orientation to social economy and business activities support, according to equity and social and environmental sustainability criteria.
- Resources management that seeks the best financial profit conforming to market conditions, products category, financial sustainability of the bank. This ought to be compatible with social value creation and access to credit facilitation for those people and organization that are lacking banking business potential requirements.
- Remuneration of resources conferrers, according to Banca Etica values in order to

avoid any arbitrary discrimination.

- Authorization to orientate investments to money-savers values, in line with Banca Etica goals and operative possibilities.
- Incentive to savings use awareness, thanks to transparency and consciousness of bank funded projects in order to create cultural study opportunities.
- Management of contractual relation, in line with information clearness, promptness and completeness standards, together with service efficiency and money savers needs suitability.

Commitments to beneficiaries of credit

The most important commitments are :

- Transparent and impartial criteria in credit quality analysis.
- Evaluation of projects feasibility, in agreement with both patrimonial, financial and life projects realization possibility in line with Banca Etica values. Furthermore, this aims to create social value and to benefit the territories in which projects are to be realized, considering the beneficiaries of credit social responsibility.
- Entrepreneurial growth and social responsibility support for the organizations funded by the bank.
- Contractual relationships management in line with information clearness, promptness and completeness standards, together with the service efficiency and sustainability to beneficiaries of credit's demands.

Commitments to collaborators

- Working opportunity offers to pursue shared goals.
- Equal remuneration conditions guarantee, according to needs, merits and personal contribution.
- Working stability promotion.
- Assurance of an evaluating system of the collaborators work, based on needs, merits and personal contribution.
- Interpersonal relationships quality promotion, as a value to increase the quality of life in the working place.
- Professional and cultural growth development, promotion of skills, aspirations, diligence and personal experiences according to organizations conditions which are :

- organizational process development based on participation, cooperation, mutual responsibility and on relations between collaborators and supervisors, who are not to be hierarchically organized
- promotion of workers collective forms of expression.

Commitments to suppliers

The commitments to suppliers are the following :

- Development of a selecting process in line with clear, transparent and binding criteria, which ought to be inspired by the promotion of organizations elements for responsible management.
- Clearness in the identification of the object of supplying or commission.
- Equal treatment to all suppliers, which ought to be independent from their contractual power.
- Product and service fair value acknowledge.
- Complete and immediate information in case of sudden events which could modify the contract conditions and, if needed, renegotiation of the contract, seeking an equal mutual one.

Commitments to subsidiary companies

- Assumption of subsidiary companies which share Banca Etica values in cooperating with it and which pursue common goals more efficiently.
- Goals transparency through participation assumption
- Accessibility to relevant information about Banca Etica.
- Subsidiary companies exponents mandate to hold administration jobs to protect companies interests.
- Discord prevention and avoidance to elect as bank exponents subject who are to be found in conflict of interests with the subsidiary company.
- Individuation of professionally skilled collaborators with the objective of making the cooperation more efficient.

Commitments to project partners

- Cooperation to realize projects, pursuing social wellness development according to Banca Etica values and mission. Professionally skilled collaborators availability and banking efficiency help Banca Etica to cooperate in goals and skills limits, making real resources opportunities more evident.
 - Real cooperation in planned activities executions, in line with the best qualitative standards agreed upon the structure competence and time schedule observance.
 - Potential problems on time communication to avoid activities problems and pursue common projects goals. Clear and coordinated commitment redefinition is also needed to distribute responsibilities in mutual respect.
 - Information on Banca Etica projects and activities that are already planned, and whose object pertains to areas of interest project partners share with the bank.
- Banca Etica reserves to promote financial ethical changes to credit traditional system through a dialectical relationship with it.
- Banca Etica reserves to cooperate to promote culture development that orientate economy to human and social growth and environment safeguard to ethical and alternative finance institutions.

Commitments to Institutions

Commitments to Microfinance Institutions and traditional credit institutes that act in ethical and responsible finance are :

- Promotion of debate on responsible use of savings. Debates aim to fulfil the needs of weak part of population and organizations which pursue public and social goals.
- Promotion of collaboration, being at the same time focused on important ethical financial values and attitudes.

Commitments to support beneficiaries

- Opportunities, together with material and cultural conditions development, in order to promote human growth for subjects with economic difficulties who live on the margins of the society.
- The best attention and efficacy to beneficiaries.
- Projects promotion through mutual efforts of different subjects, in order to seek social wellness and give sufficient consideration to its different parts.

Commitments to communities and future generations

Banca Etica is thinking for the next generations. For this reason creates a sustainable banking environment where:

1. Settlement of investment policies in which environmental sustainability is meant to be an inclusion or exclusion criterion of funded projects.
2. Environmental policies endorsement, focused on money saving and energetic efficiency.
3. Promotion of economy based on environmental sustainability, solidarity and nonviolence.

New partners are welcome to cooperate with Banca Etica, which strives to have an entrepreneurial behaviour that protects their interests. Banca Etica does not only operate in current partners' interests, but even in potential and future ones. The right to access is given to all those who want to contribute to Banca Etica mission realization with their awarding. Entrance of new partners is defined by the Statute and by specific rules.

In line with solidarity, Banca Etica works to guarantee access conditions and to promote the highest subjects number subscription, including those whose financial resources availability is limited.

Commitments to all stakeholders

In case of unexpected events and new information demanding a contract update, Banca Etica eventually commits to redefine and renegotiate the terms of the contract itself. The bank also provides for a distribution of costs and benefits of new occurring conditions,

according to the same equity criterion adopted at the beginning of the relation.

Mutualistic relationship

According to Banca Etica, mutualistic relationship as a basic element to realize its mission with partners. Seeking mutual and common interests to realize conferring economic resources and ideas sharing, mutualistic relationships does not seek capital remuneration. In virtue of economic resources and mutual interest defined above, Banca Etica strives to let partners:

- participate and actively contribute, according to mutual agreement decision procedures, to elaboration and realization of Banca Etica policies and operative strategies in line with its mission.
- benefit the wellness produced by Banca Etica management through better conditions in accessing services and direct remuneration forms from the capital, in line with an equal treatment of other stakeholders' interests.
- Achieve access to credit in respect of Banca Etica value and limited to the bank operativeness.

Democratic nature and transparency

Banca Etica is based on partners, personal and democratic participation. It provides direction and control suitable instruments. In this way, Banca Etica defines more suitable organizational modalities and promote a wider democratic participation, giving clear and adequate information to assure principles and strategies full comprehension and best knowledge of Banca Etica behaviour.

For this purpose Banca Etica:

1. guarantees all partners participation, which does not depend on the quantity of operations undersigned by them, but appraise social capital availability in addition to society capital.
2. Defines rules and procedures thanks to accurate and transparent identification and democratic participation modalities, in respect of all positions pluralism.
3. Seeks and supports modalities for government functions activity, based on rotation criteria.
4. Activates listening channels for needs and expectations of the its partners, with the aim of giving a voice to those who do not actively participate.
5. Supports partners territorial organization, conferring financial, material and organizational

resources in line with enterprises advantageous and correct management principles and with equity and impartiality criteria.

6. Periodically provides clear and complete information according to participation and responsibility levels, through diversified communication instruments about the main strategic tendencies, future activities and savings investments modalities.

Voluntary participation

Partners participation to Banca Etica is free and voluntary, it contributes to the bank activities in terms of time, expertise and ideas. Yet, this contribution itself does not give right to preferential treatments.

Partners' equality:

All partners are equal in the exercise of rights and duties established by the Statute and by the present Code of Ethics. Banca Etica strives to guarantee everybody full exercise of these rights, although this does not constitute a detrimental element in those relationships which are different from the society ones, and so potentially entertained with the bank.

2.8 ANALYSIS OF SOCIAL REPORT

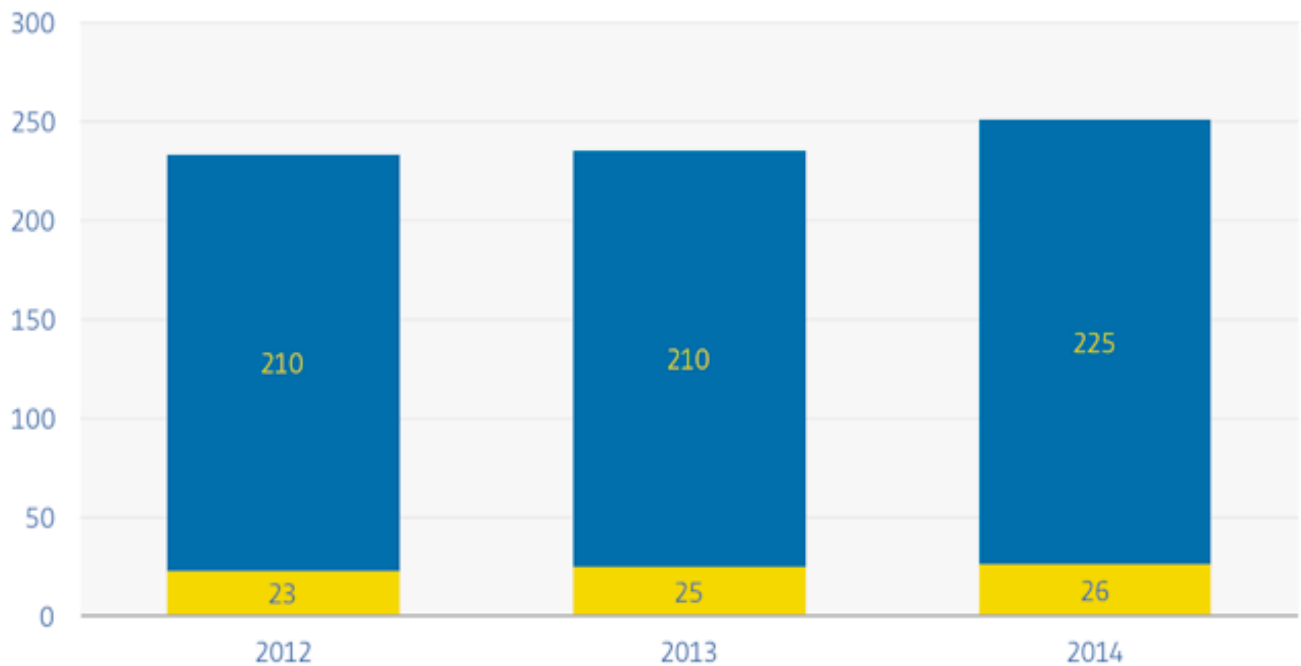
The Social Report of 2014 promotes the ethical finance and contribute along with all the people and organizations that are involved in Banca Etica, the development of an economy that serve the human and the environment.

Collaborators:

The people who work in Banca Etica are the “engine” of the project of ethical finance. Due to them, has been achieved the development of the bank and there is a successful delivery of services to members and costumers. In 2014 the number of the collaborators is increased from 235 to 251 (+ 6.8%).

- 225 employees (210 in 2013)

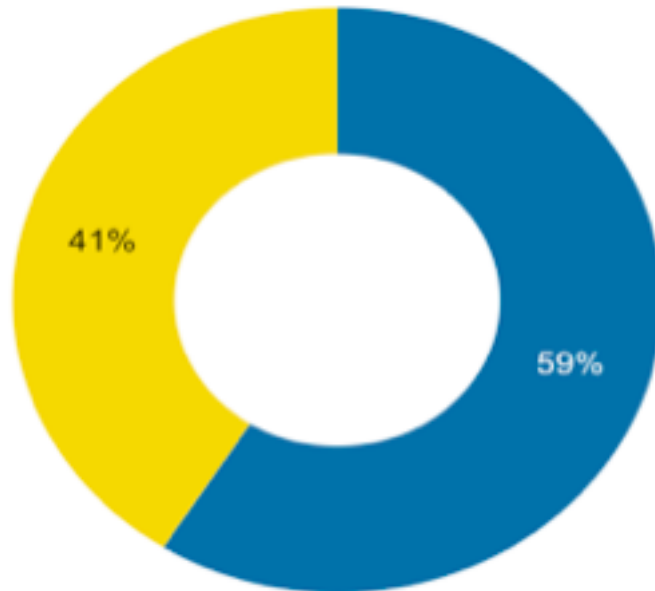
- 26 bankers “ambulators” (25 in 2013)



Graph 2.1 ■ Bankers “ambulators” ■ Employees

Source: This graph is adopted from the social balance sheet of Banca Etica, from the website : <http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/collaboratori/>

Banca Etica gives equal opportunities among their members, there is no gender discrimination. The employees of Banca etica are represented in 59% of men and 41% of women.



Graph 2.2: ■ women ■ men

Source: This graph is adopted from the social balance sheet of Banca Etica, from the website : <http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/collaboratori/>

Among the managers and executives the presence of women is 19%. The 90,3% from 31 persons who have a part-time contract are women.

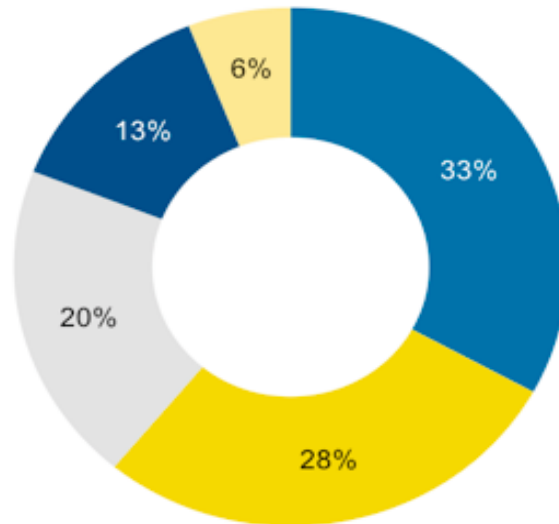
The challenge of Banca Etica is to develop a project in line with its values and at the same time capable of responding with products and efficient services to the needs of the society. For this reason, they engage in integrating training courses that take into account both the technical component and the cultural values.

Clients:

Money-Savers of Banca Etica are individuals and organizations who demand transparency on the criteria for funding and participation in the allocation of the resources. Until the end of 2014 the money savers were 40.226, there is an increase 8.8% compared to 2013.

- 31.303 individuals

- 8.923 legal entities



Graph 2.3: ■ North west ■ North East ■ Center ■ South ■ Spain

Source: The above graph is adopted from the website: <http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/clienti/>

Money deposited in Banca Etica is used exclusively to finance sustainable projects of companies, organizations and individuals. There are also some specific tools that allow savers to specify the sector which really wants to support. The first one, is that the costumers can specify in which area would like to invest their savings. There are different areas such as the social cooperation, international cooperation, environmental protection, culture and civile society. There are also certificates of deposit dedicated, which allow costumers to donate accrued interest³⁶ to some organizations in the world. Furthermore there are affinity cards, credit cards issued co-branded with an organization that works for the common good.

Costumer funded:

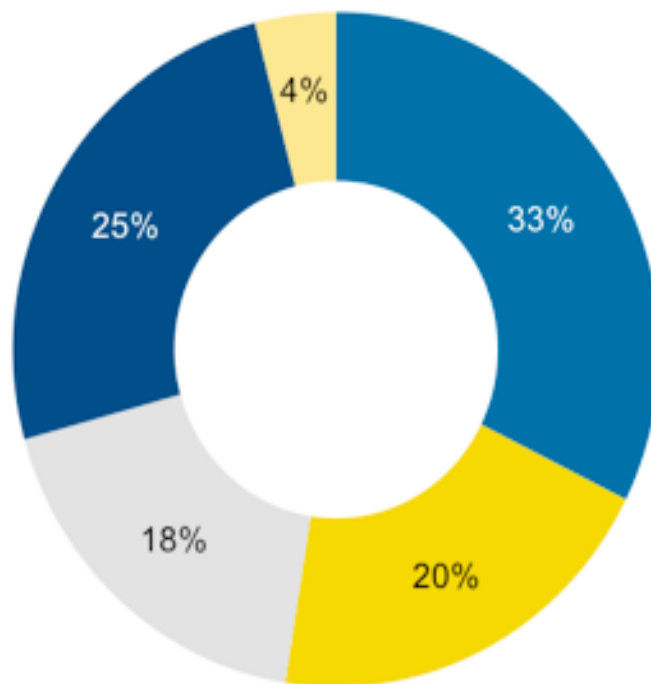
³⁶ According to wikipedia , Accrued interest is the interest on a bond or loan that has accumulated since the principal investment, or since the previous coupon payment if there has been one already.

Banca Etica gives credit to organizations, businesses and individuals who share their values and promote economic initiatives and lifestyles socially responsible, meeting the social and environmental criteria identified in the path of the new economy. In order to achieve this, they have adopted a policy of credit that identifies the individuals that Banca Etica can finance on the basis of exclusion and inclusion.

At the end of 2014, the amount of loans used by customers was 622 million (+4.9 compared to 2013)

At the end of 2014, the costumers funded of Banca Etica are 10.042 (+12.8% compared to 2013)

- 3.609 individuals
- 6.433 legal entities



Graph 2.4 : ■ North west ■ North East ■ Center ■ South ■ Spain

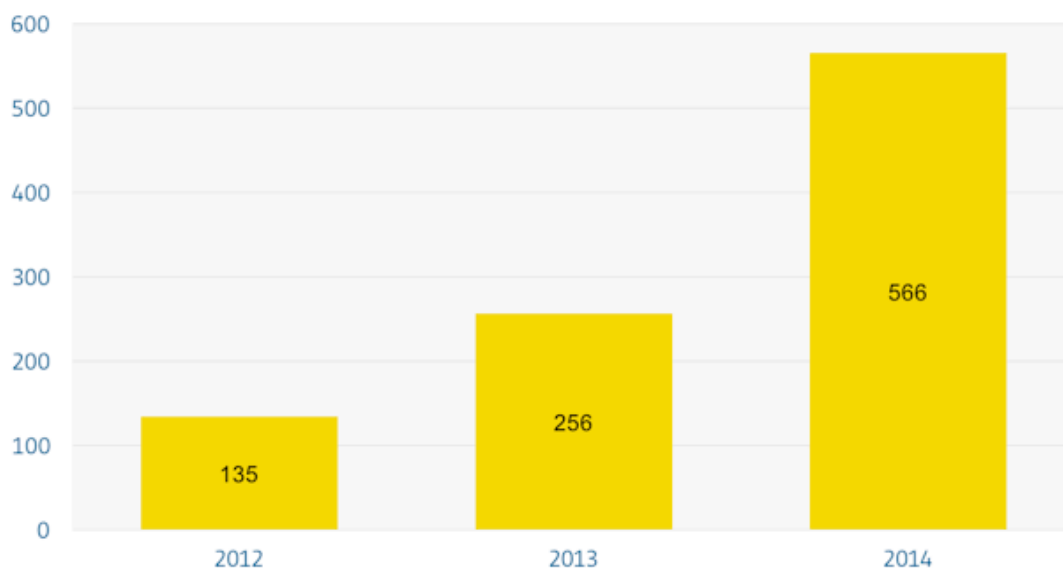
Source: The above graph is adopted from the website: <http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/clienti/>

Social Evaluation

The 2014 was a year of strong recovery of the credit rating, both in quantity and quality: The evaluators of social ethics in Italy made 537 social ratings. Furthermore, they added 18 advanced

social assessments, conducted by the office of cultural relations and 11 more evaluations related to spanish projects.

- 566 Social Evaluations (+121% compared to 2013)



Graph 2.5: Social and environmental performance evaluations

Source: The above graph is adopted from the website:

<http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/clienti/>

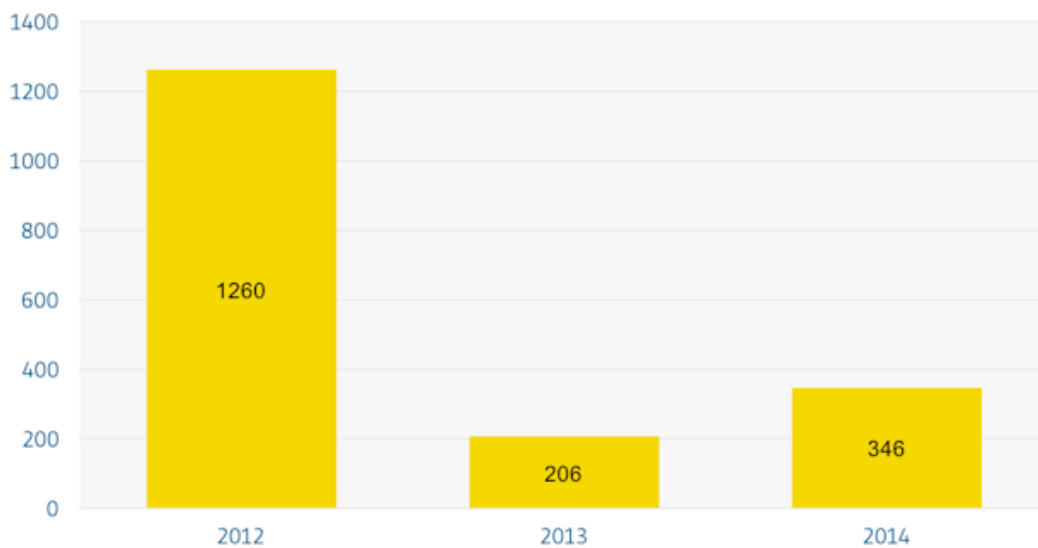
SOCIAL AND ENVIRONMENTAL TRENDS RATING	2012	2013	2014
North East	42	45	116
North West	40	41	164
Centrral area	26	60	80
South	27	73	177
Spain	ND	31	11
Advanced social evaluations	ND	6	18
TOTAL	135	256	566

Micro-credit:

Is one of the main tools for the project of ethical finance. Is an effective instrument for social development and poverty alleviation. Currently, there are two lines of action:

- Microcredit social welfare, aimed to support the population on the poverty line
- Microcredit business, which is designed to support the employment and the local development and also to strength the small cooperatives.

The above activity is carried out in partnership with public and private organizations that support Banca Etica in the identification of beneficiaries and the establishment of guarantee funds. The overall performance of microcredit in 2014 recorded a significant increase both in terms of operations financed (346; +68%) and in terms of the amount disbursed (3.680.344 euro; +182%).



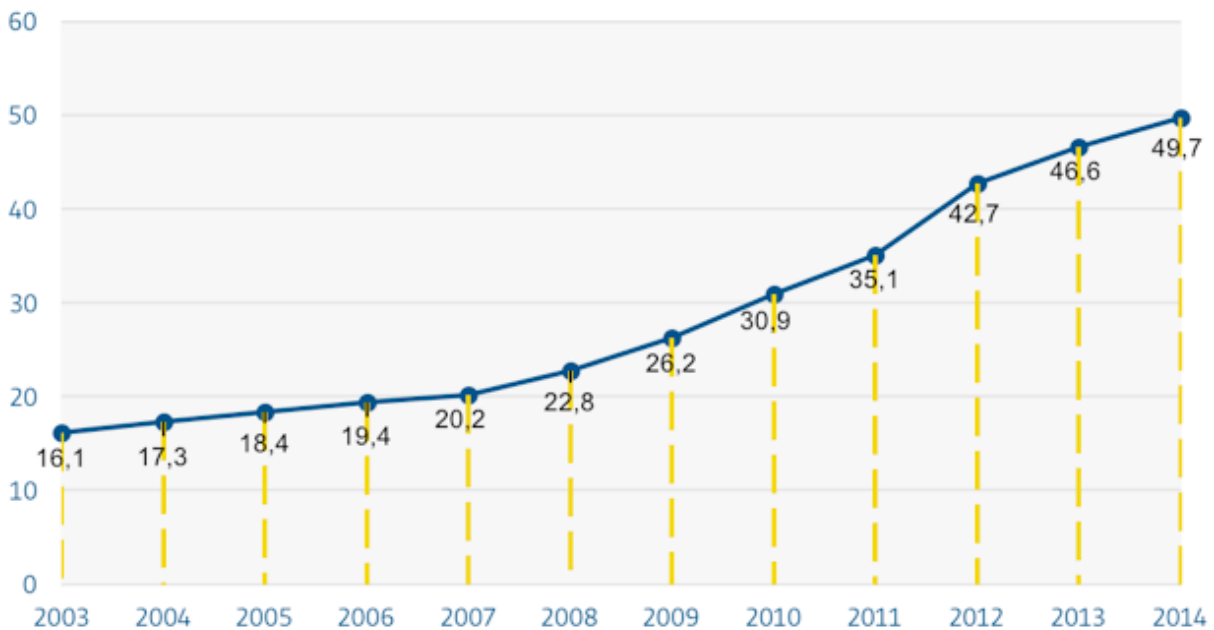
Graph 2.6: Microcredit operations approved

Source: This graph is adopted from the website :<http://bilanciasociale.bancaetica.it/bilancio-sociale-2014/clienti/>

Shareholders:

Shareholders of the Banca Etica are thousands of citizens and organizations who share the values and the status of the bank. The shareholders are the owners of the bank which, thanks to them , is a

cooperative institution independent of politics and the big economic and financial groups. At the end of the 2014 the social capital of Banca Etica was 49.769.055 euro. It was increased 6.8%, 3.167.062 euro compared to 2013. In the graph below we can see the significant increase from 2013 to 2014.

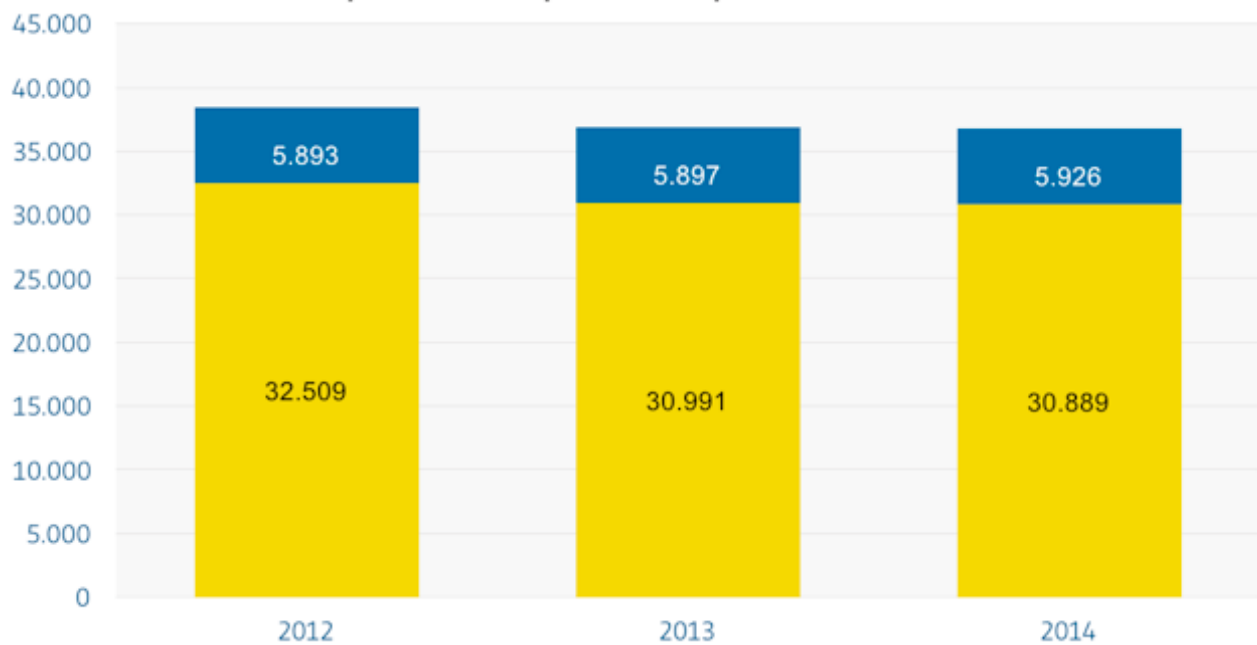


Graph 2.7: Social Capital

Source: The graph is adopted from the website: <http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/soci/>

At the end of 2014 the shareholders of Banca Etica are 36.815:

- 16.1% legal entities
- 83.9% individuals

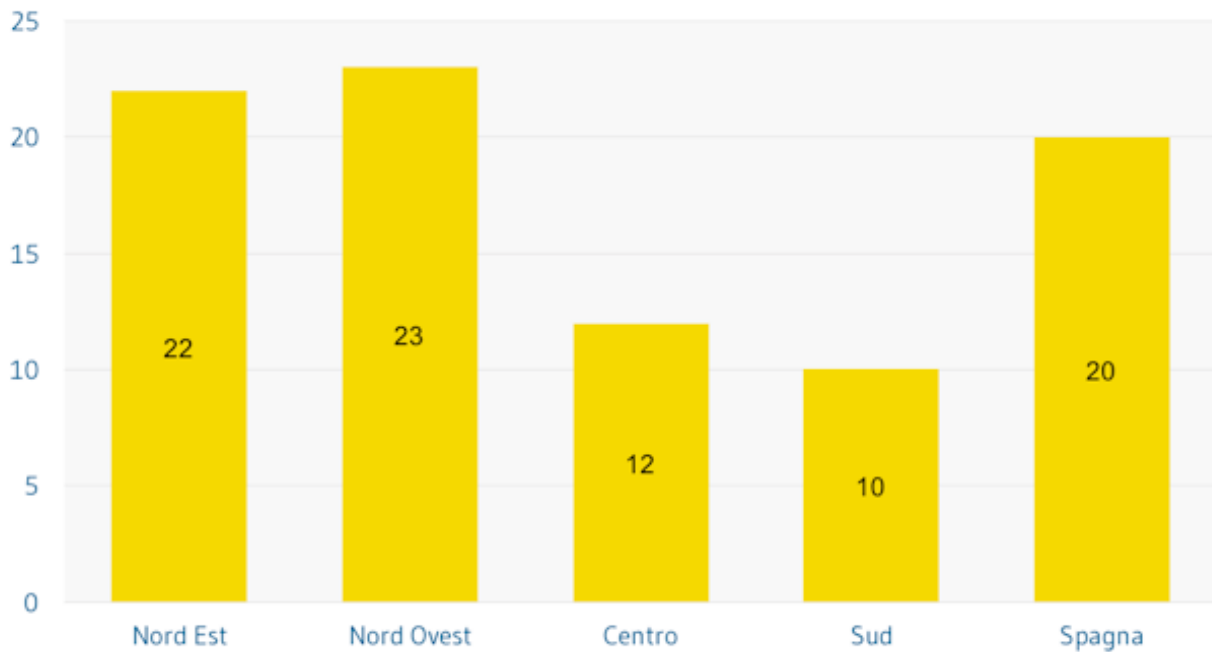


Graph 2.8: ■ Individuals ■ Legal Entities

Source: The graph is adopted from the website : <http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/soci/>

Until now there are 87 active GIT (Groups of territorial initiatives), which on average are composed of 8 members :

- 22 in North East Area
- 23 in North West Area
- 12 in the Central area
- 10 in the South Italy
- 20 in the Spain



Graph 2.9: GIT

Source: The graph is adopted from the website: <http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/soci/>

Financial Institutions:

Organizations of ethic finance

Banca Etica maintains and develops relationships with national and international organizations of ethical finance, with which shares common values and intentions. The strengthening of ethical finance is achieved through the collaboration and participation in organization, and italian as well international networks that are based on the principles of ethically oriented finance, which does not aim to profit. Some of the above organizations are SEFEA (European Society for Alternative Ethical Finance), FEBEA(European Federation of Ethical and Alternative Banks) and GABV(Global Alliance Bankning on Values)

The observatory of banks and insurance:

In 2012, Banca Etica accepted the request of some members to develop a tool that monitor reputational risks related to decisions and actions by member banks. That analysis is intended both to protect Banca Etica emergence of irresponsible behavior of members and to promote its mission of “Contamination” ethics in the financial system.

The task of the observatory of banks and insurance is to verify the requirements of banks and insurance companies who want to collaborate and to become members of Banca Etica. Another important task is monitoring the behavior of the member banks, in particular if there are any facts that could lead to a significant reputational risk for the bank. Furthermore, it proposes guidelines in relations to the banking world.

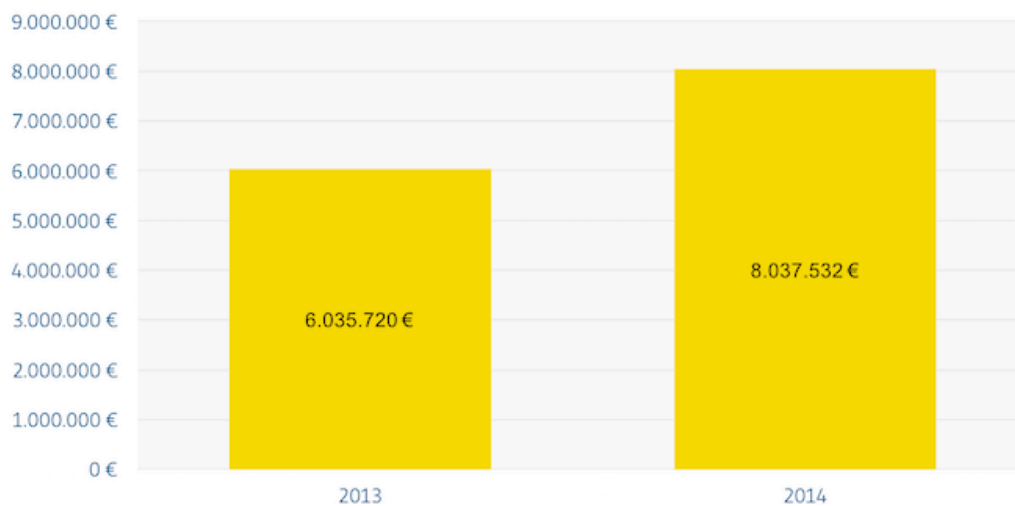
The investments and the liquidity

Banca Etica, is also part of the investment of its liquidity, operates according to principles of risks containment and ethical, with the goal of identifying reality that are characterized by profiles of values consistent with its mission. Among the titles of investment objects is noted the Coopest, which is a company specialized in micro finance projects of financial inclusion and a high social impact in Central and Eastern Europe.

In 2014, Banca Etica has undertaken a strategy of investment in products related to the field of minibond, which could become increasingly important in the future for the bank. It is given emphasis to the following two operations: In March 2014, the bank made the first investment in minibond through the subscription of a bond issued by Filca Cooperative Soc. Coop, a company working in the field of housing in Lombardy. In August 2014, the bank also made an investment in the fund closed investment “EURIGIO MINIBOND”. The fund promoted by Pensplan invest SGR which invests in bonds and other debt securities issued by SMEs at the region of trentino Alto Adige. Investment in the fund should be seen as an operation to diversify the portfolio of properties. Banca Etica also participates in the Advisory Committee of the fund.

Who are the suppliers of Banca Etica?

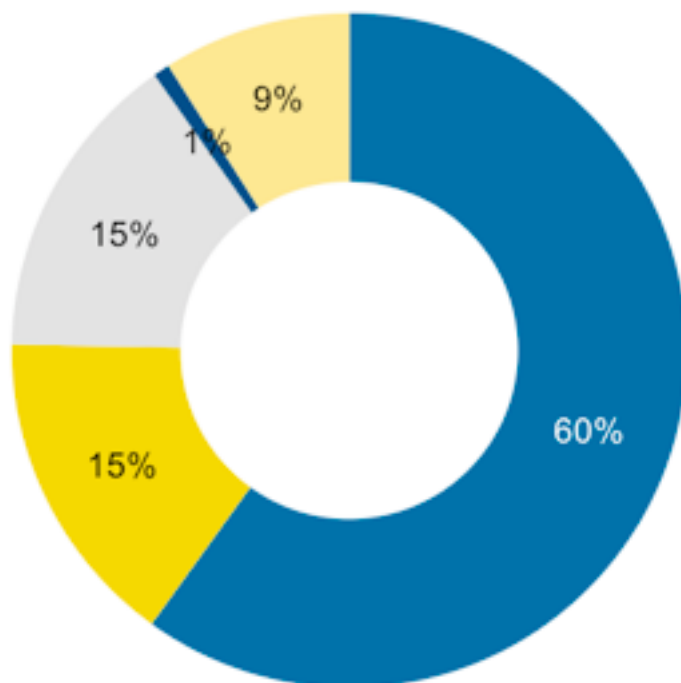
The suppliers of Banca Etica are stakeholders of primary importance, they activate tools for dialogue and cooperation aimed at the development of a supply transparent chain and consistent with the principles of ethical finance which is promoting by the bank. At the end of 2014 the suppliers of Banca Etica, with annual amount exceeding 4000€, are 76, for a total of over million Euros of turnover.



Graph 2.10: Invoice of suppliers

Source: The graph is adopted from the website <http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/fornitori/>

The majority of suppliers is in the North East, where it concentrates 60% of sales and 9% of companies, followed from the North West.



Graph 2.11: ■ North west ■ North East ■ Center ■ South ■ Spain

Source: The above graph is adopted from the website :

<http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/fornitori/>

The 18% of suppliers, equal to 33, have signed a self-declaration on compliance with minimum ethical requirements established by the bank. From September of 2014 the Banca Etica has undertaken a review of the internal process of social assessment of suppliers, which creates a special working group that involves five offices of the Bank.

The policy of selecting suppliers :

The policy that follows Banca Etica in order to select the suppliers, is not inspired exclusively by economic criteria, but also pays attention to the social and environmental impacts arising from the behavior of suppliers. The policy refers in particular to the fulfillment of human rights and workers rights, enshrined in the ILO conventions, The Universal declaration of Human Rights and the OCSE³⁷ guidelines for multinational enterprises.

³⁷ For more information see the website: <http://www.osce.org/odihr/73405>

Financial Education:

In 2014 the ability to reach families and citizens, through initiatives of territorial animation aimed at promoting more and more the culture of responsible use of money and financial education. This was made possible through the efforts of volunteer groups of territorial initiative (GIT) in Italy and from 2014 also in Spain. Thanks to their voluntary commitment the bank has been able to enter into direct relationship with thousands of people and spread the concept of corporate social responsibility. The issue of financial education is also handled by the active coordination of the social and cultural functions of the bank. In particular the office of communications, the office of cultural relations and corporate social responsibility and the cultural foundation for ethical responsibility.

The campaign “Not with my money” is an initiative of communication and denunciation of the logics that govern finance which Banca Etica develops from 2012 together with the cultural foundation for ethical responsibility. The project is based in the website³⁸ and aims to disseminate information and awareness on the great opportunity that we all have: to change the financial system starting from our daily choices. In 2014 the site was visited from more than 45.000 people, registered a significant increase respect to 2013.

The institutional relations are reflected in information activities and pressure on national and European institutions to obtain the necessary legislative for a regulation that limits the power of finance as a tool for speculation, and recognizes the value of financial institutions at the service of the real economy. In 2014 Banca Etica has remained committed to promoting knowledge and the importance of ethical finance to institutions and identify areas of collaboration and development of finance at the service of human and the environment.

Below we will see the most important activities developed in this area:

- Change Finance to change Europe.

Banca Etica participated at the campaign for the European elections of 2014, where promoted the appeal of *FEBEA*³⁹, about candidates for the president of the EU Commission. The appeal, titled “*Lets change finance in order to change Europe*” aims to ask which are the commitments to reform the financial system and bring it back to being an instrument at the service of the real economy.

³⁸ For further details see at www.nonconimieisoldi.org

³⁹ European Federation of ethical and alternative banks, see at : <http://www.febea.org>

The appeal was supported by a petition, which had about 10.000 subscriptions, and received formal responses to two candidates: Martin Sculz, PES e Ska Keller.

The issues on which focused the initiative were:

- the introduction of a tax on financial transactions
- the separation between banks that perform risky assets and banks based mainly on the collection of savings
- the recognition of ethical financial institutions at the European level
- contrast to tax havens
- contrast to the “shadow banking system”
- the adjustment of derivatives.

During the six months european presidency in Italy of the consultation of the Social Economy the government has invited the economic and social stakeholders to provide input and reflections on the theme about the social economy. The bank has participated in this consultation, presenting a document that stressed in particular a problem of definition linked to the concept of social economy. Therefore, it was sent to take into account, as distinction to be part of this framework, the purpose of the corporate-related or not to the satisfaction of the common good and the public interest .

Specifically, the Banca Etica has submitted the following proposals: extension to other EU countries of the French model , in which there are funds of solidarity which must hold at least 10% of capital invested in social enterprises, support processes “bottom up” for the creation of institutions dedicated to the social and ethical finance, created by citizens, customers and employees, introduction of new rules to facilitate investments of limited amounts.

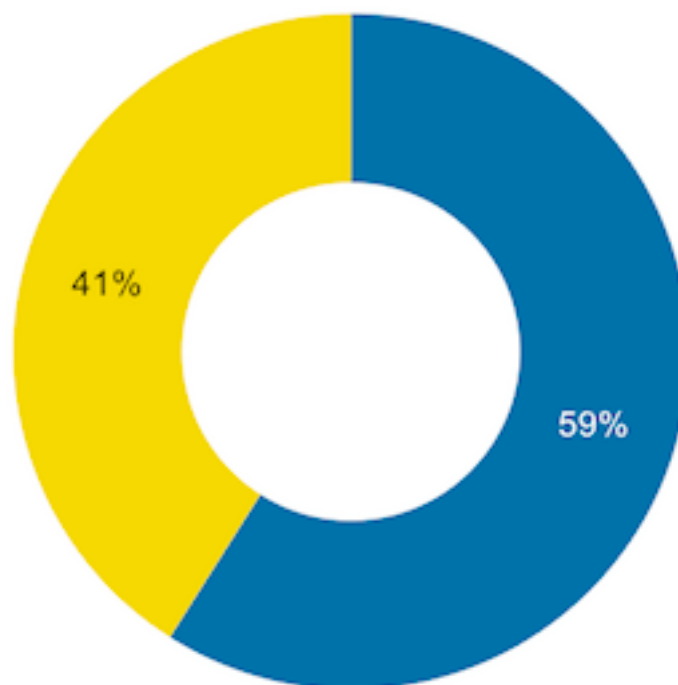
Accompanying the third sector in the process of strengthening the planning capacity, also by implementing special guarantee funds, support to investments in the capital of financial institutions dedicated to the social economy. The president of Banca Etica, was invited to report to the working group on financial instruments to support the social economy at the European conference “ Unlocking the Potential of the Social Economy for EU Growth”, which was held in Rome on 7th November of 2014.

THE ENVIRONMENTAL IMPACT OF BANCA ETICA

Banca Etica favor energy conservation and clean energy, this commitment is also reflected in specific loan products for energy efficiency and use of renewable sources. They have adopted

different types of solutions aimed at reducing the environmental impact of facilities at the place of work. The main measures to reduce the environmental impact of direct concern buildings in headquarters of Padua, where is adopting the most stringent criteria of ecological architecture, as well as several specific solutions adopted for the branches in Spain .

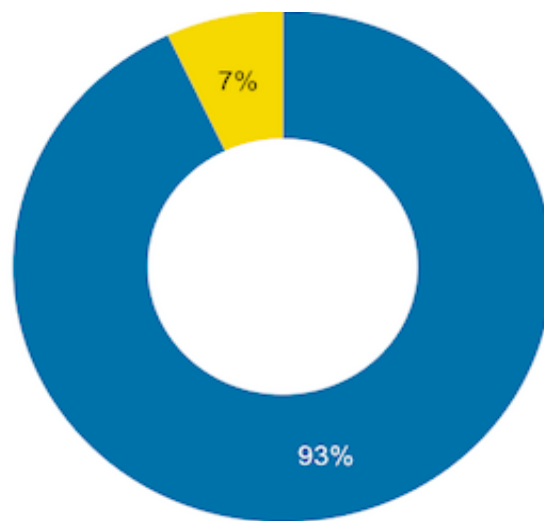
The total energy supply electricity for all the offices of Banca Etica is 596.000kWh/year and the portion related to the branches has reached 59% of the total amount exceeded the headquarters in Padova. Is underlying the importance of the building of management and the plant branches.



Graph 2.12: Energy Supply ■ Headquarters ■ Subsidiaries

Source: The graph is adopted from the website :<http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/ambiente/>

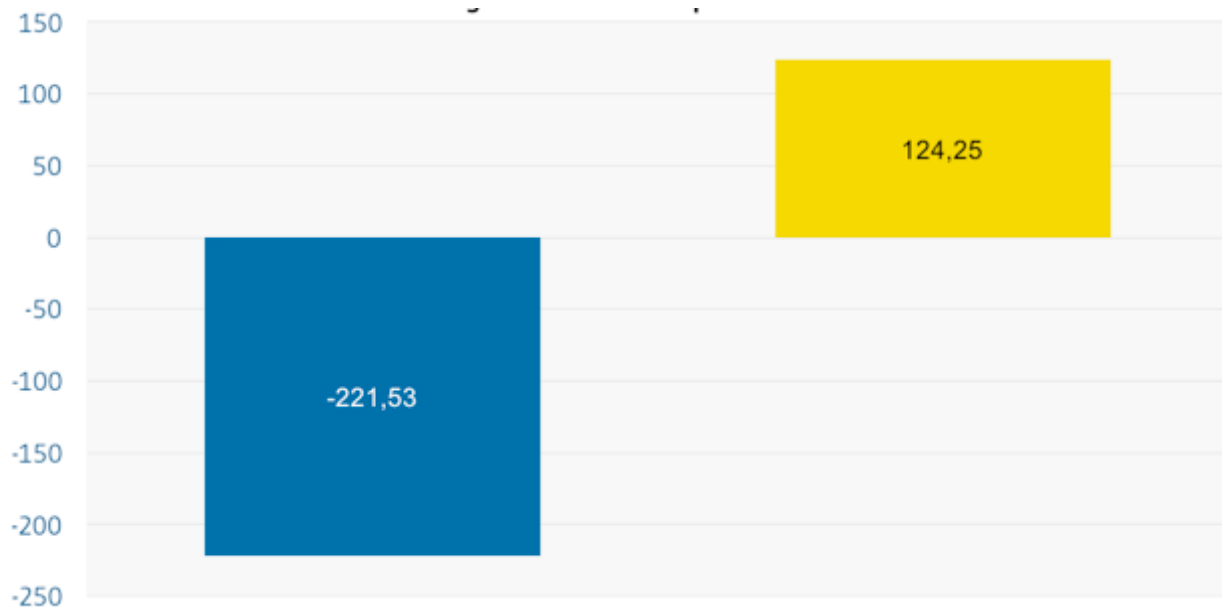
In the 2014 came into view the passage of the other branches to clean company power SPA (15 from 18), a supplier of electrical energy produced from renewable sources. The coverage of electricity from renewable sources was 9%. This cover, following the completion of the passage of the branches to the company clean power SPA, will be expected to increase up to almost 100% in 2015.



Graph 2.12: ■ Renewable electricity ■ Not renewable electricity

Source: The graph is adopted from the website <http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/ambiente/>

Thanks to the strong cover of electricity produced from renewable sources, are avoid emissions of CO₂ reached 221 tones in year.



Graph 2.13: ■ Emissions avoided ■ Emission CO₂

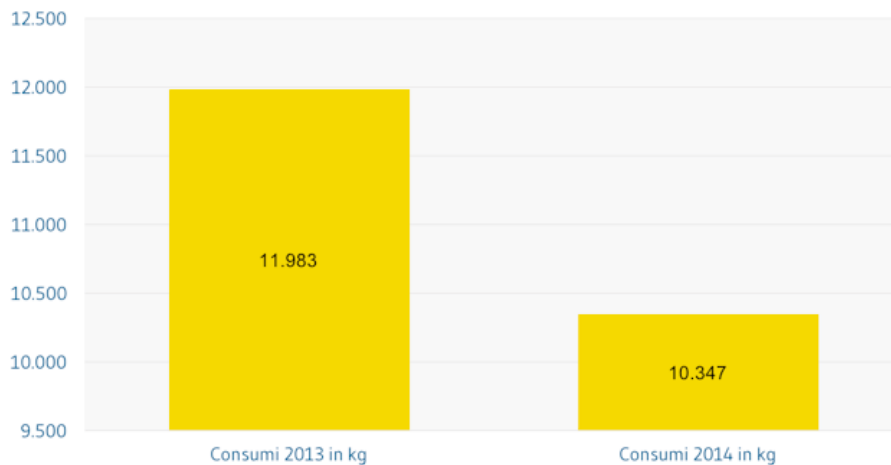
Source: The graph is adopted from the website: <http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/ambiente/>

Sustainable mobility

Banca Etica seeks to reduce its environmental impact also through choices of sustainable mobility, such as : corporate fleet consists of six machines, including GPL, the first hybrid car diesel and the choice of location of the branch near at the train station.

It gives an incentive to employees to use public transport to travel to work, by covering the cost of a month for a subscription. In the 2014, 39 employees have benefited from the refund.

Other instruments adopted by the Banca Etica seeks to reduce its environmental impact by other means, such as green purchasing which include use of paper which is friendly to environment (recycled paper and certified under the brands of GREENPEACE). With respect to communication, in 2014 it was undertaken the project “ Ecology of communication”, aimed at reducing the environmental impact of the instruments used and to strengthening the principles of transparency and simplicity that has always characterized the communication style of the bank. There is also given emphasis on the use of the paper , which in 2014 is reduced to 13.6%.



Graph 2.14: Use of the paper

Source: The graph is adopted from the website: <http://bilanciosociale.bancaetica.it/bilancio-sociale-2014/ambiente/>

After the subprime crisis of 2007 the need for integration of moral principles in banking sector is necessary more than ever. This chapter develops the meaning of social responsible investments and how are defined the ethical banks.

According to Cesare Vitali, Manager of CSR policies in Banca Etica has adopted the principles of sustainable banking that we saw at the beginning of the chapter. The tripple bottom line, well known also as 3P, people, planet and prosperity and the long term relationship with the clients, a relationship which is based in transparency, are embedded in the culture of the bank. He mentioned that Banca Etica finances Social Responsible Investments. The projects that they finance are related with the following applications:

- welfare system, social services, social housing, microcredit care.
- Energy efficiency and renewable energy: insulation properties, cogeneration, solar thermal and solar photovoltaic
- Environment: recycling of the first material
- Production and marketing of organics products
- International cooperation between the organizations that promote the ethic finance such as FEBEA(European Federation of ethical and alternative banks)
- Fair trade
- Education, sports, culture, youth centers.

So, as far we see that Banca Etica has the characteristics of the social responsible investments as we described in the table 2.3. During the interview, Cesare Vitali underlined that Banca Etica does not finance projects that hinder the human development such as arms manufacturers, animal testing, gambling and the direct relationship with regimes which do not respect human rights and that they are seriously responsible for the destruction of the environment.

The clients of Banca Etica have the possibility to choose where they want to invest their money, between a variety of choices such as environmental protection, culture, civile society.

So, the transparency, accountability and social responsibility are the main characteristics which label Banca Etica as an ethic company. Those characteristics are arising after the analysis of the social report as we saw above, through the non gender discrimination, the equality and centrality of the persons who are working in the bank but as well with the external stakeholders such as the clients, suppliers and the environment.

Its aim is the development of an environmentally and friendly economic model at the service of society. From a theoretical point of view Banca Etica is social responsible towards the society and the environment, is a bank which takes its name seriously.

“There’s a world of difference between truth and facts. Facts can obscure the truth”

Maya Angelou

3. IS BANCA ETICA REALLY ETHICAL ?

3.1 METHODOLOGY

After examining in the beginning of this study the significance of CSR and the application of those responsibilities to business sector, we went deeper to this argument represented what is an Ethical bank. Our case study about Banca Etica gave us strong ground in order to understand those characteristics that label a company as ethic. After analysing the social report of the bank and interviewed the Manager of CSR policies, we saw that from a theoretical point of view Banca Etica is an ethic bank.

To complete this study properly, we want to examine if Banca Etica is ethic from statistical point of view. The only data available to perform such a detailed analysis was a dataset provided by Cassa Centrale Banca S.p.A, a provider of ALM services for Banca Etica and other cooperative banks in Italy.

In order to create our database we collected the interest rates applied to different variables for Banca Etica and the Asset Liability Management system (ALM). The ALM⁴⁰ is the practice of managing risks that arises due to mismatches between the assets and liabilities. In our analysis we are going to compare Banca Etica to cooperative banks in the region of Veneto (system ALM Veneto), cooperative banks in the region of Northeast (system ALM Northeast), cooperative banks in Italy (ALM system) and cooperative banks belonging to the same dimensional class of Banca Etica (Gruppo GR2).

The time series consists of 779 observations from 2010 to 2014. In order to perform such analysis we have to formulate our research question. Our research question is if Banca Etica has a more ethical behaviour than that of it’s competitors. So, we have to test our hypothesis. A hypothesis test is a statistical procedure that we use to test an existing claim about the population, using the data.

⁴⁰ This definitions is adopted from the https://en.wikipedia.org/wiki/Asset_liability_management

The claim is noted by Ho (the null hypothesis). In the case that our data support the claim, we fail to reject the null hypothesis. If our data don't support the claim, we reject the null hypothesis and accept the alternative, which is noted by Ha.(Deborah Rumsey).

In our analysis, the null and alternative hypothesis are:

Ho: Banca Etica has not a more ethical behaviour than that of its competitors.

Ha: Banca Etica has a more ethical behaviour than that of its competitors.

In the table below we see the variables that we use in our analysis:

ATTIVO (ASSETS)	PASSIVO (LIABILITIES)
<i>C/C CLIENTELA ATTIVI INDICIZZATI</i>	<i>CLIENTELA PASSIVI INDICIZZATI</i>
<i>SBF C/ UNICO INDICIZZATI</i>	<i>DEPOSITI RISPARMIO INDICIZZATI</i>
<i>SBF DOPPIO INDICIZZATI</i>	<i>C/C CLIENTELA PASSIVI</i>
<i>C/C CLIENTELA ATTIVI</i>	<i>DEPOSITI A RISPARMIO</i>
<i>SBF UNICO</i>	<i>DEPOSITI A SCADENZA COMPLESSIVI</i>
<i>SBF DOPPIO</i>	<i>PCT CLIENTELA PASSIVI</i>
<i>MUTUI IPOTECARI TV</i>	<i>CERTIFICATI DI DEPOSITO TV</i>
<i>MUTUI IPOTECARI TV CON OPZIONE</i>	<i>CERTIFICATI DI DEPOSITO TF</i>
<i>MUTUI IPOTECARI TF</i>	<i>EMISSIONI OBBLIGAZIONARIE TV</i>
<i>MUTUI IPOTECARI AMMINISTRATI</i>	<i>EMISSIONI SUBORDINATE TV</i>
<i>MUTUI CHIROGRAFARI TV</i>	<i>EMISSIONI OBBLIGAZIONARIE SWAP TV</i>
<i>MUTUI CHIROGRAFARI TV CON OPZIONE</i>	<i>EMISSIONI OBBLIGAZIONARIE TF</i>
<i>MUTUI CHIROGRAFARI TF</i>	<i>EMISSIONI SUBORDINATE TF</i>
<i>MUTUI CHIROGRAFARI AMMINISTRATI</i>	<i>EMISSIONI OBBLIGAZIONARIE SWAP TF</i>
<i>SCONTO EFFETTI</i>	<i>PASSIVITA SCAD.NON RIMB.NON REMUN.</i>
<i>SOVVENZIONI A TF</i>	<i>ALTRO</i>
<i>SOVVENZIONI A TV</i>	
<i>ALTRO</i>	

Table 3.1: Assets and Liabilities.

The main difference between assets and liabilities is that assets provide a future economic benefit, while liabilities present a future obligation.

3.2 DATA ANALYSIS

We analyzed the interest rates applied to each of the above variables in the statistical software stata. Our analysis began with the Wilcoxon rank test, which is a non parametric hypothesis test, in order to find our p-values. P-value is used to determine statistical significance in our hypothesis test. A p-value which is greater than 0,05 it means that we accept our null hypothesis. On the other hand, a p-value lower than 0,05 means that we have to reject our null hypothesis. In the table below we see the p-values that we obtained from the comparison of Banca Etica to cooperative banks in the region of Veneto.

Name of the bank	BANCA ETICA	ALM- VENETO	P-VALUE
<i>C/C CLIENTELA ATTIVI INDICIZZATI</i>	3,00%	4,57%	0,009
<i>SBF C/UNICO INDICIZZATI</i>	3,20%	4,12%	0,0472
<i>SBF DOPPIO C/ INDICIZZATI</i>	3,17%	4,08%	0,0283
<i>C/C CLIENTELA ATTIVI</i>	5,81%	7,19%	0,0088
<i>SBF C/UNICO</i>	7,05%	7,31%	0,4647
<i>SBF DOPPIO C/</i>	5,23%	6,12%	0,0749
<i>MUTUI IPOTECARI TV</i>	2,05%	2,43%	0,1745
<i>MUTUI IPOTECARI TV CON OPZIONE</i>	3,31%	3,20%	0,2087
<i>MUTUI IPOTECARI TF</i>	5,25%	4,75%	0,0088
<i>MUTUI IPOTECARI AMMINISTRATI</i>	0,00%	4,62%	0,0053
<i>MUTUI CHIROGRAFARI TV</i>	3,13%	3,67%	0,074
<i>MUTUI CHIROGRAFARI TV CON OPZIONE</i>	3,90%	4,26%	0,0283
<i>MUTUI CHIROGRAFARI TF</i>	4,92%	5,14%	0,3457
<i>MUTUI CHIROGRAFARI AMMINISTRATI</i>	0,00%	5,12%	0,0053
<i>SCONTO EFFETTI</i>	0,00%	3,63%	0,0186
<i>SOVVENZIONI A TF</i>	3,20%	3,68%	0,754
<i>SOVVENZIONI A TV</i>	0,00%	4,22%	0,0053
<i>ALTRO</i>	3,20%	3,74%	0,6015
<i>C/C CLIENTELA PASSIVI INDICIZZATI</i>	0,49%	0,75%	0,3472
<i>DEPOSITI A RISPARMIO INDICIZZATI</i>	0,36%	1,00%	0,0082
<i>C/C CLIENTELA PASSIVI</i>	0,08%	0,78%	0,009
<i>DEPOSITI A RISPARMIO</i>	0,24%	0,71%	0,009
<i>DEPOSITI A SCADENZA COMPLESSIVI</i>	1,46%	2,06%	0,1745
<i>PCT CLIENTELA PASSIVI</i>	1,04%	1,99%	0,0283
<i>CERTIFICATI DI DEPOSITO TV</i>	0,45%	1,37%	0,0163
<i>CERTIFICATI DI DEPOSITO TF</i>	1,32%	2,16%	0,0465
<i>EMISSIONI OBBLIGAZIONARIE TV</i>	0,43%	1,33%	0,0472
<i>EMISSIONI SUBORDINATE TV</i>	1,85%	2,08%	0,2506
<i>EMISSIONI OBBLIGAZIONARIE SWAP TV</i>	0,05%	0,92%	0,0071

<i>EMISSIONI OBBLIGAZIONARIE TF</i>	1,82%	2,86%	0,0088
<i>EMISSIONI SUBORDINATE TF</i>	2,42%	3,97%	0,009
<i>EMISSIONI OBBLIGAZIONARIE SWAP TF</i>	0,00%	0,00%	0
<i>PASSIVITA' SCAD. NON RIMB. REMUN.</i>	0,00%	0,61%	0,0052
<i>ALTRO</i>	0,00%	0,61%	0,0052

Table 3.2: Banca Etica- ALM (Veneto)

The underlined values are less than 0,05 and we reject our null hypothesis for 23 out of 34 variables. Comparing Banca Etica to cooperative banks in the region of Veneto we see that in majority of cases we can accept the fact that Banca Etica seems to have adopted a more ethical behaviour than that of the cooperative banks in the region of Veneto.

However for the variables that are represented in figure below we found a p-value greater than 0,05.

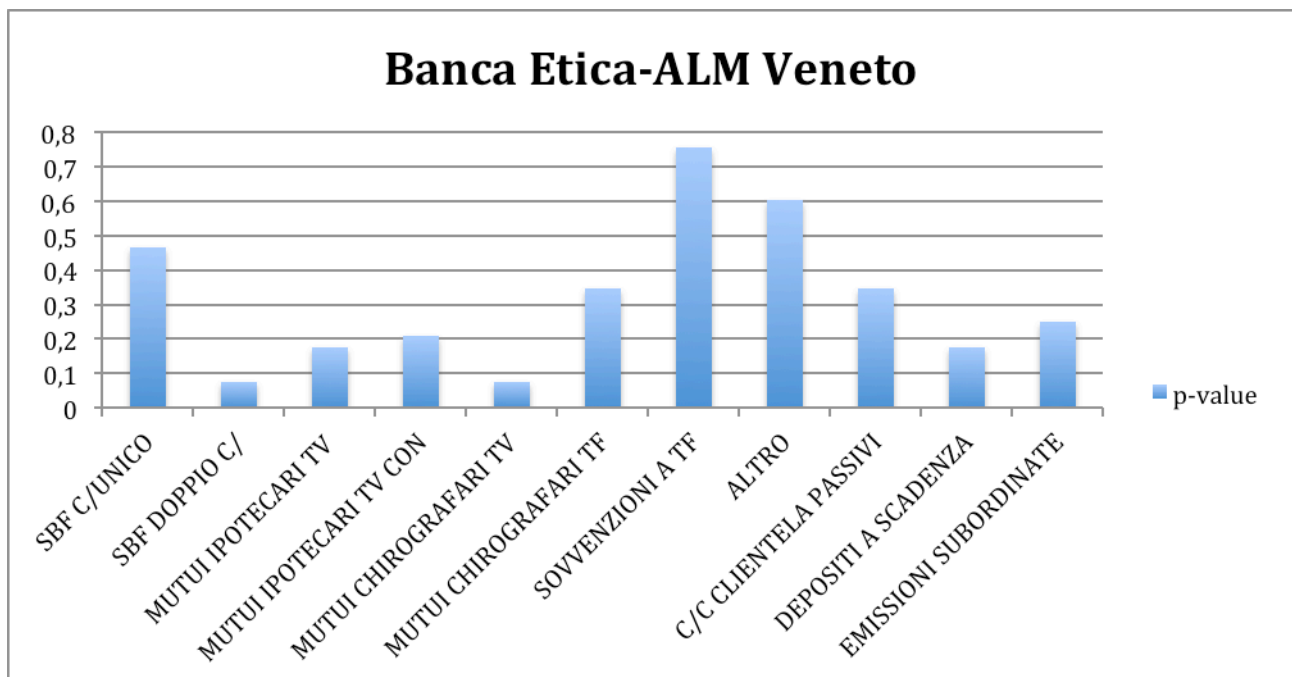


Figure 3.1: Variables with high p-value between Banca Etica and ALM Veneto.

Thus, it means that Banca Etica has not a more ethical behaviour compared to behaviour of its competitors in the region of Veneto. Perhaps, it has a worse behaviour.

Comparing Banca Etica to cooperative banks in Northeast of Italy, we obtained the following p-values.

<i>Name of the bank</i>	BANCA ETICA	ALM(NORTHEAST)	P-VALUE
<i>C/C CLIENTELA ATTIVI INDICIZZATI</i>	3,00%	4,37%	0,009
<i>SBF C/UNICO INDICIZZATI</i>	3,20%	3,79%	0,0472
<i>SBF DOPPIO C/ INDICIZZATI</i>	3,17%	3,84%	0,0283
<i>C/C CLIENTELA ATTIVI</i>	5,81%	6,30%	0,1172
<i>SBF C/UNICO</i>	7,05%	6,79%	0,754
<i>SBF DOPPIO C/</i>	5,23%	5,82%	0,1161
<i>MUTUI IPOTECARI TV</i>	2,05%	2,66%	0,0758
<i>MUTUI IPOTECARI TV CON OPZIONE</i>	3,31%	3,32%	0,6752
<i>MUTUI IPOTECARI TF</i>	5,25%	4,45%	0,0086
<i>MUTUI IPOTECARI AMMINISTRATI</i>	0,00%	4,51%	0,0053
<i>MUTUI CHIROGRAFARI TV</i>	3,13%	3,26%	0,9166
<i>MUTUI CHIROGRAFARI TV CON OPZIONE</i>	3,90%	4,00%	0,3472
<i>MUTUI CHIROGRAFARI TF</i>	4,92%	4,52%	0,0758
<i>MUTUI CHIROGRAFARI AMMINISTRATI</i>	0,00%	4,88%	0,0053
<i>SCONTO EFFETTI</i>	0,00%	3,45%	0,0186
<i>SOVVENZIONI A TF</i>	3,20%	3,28%	0,9168
<i>SOVVENZIONI A TV</i>	0,00%	4,20%	0,0053
<i>ALTRO</i>	3,20%	3,56%	0,754
<i>C/C CLIENTELA PASSIVI INDICIZZATI</i>	0,49%	0,79%	0,3472
<i>DEPOSITI A RISPARMIO INDICIZZATI</i>	0,36%	0,88%	0,0082
<i>C/C CLIENTELA PASSIVI</i>	0,08%	0,80%	0,009
<i>DEPOSITI A RISPARMIO</i>	0,24%	0,73%	0,0088
<i>DEPOSITI A SCADENZA COMPLESSIVI</i>	1,46%	1,98%	0,1745
<i>PCT CLIENTELA PASSIVI</i>	1,04%	1,92%	0,0283
<i>CERTIFICATI DI DEPOSITO TV</i>	0,45%	1,38%	0,009
<i>CERTIFICATI DI DEPOSITO TF</i>	1,32%	2,00%	0,0465
<i>EMISSIONI OBBLIGAZIONARIE TV</i>	0,43%	1,26%	0,0758
<i>EMISSIONI SUBORDINATE TV</i>	1,85%	1,97%	0,3457
<i>EMISSIONI OBBLIGAZIONARIE SWAP TV</i>	0,05%	1,03%	0,0071
<i>EMISSIONI OBBLIGAZIONARIE TF</i>	1,82%	2,87%	0,0086
<i>EMISSIONI SUBORDINATE TF</i>	2,42%	4,21%	0,009
<i>EMISSIONI OBBLIGAZIONARIE SWAP TF</i>	0,00%	0,00%	0
<i>PASSIVITA' SCAD. NON RIMB. REMUN.</i>	0,00%	0,96%	0,0052
<i>ALTRO</i>	0,00%	0,96%	0,0052

Table 3.3: Banca Etica- ALM (Northeast)

We have reject our null hypothesis for 21 out 34 variables. We accept the fact that Banca Etica performs in a more ethical way compared to banks in the Northeast of Italy. On the other hand there are some variables which are represented in figure below, such as the granted and not granted loans,

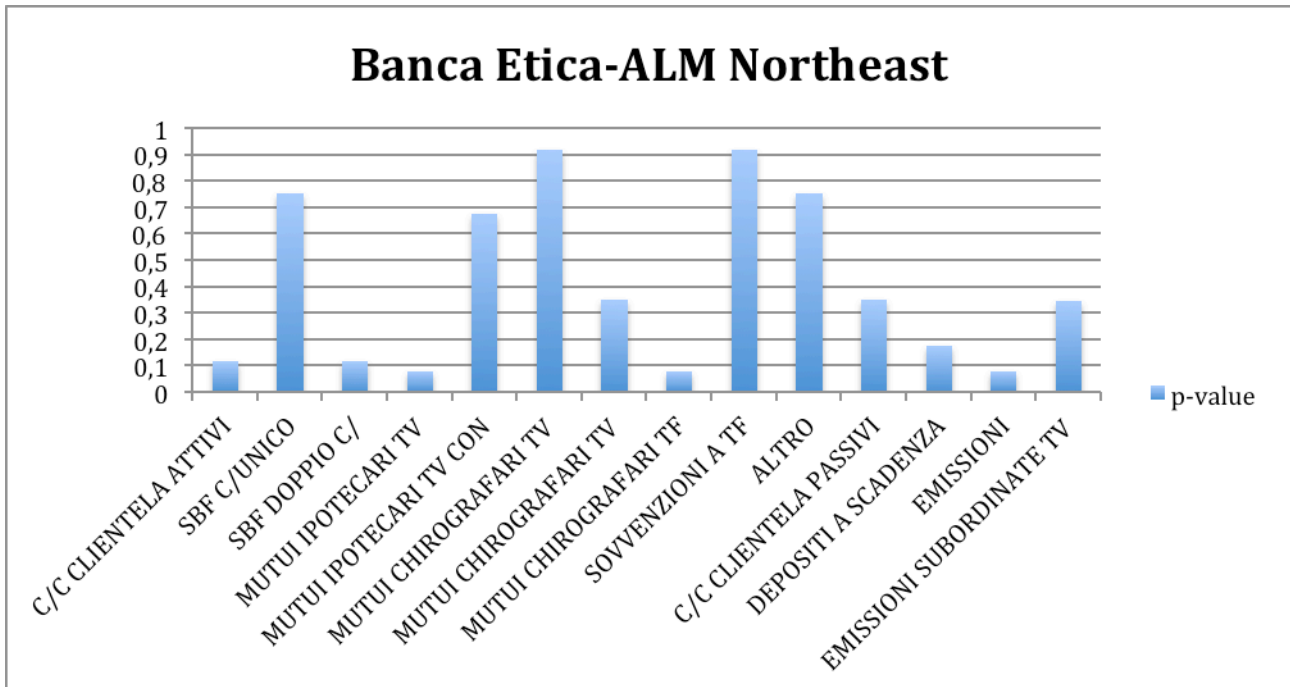


Figure 3.2: Variables with high p-value between Banca Etica and ALM Northeast

the current accounts of clients and others, in which we have obtain a p-value greater than 0,05. This fact, is giving as an evident to accept that Banca Etica has not a more ethical behaviour compared to cooperative banks that operate in the region of Northeast of Italy.

The table 3.3 includes the p-values that we found from the comparison between Banca Etica and ALM system.

In this case, we underlined the p-values for which we reject our null hypothesis. Obviously, for 22 out 34 variables, there are some evidences that Banca Etica has a more ethical behaviour than that of it's competitors but still there are some doubts about the variables that are represented in figure 3.3 for which we accept the alternative hypothesis.

<i>Name of the bank</i>	BANCA ETICA	ALM	P-VALUE
<i>C/C CLIENTELA ATTIVI INDICIZZATI</i>	3,00%	4,72%	0,009
<i>SBF C/UNICO INDICIZZATI</i>	3,20%	4,07%	0,0472
<i>SBF DOPPIO C/ INDICIZZATI</i>	3,17%	4,11%	0,0283
<i>C/C CLIENTELA ATTIVI</i>	5,81%	6,95%	0,009
<i>SBF C/UNICO</i>	7,05%	6,81%	0,754
<i>SBF DOPPIO C/</i>	5,23%	6,04%	0,0749
<i>MUTUI IPOTECARI TV</i>	2,05%	2,75%	0,0758
<i>MUTUI IPOTECARI TV CON OPZIONE</i>	3,31%	3,31%	0,6742
<i>MUTUI IPOTECARI TF</i>	5,25%	4,86%	0,0086
<i>MUTUI IPOTECARI AMMINISTRATI</i>	0,00%	4,24%	0,0053
<i>MUTUI CHIROGRAFARI TV</i>	3,13%	3,44%	0,1732
<i>MUTUI CHIROGRAFARI TV CON OPZIONE</i>	3,90%	4,05%	0,1745
<i>MUTUI CHIROGRAFARI TF</i>	4,92%	5,27%	0,0749
<i>MUTUI CHIROGRAFARI AMMINISTRATI</i>	0,00%	4,67%	0,0053
<i>SCONTO EFFETTI</i>	0,00%	4,33%	0,0053
<i>SOVVENZIONI A TF</i>	3,20%	3,36%	0,9168
<i>SOVVENZIONI A TV</i>	0,00%	4,14%	0,0053
<i>ALTRO</i>	3,20%	3,67%	0,754
<i>C/C CLIENTELA PASSIVI INDICIZZATI</i>	0,49%	0,76%	0,3472
<i>DEPOSITI A RISPARMIO INDICIZZATI</i>	0,36%	0,88%	0,0082
<i>C/C CLIENTELA PASSIVI</i>	0,08%	0,81%	0,009
<i>DEPOSITI A RISPARMIO</i>	0,24%	0,78%	0,0088
<i>DEPOSITI A SCADENZA COMPLESSIVI</i>	1,46%	1,98%	0,2948
<i>PCT CLIENTELA PASSIVI</i>	1,04%	2,03%	0,0283
<i>CERTIFICATI DI DEPOSITO TV</i>	0,45%	1,50%	0,009
<i>CERTIFICATI DI DEPOSITO TF</i>	1,32%	2,18%	0,0465
<i>EMISSIONI OBBLIGAZIONARIE TV</i>	0,43%	1,38%	0,0283
<i>EMISSIONI SUBORDINATE TV</i>	1,85%	2,11%	0,1745
<i>EMISSIONI OBBLIGAZIONARIE SWAP TV</i>	0,05%	1,11%	0,0071
<i>EMISSIONI OBBLIGAZIONARIE TF</i>	1,82%	2,93%	0,0088
<i>EMISSIONI SUBORDINATE TF</i>	2,42%	4,23%	0,009
<i>EMISSIONI OBBLIGAZIONARIE SWAP TF</i>	0,00%	0,00%	0
<i>PASSIVITA' SCAD. NON RIMB. REMUN.</i>	0,00%	1,24%	0,0053
<i>ALTRO</i>	0,00%	1,24%	0,0053

Table 3.4 : Banca Etica - ALM system

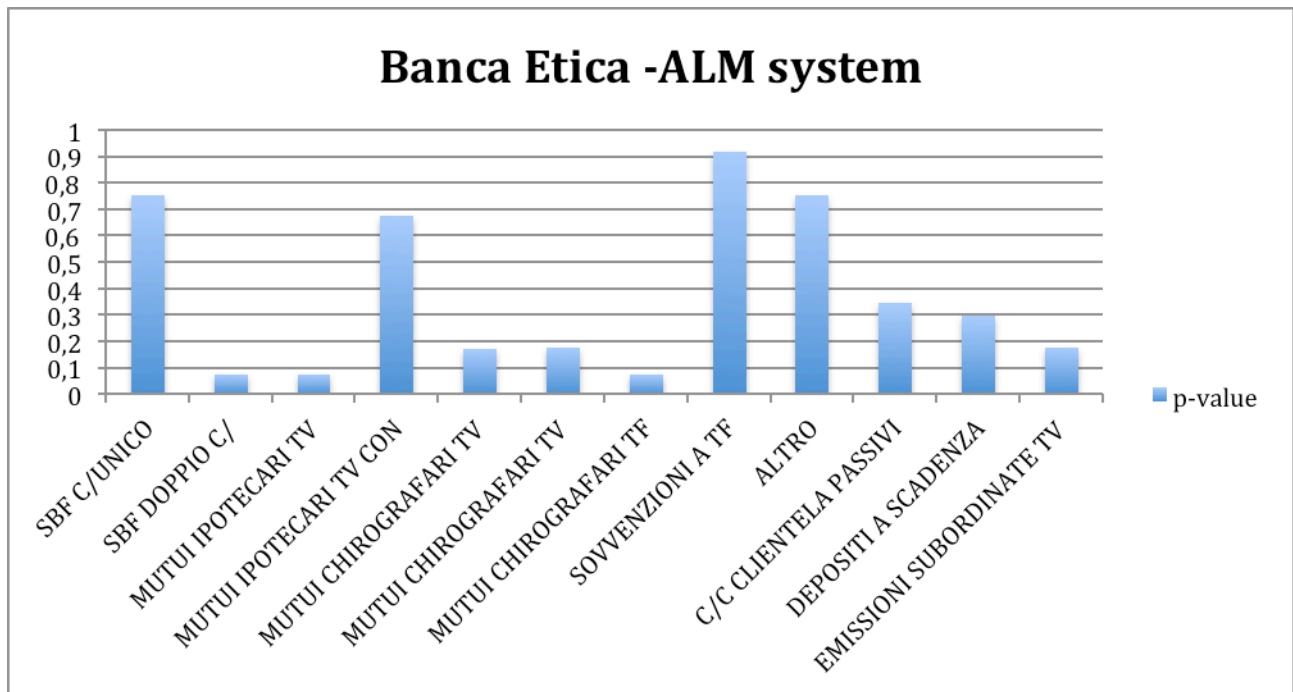


Figure 3.3: Variables with high p-values between Banca Etica and ALM system

For the variables that are represented in above figure we obtained p-values greater than 0,05, giving us an evident that Banca Etica does not perform in a more ethical way compared to cooperative banks in Italy.

In the table below we see the comparison between Banca Etica and cooperative banks that have the same dimensional size with Banca Etica. Looking carefully the table we note that Banca Etica seems to have adopted a more ethical behaviour respect to that of its competitors. Since, we have reject our null hypothesis for 22 out 34 variables.

Name of the bank	GRUPPO		P-VALUE
	BANCAETICA	GR2	
<i>C/C CLIENTELA ATTIVI INDICIZZATI</i>	3,00%	4,55%	0,009
<i>SBF C/UNICO INDICIZZATI</i>	3,20%	3,95%	0,0472
<i>SBF DOPPIO C/ INDICIZZATI</i>	3,17%	3,96%	0,0472
<i>C/C CLIENTELA ATTIVI</i>	5,81%	6,94%	0,0163
<i>SBF C/UNICO</i>	7,05%	6,78%	0,754
<i>SBF DOPPIO C/</i>	5,23%	5,79%	0,1161
<i>MUTUI IPOTECARI TV</i>	2,05%	2,53%	0,0758
<i>MUTUI IPOTECARI TV CON OPZIONE</i>	3,31%	3,30%	0,9163
<i>MUTUI IPOTECARI TF</i>	5,25%	4,80%	0,0088
<i>MUTUI IPOTECARI AMMINISTRATI</i>	0,00%	3,82%	0,0053
<i>MUTUI CHIROGRAFARI TV</i>	3,13%	3,23%	0,6004
<i>MUTUI CHIROGRAFARI TV CON OPZIONE</i>	3,90%	4,13%	0,3472

<i>MUTUI CHIROGRAFARI TF</i>	4,92%	5,22%	0,0758
<i>MUTUI CHIROGRAFARI AMMINISTRATI</i>	0,00%	4,55%	0,0053
<i>SCONTO EFFETTI</i>	0,00%	4,10%	0,0186
<i>SOVVENZIONI A TF</i>	3,20%	3,54%	0,754
<i>SOVVENZIONI A TV</i>	0,00%	3,84%	0,0053
<i>ALTRO</i>	3,20%	3,67%	0,6752
<i>C/C CLIENTELA PASSIVI INDICIZZATI</i>	0,49%	0,77%	0,2506
<i>DEPOSITI A RISPARMIO INDICIZZATI</i>	0,36%	0,74%	0,0445
<i>C/C CLIENTELA PASSIVI</i>	0,08%	0,72%	0,009
<i>DEPOSITI A RISPARMIO</i>	0,24%	0,70%	0,009
<i>DEPOSITI A SCADENZA COMPLESSIVI</i>	1,46%	2,04%	0,2506
<i>PCT CLIENTELA PASSIVI</i>	1,04%	1,96%	0,0283
<i>CERTIFICATI DI DEPOSITO TV</i>	0,45%	1,22%	0,0163
<i>CERTIFICATI DI DEPOSITO TF</i>	1,32%	2,03%	0,0465
<i>EMISSIONI OBBLIGAZIONARIE TV</i>	0,43%	1,30%	0,0472
<i>EMISSIONI SUBORDINATE TV</i>	1,85%	2,28%	0,2506
<i>EMISSIONI OBBLIGAZIONARIE SWAP TV</i>	0,05%	1,22%	0,0069
<i>EMISSIONI OBBLIGAZIONARIE TF</i>	1,82%	2,84%	0,0088
<i>EMISSIONI SUBORDINATE TF</i>	2,42%	4,03%	0,009
<i>EMISSIONI OBBLIGAZIONARIE SWAP TF</i>	0,00%	0,00%	0
<i>PASSIVITA' SCAD. NON RIMB. REMUN.</i>	0,00%	1,32%	0,0053
<i>ALTRO</i>	0,00%	1,32%	0,0053

Table 3.5: Banca Etica –Gruppo GR2

However, for the variables that are represented in figure 3.5, we obtained a p-value greater than 0,05. It means that we accept our null hypothesis, that Banca Etica has not a more ethical behaviour compared to banks that are in the same dimensional class.

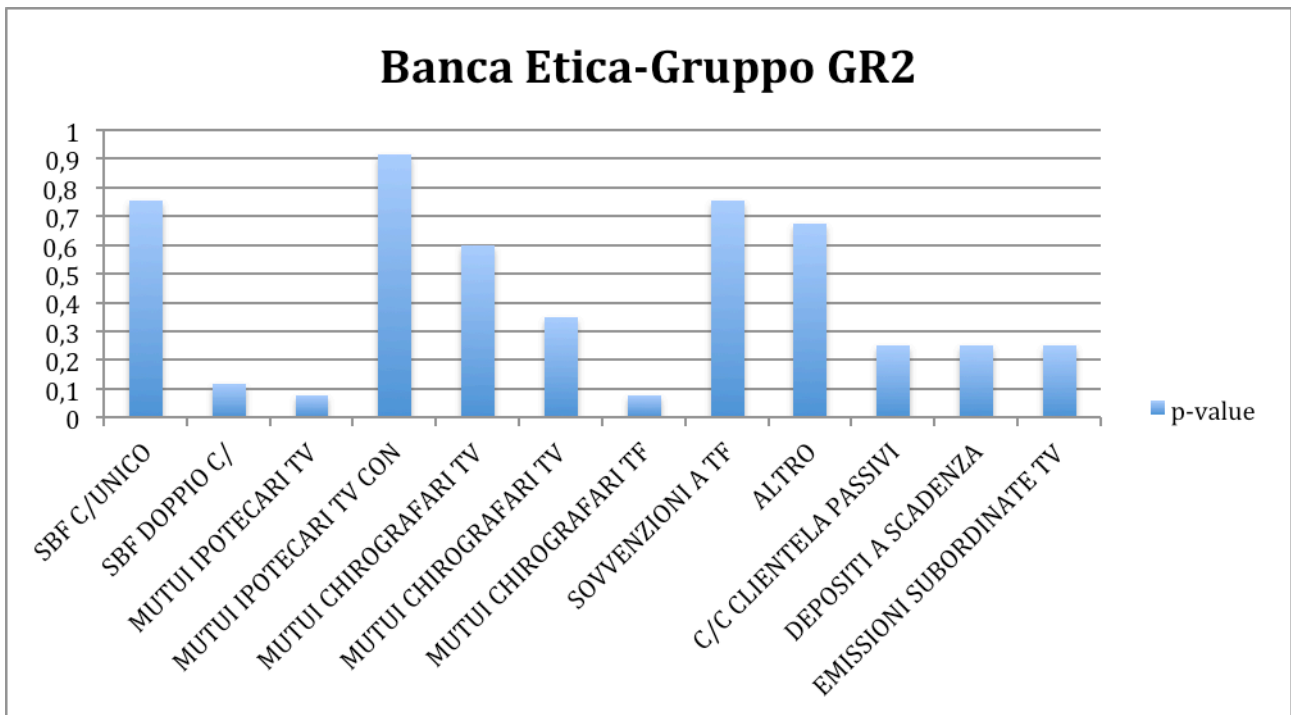


Figure 3.4: Variables with high p-values between Banca Etica and Gruppo GR2

So far from our analysis we see that in the majority of cases with 65% we reject our null hypothesis and we accept the fact that Banca Etica has adopted a more ethical behaviour compared to that of its competitors. The fact that Banca Etica seems to have a more ethical attitude than that of its competitors does not prove that it is committed to a truly ethical behaviour. At this point, arises the question if Banca Etica is a really Ethical bank.

We suppose that an Ethical bank should lend money with lower interest rates from a bank which is not ethical and at the same time the interest rates paid to depositors are lower as well. So, we have to put emphasis on the comparison between the interest rates applied on loans that are granted and not granted, and on the interest rates that are paid to depositors.

In fact, in the table below we have underlined those values for which the interest rates applied on loans and paid to depositors are the lowest.

Name of the bank	MEAN BE	MEAN ALM VENETO	MEAN ALM N.E	MEAN ALM	MEAN GRUPPO GR2
C/C CLIENTELA ATTIVI INDICIZZATI	3,00%	4,57%	4,37%	4,72%	4,55%
SBF C/UNICO INDICIZZATI	3,20%	4,12%	3,79%	4,07%	3,95%
SBF DOPPIO C/ INDICIZZATI	3,17%	4,08%	3,84%	4,11%	3,96%
C/C CLIENTELA ATTIVI	5,81%	7,19%	6,30%	6,95%	6,94%
SBF C/UNICO	7,05%	7,31%	6,79%	6,81%	6,78%
SBF DOPPIO C/	5,23%	6,12%	5,82%	6,04%	5,79%
MUTUI IPOTECARI TV	2,05%	2,43%	2,66%	2,75%	2,53%
MUTUI IPOTECARI TV CON OPZIONE	3,31%	3,20%	3,32%	3,31%	3,30%
MUTUI IPOTECARI TF	5,25%	4,75%	4,45%	4,86%	4,80%
MUTUI IPOTECARI AMMINISTRATI	0,00%	4,62%	4,51%	4,24%	3,82%
MUTUI CHIROGRAFARI TV	3,13%	3,67%	3,26%	3,44%	3,23%
MUTUI CHIROGRAFARI TV CON OPZIONE	3,90%	4,26%	4,00%	4,05%	4,13%
MUTUI CHIROGRAFARI TF	4,92%	5,14%	4,52%	5,27%	5,22%
MUTUI CHIROGRAFARI AMMINISTRATI	0,00%	5,12%	4,88%	4,67%	4,55%
SCONTO EFFETTI	0,00%	3,63%	3,45%	4,33%	4,10%
SOVVENZIONI A TF	3,20%	3,68%	3,28%	3,36%	3,54%
SOVVENZIONI A TV	0,00%	4,22%	4,20%	4,14%	3,84%
ALTRO	3,20%	3,74%	3,56%	3,67%	3,67%
C/C CLIENTELA PASSIVI INDICIZZATI	0,49%	0,75%	0,79%	0,76%	0,77%
DEPOSITI A RISPARMIO INDICIZZATI	0,36%	1,00%	0,88%	0,88%	0,74%
C/C CLIENTELA PASSIVI	0,08%	0,78%	0,80%	0,81%	0,72%
DEPOSITI A RISPARMIO	0,24%	0,71%	0,73%	0,78%	0,70%
DEPOSITI A SCADENZA COMPLESSIVI	1,46%	2,06%	1,98%	1,98%	2,04%
PCT CLIENTELA PASSIVI	1,04%	1,99%	1,92%	2,03%	1,96%
CERTIFICATI DI DEPOSITO TV	0,45%	1,37%	1,38%	1,50%	1,22%
CERTIFICATI DI DEPOSITO TF	1,32%	2,16%	2,00%	2,18%	2,03%
EMISSIONI OBBLIGAZIONARIE TV	0,43%	1,33%	1,26%	1,38%	1,30%
EMISSIONI SUBORDINATE TV	1,85%	2,08%	1,97%	2,11%	2,28%
EMISSIONI OBBLIGAZIONARIE SWAP TV	0,05%	0,92%	1,03%	1,11%	1,22%
EMISSIONI OBBLIGAZIONARIE TF	1,82%	2,86%	2,87%	2,93%	2,84%
EMISSIONI SUBORDINATE TF	2,42%	3,97%	4,21%	4,23%	4,03%
EMISSIONI OBBLIGAZIONARIE SWAP TF	0,00%	0,00%	0,00%	0,00%	0,00%
PASSIVITA' SCAD. NON RIMB. REMUN.	0,00%	0,61%	0,96%	1,24%	1,32%
ALTRO	0,00%	0,61%	0,96%	1,24%	1,32%

Table 3.6: Comparison between Banca Etica-Competitors

When it comes to the interest rates applied on granted loans with floating rates, Banca Etica has the lowest one, which is 2,05%. It also results the lowest interest rate applied on not granted loan with floating rate of 3,13% compared to other cooperative banks.

However, this analysis brings out that when it comes to the granted loans with fixed rate Banca Etica has the highest one. It has an interest rate of 5.25%, whereas we see that there are cooperative

banks in the region of Northeast of Italy which have applied a lower interest rate on the granted loans, a fixed rate of 4,45%. The same results arising if we note the interest rates applied on loans that are not granted with floating rates between Banca Etica and it's competitors. In fact, we see that Banca Etica has applied the lowest interest rate on loans that are not granted respected to its competitors, with a floating rate of 3,13%. On the other hand Banca Etica has applied the highest interest rates on not granted loans, with fixed interest rate of 4,92%. We see that there are cooperative banks in the region of Northeast of Italy that maybe from this point of view have a more ethical behaviour, as they have applied a lower fixed interest rate on loans that are not granted, a fixed interest rate of 4,52%. To understand better this approach we can see the figure below:

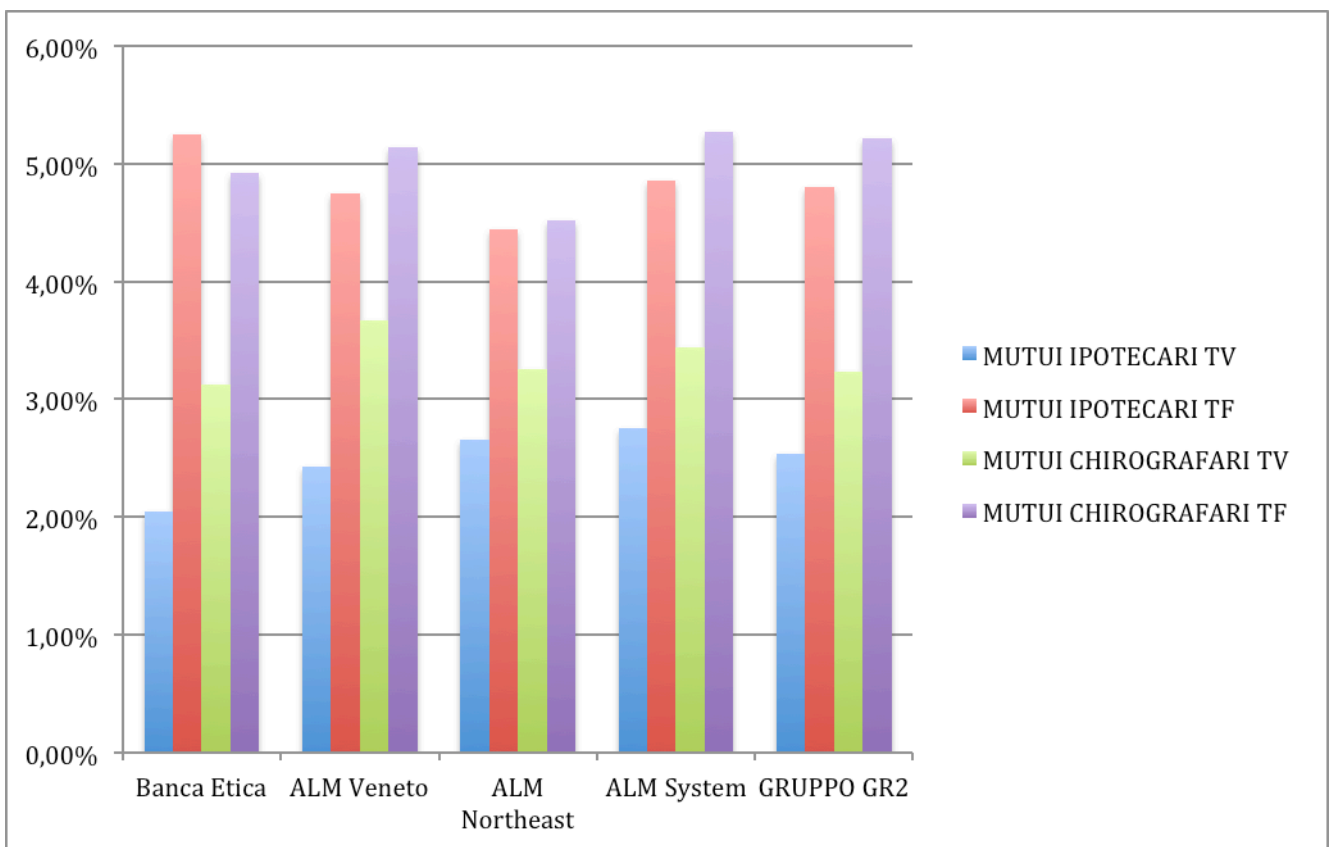


Figure 3.5: Differences on the interest rates applied on loans between Banca Etica-Competitors

In fact, we see that Banca Etica has applied the highest interest rates on loans that are granted (Mutui Ipotecari TF). On loans that are not granted (Mutui Chirografari TF) the interest rates applied are high, compared to it's competitors in Northeast of Italy.

However, in the figure below we see that Banca Etica compared to its competitors has applied the lowest interest rates paid to depositors.

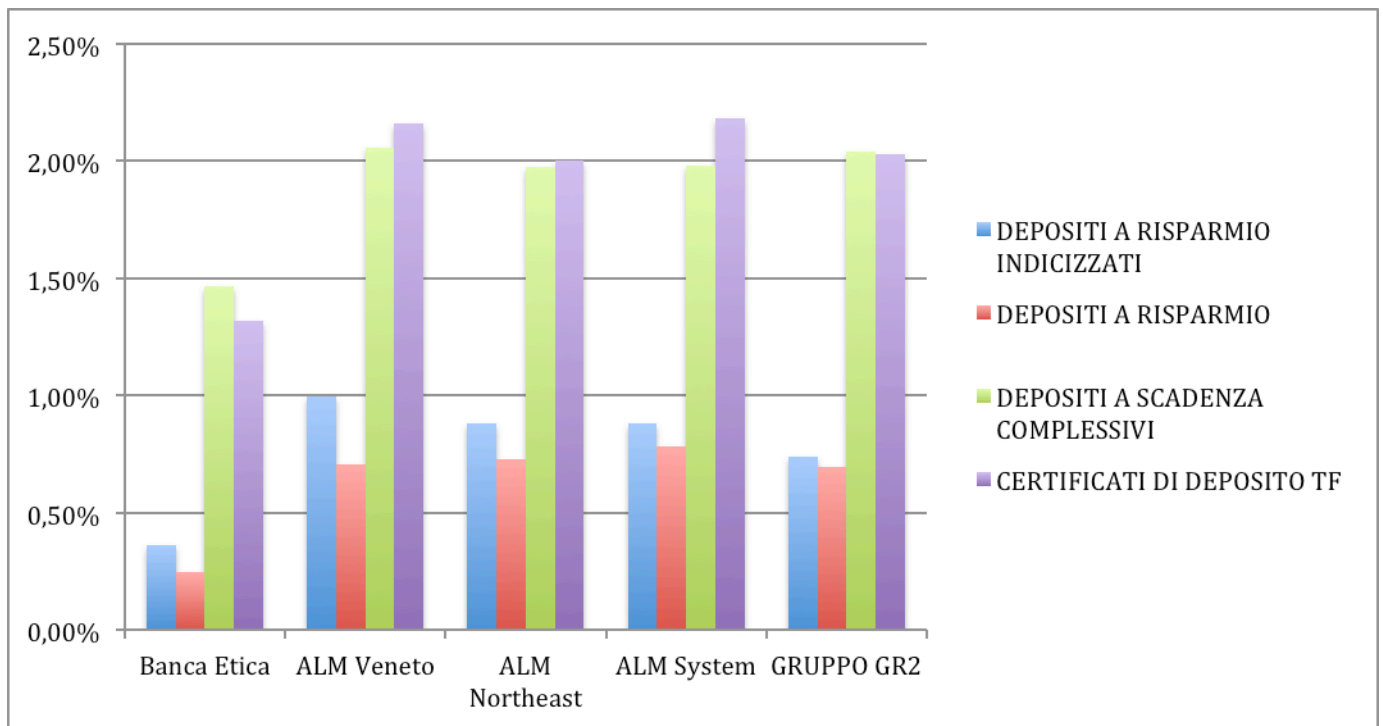


Figure 3.6: Differences on interest rates paid to depositors between Banca Etica - competitors.

3.3 INTERPRETATION OF RESULTS

The objective of the above analysis was to show if Banca Etica could be considered a really ethical bank both from theoretical and statistical point of view.

In fact, we see that comparing Banca Etica to others cooperative banks in the region of Veneto, in the region of Northeast and in the whole Italy, from a first approach it seems that Banca Etica has a more ethical behaviour than that of its competitors. Then, we took into account the fact that an Ethical bank should lend money in lower interest rates than those of its competitors and at the same time the interest rates paid to depositors should be lower as well. In this case we saw that this state is satisfied only partial, in the sense that the interest rates paid to depositors are lower respected to interest rates applied by its competitors. But, when it comes the interest rates applied on loans we

saw that there are other cooperative banks which from this point of view, perhaps they have a more ethical behaviour.

All of these statistical results must be considered preliminary, and the type of analysis reported here does not yield the most rigorous conclusions.

Our results are, of course, limited by our data and methodology, and are certainly stronger in some respects than in others. However, tying our empirical results back to the more general discussion proceeding them, it seems reasonable to conclude that Banca Etica respected to other cooperative banks which operate in the region of Veneto and Northeast, seems to have adopted a more ethical behaviour. Of course, the fact that Banca Etica performs in a more ethical way does not yield that is committed to a truly ethical behaviour from a statistical point of view.

We hope that what we have said goes some way towards making sense of the territory of ethics in banking and provides some helpful signposts for the way ahead.

CONCLUSIONS

The idea of the dissertation topic emerged from the recognition that Corporate Social Responsibility is not a dream state but a reality concern. The objective of this study is the reader to understand the significance of the concept of Corporate Social Responsibility. From the examination of this concept, we can reach the following conclusions. Firstly, the relationship between corporations and society should be a relationship take and give, they take from society in order to accomplish long run success and at the same time they have to give to society. The balance between society and corporations is the first characteristic of their relationship in order to avoid the environmental pollution and corruption, and to operate as corporate citizens. Nowadays, not to act socially responsible is negatively rewarded and no company can afford to incur the risk of being labeled an irresponsible member of society(Matthias S. Fifka). So, CSR clearly is the business of business. The term itself, undoubtedly carries an ethical component. Today more than ever, ethical considerations are vitally important to the efficient functioning of individual businesses and entire economies.

During the second chapter we put emphasis on the social responsible investments and how they can be profitable not only in terms of profit but also in terms of environment. We examined the meaning of Ethical banking. Under the change climate scenarios, the contribution of banks in sustainability is more necessary than ever. Our case study is referred to Banca Etica which has many characteristics of socially responsible investments and has adopted the principles of sustainable banking through focusing simultaneously on people, planet and prosperity. One of the fundamental characteristics of Banca Etica is shareholders supremacy. All shareholders of the bank have the same power regardless of the number of shares owned. It is based on the preceding principle "one person, one vote." The Manager of Banca Etica, Cesare Vitali mentioned those characteristics which conformed with the literature and promote the ethical finance, proving that from a theoretical point of view Banca Etica is what its name would suggest: Ethical.

In order to conclude this study properly, we decided to prove if Banca Etica is really ethical from statistical point of view. In fact, after the statistical analysis that we did during the last chapter we found some evidence that from a first approach on this topic, the majority of results shows us that between Banca Etica and other cooperative banks in the region of Veneto, the region of Northeast and cooperative banks that are in the same dimensional class, seems that Banca Etica has a more ethical behaviour. In spite of the limitations of this investigation and the need for additional

research, the results of this analysis are encouraging because the existence of “ethics” in the sector of business proves that ethics matters.

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