

ETHICAL AND SUSTAINABLE FINANCE IN EUROPE (R4)



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ETHICAL and SUSTAINABLE FINANCE IN EUROPE

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Abstract

This document is part of the project "Financial Literacy for Inclusion" Financed by the Erasmus plus program. The document serves as a comprehensive research effort, presenting an original and systematic investigation aimed at advancing our understanding of ethical and sustainable finance in the European context. Within these pages lies a valuable resource for gaining deeper insights into the role of banking and finance, and the complex interplay between social and ethical finance. Finance, which is inherently neutral, functions as a tool with the potential to either generate speculative outcomes that result in negative externalities, or to promote collective well-being that results in positive externalities. The current dilemma is that 'finance' has strayed from its fundamental purpose - to support and catalyse economic endeavour - and has instead infiltrated the social and democratic spheres. This research has a twofold objective: 1. Uncover the essence of ethical finance, while conducting a groundbreaking comparison of ethical and sustainable banks across Europe. 2. To highlight the importance of ethical awareness in financial matters and to explain how the choices made by financial institutions can significantly influence various facets of our tangible economy.

Together, the project consortium has undertaken an in-depth analysis of ethical and sustainable finance in Europe, based on the following priorities

- Clarifying the meaning of ethical finance.
- Explaining the concept of sustainable finance.
- Creating a comprehensive map of distinctive ethical banks across Europe, based on common criteria.
- Curate a collection of case studies and examples from Europe that highlight ethical and sustainable finance. The document is thoughtfully organised into 6 sections, each providing a snapshot of a particular country. Each country snapshot carefully addresses seven key dimensions:

- Deconstructing the term ethical finance to identify any localised definitions.
- Unpack the essence of sustainable finance.
- Delve into the meticulous mapping of Europe's different ethical banks, underpinned by consistent criteria.
- Scrutinise national legislation on sustainable finance and ethics.
- A dive into the world of the Sustainable Finance Disclosure Regulation (SFDR).
- Case studies and/or Best practices in Europe concerning ethic and sustainability finance.
- Relevant Bibliography on the Topic of Ethic Finance.

In essence, this document is a comprehensive exploration designed to enhance our understanding of ethical and sustainable finance in Europe, bringing together a wealth of insights and analysis to promote a deeper understanding of its implications and potential transformations.

1 An European Overview - EU SNAPSHOT

1.1 Ethic finance meaning

In Europe, ethical finance is a transformative approach to financial activities that generates positive social and environmental impacts. It supports social economy projects, foster local partnerships, promote development, and endorse international solidarity. Ethical finance organisations aim to generate a positive impact on fund collection and utilisation. These organisations invest in areas such as organic farming, renewable energies, the non-profit sector, and fair trade, addressing the needs of those excluded from traditional banking.

Ethical finance redirects the focus of financial activities towards initiatives that prioritise social and environmental well-being. It channels citizens' savings into transparent financial products that emphasise solidarity, such as cooperative shares, savings accounts, and life insurance policies. These investments contribute to the creation of a fair, inclusive, and sustainable society. Ethical finance institutions not only provide funding but also offer support through ancillary activities to maximise the success of the supported projects.

The European Union actively promotes sustainability and ethical finance through initiatives like the EU Sustainable Finance Action Plan. This plan aligns financial systems with environmental, social, and governance (ESG) factors, encouraging sustainable investments. Regulations such as the EU Taxonomy Regulation and the Sustainable Finance Disclosure Regulation (SFDR) further foster ethical and sustainable finance practices across countries in the EU.

1.2 Sustainability finance meaning

Sustainable finance in Europe refers to the integration of sustainability and responsibility into investments decisions, taking a holistic approach that extends the concept of profit maximisation.

One key difference between ethical finance and sustainable finance lies in their guiding principles. Ethical finance prioritizes maximising societal and environmental benefits, while sustainable finance, if not rooted in strong principles, risks being reduced to a competitive or marketing factor. Sustainable finance aims to address a wide range of impacts beyond the financial system's worst consequences, such as instability, crises, short-term objectives, tax evasion, and speculative instruments.

Initially, sustainability finance placed greater emphasis on the environmental dimension, reflecting the simplicity of reporting and the immediate need for action. However, ongoing efforts are being made to incorporate social and governance aspects comprehensively, recognizing that sustainability should be approached in a holistic manner.

Sustainable finance in Europe not only seeks to maximize positive societal and environmental outcomes but also promotes long-term stability, responsible investment practices, and a broader consideration of the interconnectedness of economic, social, and environmental factors. By integrating sustainability into investment decisions, it strives to create a more resilient and inclusive financial system that supports the well-being of both present and future generations.

1.3 Mapping specific ethic Banks in Europe

Definition of Ethic Bank in EU

An ethical bank, often referred to as a social, alternative, civic, or sustainable bank, is a financial institution that places importance on the social and environmental consequences of its lending and investment activities. These banks are part of the broader ethical banking movement, which encompasses ethical investment, impact investment, socially responsible investment, corporate social responsibility, and is closely connected to realities such as fair trade, ethical consumerism, and social enterprise. Ethical banks strive to support projects and businesses that have positive social and environmental impacts, aligning their practices with the principles of sustainability and responsible finance.

Criteria to be defined Ethic Bank in EU

According to FEBEA – the European Federation of Ethical and Alternative Banks and Financiers – the distinctive elements of an ethical bank are:

- **ROLE:** An ethical bank plays a crucial role in promoting the common good by providing accessible credit for cultural, social and environmental initiatives. Moreover, it raises public awareness about the limitations of a profit-focused, short-term economic model and emphasise the importance of considering broader societal impacts in financial decisions.
- **ORIGIN OF MONEY:** The financial resources are channelled towards socially responsible and environmentally sustainable initiatives, ensuring a clean and transparent financial system. Indeed, an ethical bank relies on customer savings generated from real economy activities, rejecting funds derived from illegal sources, criminal organizations, arms industry, highly polluting sectors, and undeclared money
- **DESTINATION OF MONEY:** An ethical bank establishes partnerships with customers, evaluate projects based on detailed criteria encompassing economic, social, and environmental aspects, maintain a low risk level, avoid financing controversial sectors (e.g., tobacco, gambling), and prioritise support for self-employment, entrepreneurship, women, and youth through microcredit and microfinance. It also operates locally and internationally with a commitment to international solidarity
- **CRITERIA AND VALUES FOR THE USE OF MONEY:** Transparent management of investments is ensured, allowing customers to participate in decision-making. Loans granted by an ethical bank are limited to a maximum of 15% of its own funds and consider personal or social guarantees alongside collateral. An ethical bank avoids setting up subsidiaries in countries with high financial discretion, prioritises transparent financial practices, and refuses undeclared money and tax havens. It prioritises long-term, real economy support, refrains from speculation, derivatives, and trading activities, and generates profits primarily through loan interest
- **CONDITIONS FOR BANK MANAGEMENT:** Credit service to people is prioritised. Fair profits are generated, and remuneration limits may be set, with many profits reinvested in social objectives. Transparency, particularly towards customers, is valued, encompassing money origin, use, credit, and business management. An ethical bank operates with a sustainable development perspective, guided by Corporate Social Responsibility (CSR) principles. Wage ratios are limited, and employee salaries are annually disclosed. Lastly, an ethical bank cannot be controlled by a modern banking corporation shareholder to maintain its ethical status

List of the Ethic Banks in EU

- APS Bank (Malta) – <https://www.apsbank.com.mt/>

- APS Bank is a prominent financial institution in Malta that has been serving the community since 1910. It offers a wide range of banking services to individuals, businesses, and corporate clients. APS Bank is committed to ethical and responsible banking practices, focusing on the well-being of its customers and the sustainable development of the local economy. With a customer-centric approach, the bank provides personalized solutions and innovative financial products tailored to meet the diverse needs of its clients. APS Bank places great emphasis on building long-term relationships, fostering trust, and contributing to the social and economic progress of Malta. APS is an active member of FEBEA - The European Federation of Ethical and Alternative Banks and Financiers.

- Cooperative Bank of Karditsa (Greece) – <https://www.bankofkarditsa.com.gr/en/>

The Cooperative Bank of Karditsa began its operation as a Credit Cooperative Organization in 1994 and evolved into a Credit Institution in 1998. The Bank was created by the contribution of institutions and citizens of the Prefecture of Karditsa, contributing to its development, while in recent years, we have been active throughout the country, supporting farmers, small and medium enterprises, professionals, energy companies. As a member of FEBEA, the main approach revolves around the individual and the business as axes, to support their development needs. It focusses on vulnerable social groups such as refugees, immigrants, young people, single-parent families, etc. through flexible banking products, services and partnerships that meet their needs.

- Crédal (Belgium) – <https://www.credal.be/>

Crédal, a Belgian alternative financing cooperative established in 1984, aims to create a fairer society and enhance social cohesion. It offers savings products, credit, and counseling to support social projects. With 2,673 partners, primarily individuals, Crédal focuses on solidarity finance, including socio-professional inclusion, fair trade, cooperatives, and support for medical organizations and the homeless. Additionally, Crédal provides professional and personal microcredit to self-employed individuals and low-income individuals for various needs. As a founding member of FEBEA, it actively participates in the European network promoting ethical finance.

- Ekobanken (Sweden) – <https://internetbanken.ekobanken.se/en/>

Ekobanken is an ethical bank that encourages active participation and the promotion of individual initiative. It contributes to the enrichment of society by supporting diverse forms of care, education, and artistic expression. By investing money in ecologically, socially, culturally, and financially sustainable initiatives, Ekobanken aims to foster a more sustainable society. The bank primarily provides loans to businesses that generate social, environmental, or cultural value. Furthermore, Ekobanken publishes all loans and credits to businesses annually, inspiring others to take meaningful action and emphasizing the contextual significance of money.

- GLS Bank (Germany) – <https://www.gls.de/privatkunden/english-portrait/>

GLS Bank is a German ethical bank that operates with a clear focus on sustainability and social responsibility. Founded in 1974, it offers a range of financial services and products, including banking, investments, and loans, with a commitment to promoting positive change in society and the environment. GLS Bank uses its customers' money to support projects and organizations that align with its values, such as renewable energy, organic farming, social initiatives, and cultural projects. Transparency, fairness, and community engagement are key principles of GLS Bank, making it a leading institution for individuals and businesses seeking ethical and sustainable banking solutions in Germany.

- Hefboom (Belgium) – <https://hefboom.be/>

Hefboom is a well-established cooperative organization based in Belgium, specializing in social economy and sustainable finance. Since its founding in 1985, Hefboom has been dedicated to supporting and promoting social and sustainable initiatives through financial services, consulting, and expertise. The organization offers a range of financial products such as loans, guarantees, and investments to social enterprises, non-profit organizations, cooperatives, and other impact-driven ventures. Hefboom plays a vital role in the development and growth of the social economy sector in Belgium, providing tailored financial solutions and fostering a supportive ecosystem for social innovation and entrepreneurship. Through its activities, Hefboom contributes to creating a more inclusive, equitable, and environmentally conscious society.

- Magnet Bank (Hungary) – <https://www.magnetbank.hu/en>

Magnet Bank is a Hungarian financial institution that focuses on digital banking services and sustainable finance. As an innovative online bank, Magnet Bank offers a wide range of banking products and services to individuals, businesses, and organisations. With a strong emphasis on sustainability, the bank is committed to promoting environmentally friendly practices and responsible financial solutions. Magnet Bank aims to provide convenient and accessible banking experiences through its digital platform, making banking services more efficient and user-friendly. By combining technology with a sustainable approach, Magnet Bank strives to contribute to the development of a greener and more socially responsible economy in Hungary.

- Merkur Cooperative Bank (Denmark) – <https://merkur.dk/privat/artikler/english/>

Merkur Cooperative Bank is a Danish bank that has been a pioneer in sustainable development and social responsibility since 1982. They provide traditional banking services along with a strong commitment to sustainability. Merkur offers financial advice and financing to individuals and businesses, focusing on sustainable production and cultural/social institutions. They are known for their transparency and public availability of their criteria and guidelines. Merkur is part of the Global Alliance for Banking on Values (GABV), a network of over 50 banks worldwide that promote alternative business models for a more sustainable economy.

- Oikocredit (Netherlands) – <https://www.oikocredit.coop/en/>

Oikocredit is a Dutch cooperative that focuses on providing finance to organisations that have a positive social impact. Established in 1975, Oikocredit operates as a social investor, offering loans, equity investments, and credit guarantees to projects and enterprises in developing countries. Their investments cover various sectors including agriculture, renewable energy, microfinance, and fair trade. Oikocredit aims to contribute to sustainable development and alleviate poverty by supporting businesses that prioritize social inclusion, environmental sustainability, and economic empowerment.

- Tise (Poland) – <https://tise.pl/en/>

TISE (Social and Economic Investment Company) is a Polish financial institution that provides loans to micro, small, and medium enterprises, as well as social economy entities. Established in 1991, TISE is fully owned by Crédit Coopératif, a renowned French bank with a long history of financing social economy projects. TISE primarily focuses on providing loans to SMEs and NGOs, utilising funds from various EU programmes aimed at supporting small businesses and the social economy. As a founding member of the European Federation of Ethical and Alternative Banks, TISE upholds high standards of conduct outlined in its Code of Ethics while supporting local projects and fostering social impact.

- Triodos Bank (Netherlands) – <https://www.triodos.com/en>

Triodos Bank is a leading sustainable bank that goes beyond traditional banking. With a mission to make money work for positive change, Triodos Bank has been promoting social, environmental, and cultural well-being since 1980. By financing companies focused on people, the environment, and culture, Triodos Bank ensures that its customers' money is used responsibly. Transparency and excellence are key values, and it constantly strives to provide high-quality products and services. With clearly defined criteria, Triodos Bank connects savers and investors with sustainable entrepreneurs and organisations in sectors such as nature, environment, social business, culture, and welfare.

- UmweltBank (Germany) – <https://www.umweltbank.de/>

UmweltBank is a leading German bank dedicated to environmental and sustainable financing. Founded in 1997, the bank focuses exclusively on funding projects that contribute to environmental protection, renewable energy, and climate mitigation. UmweltBank offers tailored financial solutions for solar and wind energy projects, energy-efficient buildings, organic agriculture, sustainable mobility, and ecological businesses. With a commitment to transparency and impact, UmweltBank ensures that its investments align with strict environmental criteria and actively contributes to the transition to a greener economy in Germany and beyond.

1.4 Sustainable Finance Disclosure Regulation – SFDR

The Taxonomy for Sustainable Finance legislation (13 July 2020) The Sustainable Finance Disclosure Regulation (SFDR – <https://eur-lex.europa.eu/legal-content/EN>) is an EU regulation published by the European Commission in 2019. It came into effect in March 2021, with the aim of enhancing transparency and providing standardised disclosure requirements for financial market participants and financial advisors regarding the sustainability of their investments.

The SFDR is part of the EU's broader sustainable finance agenda and supports the EU's commitment to sustainable development and combating climate change. It aligns with international initiatives such as the Paris Agreement and the United Nations Sustainable Development Goals.

The regulation sets out a framework for financial market participants to disclose information about how they integrate environmental, social, and governance (ESG) factors into their investment processes. It requires them to disclose specific details about their sustainability policies, the consideration of adverse sustainability impacts, and the promotion of environmental or social characteristics in their investment decisions.

It also introduces various disclosure requirements, including mandatory precontractual and periodic reporting on sustainability-related matters. It aims to provide investors with consistent and comparable information to make informed decisions and promote sustainable investments.

1.5 Case studies and/or Best practices in Europe concerning ethic and sustainability finance

- FEBEA – European Federation of Ethical and Alternative Banks and Financiers – <https://febea.org/>

FEBEA is an association that represents and promotes ethical and alternative banks and financial institutions in Europe. It was founded in 2001 and serves as a platform for collaboration, exchange of initiatives and practices, and advocacy for the development of ethical finance.

Its mission is to promote a financial system that prioritises social, environmental, and cultural objectives, alongside economic sustainability. Its members include a diverse range of ethical banks, cooperative banks, microfinance institutions, and other financial actors committed to responsible finance.

FEBEA works to raise awareness about the values and benefits of ethical finance, supporting its members in implementing sustainable and inclusive financial practices. The association advocates for policy changes that foster the growth of ethical finance, promoting transparency, accountability, and fair regulations in the sector.

Through FEBEA, members can collaborate on joint initiatives, share knowledge and expertise, and participate in research and capacity-building activities. The association also facilitates networking opportunities and promotes the exchange of ideas and experiences among its members.

FEBEA plays an important role in representing the interests of ethical and alternative financial institutions at the European level. It engages with policymakers, regulators, and other stakeholders to shape the development of a more sustainable and socially responsible financial sector in Europe.

- GABV – Global Alliance for Banking on Values – <https://www.gabv.org/>

The Global Alliance for Banking on Values (GABV) is a worldwide network of independent banks that prioritise using finance to drive sustainable economic, social, and environmental development.

Established in 2009, the GABV comprises pioneering banks from diverse countries, united by their belief in a more equitable financial system.

With a vision of finance serving the needs of people and the planet, their mission is to advance values-based banking practices that foster social equity, address the climate emergency, and achieve genuine and lasting prosperity for all.

Operating as a dynamic movement of innovative leaders in sustainable finance, the GABV upholds the core values of integrity, human dignity, and environmental protection. Through leading by example and supporting others, they actively work to transform the banking and finance industry at local, national, and global levels.

- Nasdaq Sustainable Bond Network – <https://www.nasdaq.com/solutions/nasdaq-sustainable-bond-network-investors>

The Nasdaq Sustainable Bond Network is a platform designed to provide transparency and facilitate the growth of the sustainable bond market. It represents as a comprehensive source of information for investors, issuers, and other market participants interested in sustainable bonds.

The network focuses on promoting sustainable finance by showcasing green, social, and sustainability bonds issued by companies and organisations around the world. These bonds are specifically dedicated to funding projects with positive environmental or social impacts, such as renewable energy, clean transportation, affordable housing, and healthcare initiatives.

The Nasdaq Sustainable Bond Network offers a centralised database that provides detailed information on sustainable bonds, including their issuance size, maturity, use of proceeds, and impact reporting. It enables investors to access comprehensive data and assess the sustainability performance of bonds, facilitating informed investment decisions aligned with their ESG (Environmental, Social, and Governance) criteria.

By providing this dedicated platform, Nasdaq aims to accelerate the growth of the sustainable finance market, promote transparency and standardisation, and facilitate capital flows towards projects that contribute to a more sustainable and inclusive world.

- e-MFP – European Microfinance Platform – <https://www.e-mfp.eu/>

The European Microfinance Platform (e-MFP) is a network and platform that brings together organisations and individuals working in the field of microfinance and financial inclusion. It was established in 2006 and serves as a hub for knowledge sharing, collaboration, and advocacy in the microfinance sector.

The e-MFP promotes dialogue and exchange of ideas among its members, which include microfinance institutions, investors, consultants, researchers, and other stakeholders. It organizes conferences, workshops, and webinars, providing a space for practitioners to share initiatives, practices, discuss challenges, and explore innovative solutions in the field of microfinance.

The e-MFP works towards building a more inclusive and sustainable financial sector. It focuses on specific thematic areas such as rural finance, responsible finance, green finance, digital financial services, and social performance management. It also advocates for policies and regulations that support inclusive financial systems and promote financial access for underserved populations.

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Andrea Baranes, FEBEA Board member and Vice President of Banca Etica. “Ethical Finance: Much More Than Sustainable”. FEBEA, Dec 9, 2023 <https://febea.org/ethical-finance-much-more-than-sustainable-2/>

This article explains the main differences between Ethical Finance and Sustainable Finance. It also reasons why Ethical Finance cannot be applied on just one product and Sustainability should not be just environmental.

Eila Kreivi, Chief Sustainable Finance Advisor at the EIB. “What is sustainable finance?”. European Investment Bank, Apr 3, 2023 <https://www.eib.org/en/stories/what-is-sustainable-finance>

This article is presented as an EIB article in response to the question what sustainable finance is. It deals with and gives answers to the following questions: Why should people keep sustainability in mind even when dealing with the issues of expensive food and the energy crisis? How did the pandemic and the war in Ukraine affect sustainable finance? What are the benefits of sustainable finance at a time of economic and energy crisis? How do we make clear to people who don't see sustainability as an essential issue that this is an important topic? What other benefits do people in the European Union get who decide to try to be more sustainable? Are any new EU regulations aimed at sustainable finance planned for the medium and long term?

Elisa Giuliani, Mauro Meggiolaro, Leone Di Stefano, Alba Crespo Rubio, Marco Piccolo. “Ethical and Sustainable Finance in Europe”. Fourth report. Fondazione finanza-etica. 2021

<https://finanzaetica.info/wp-content/uploads/2021/09/4th-Report-EN.pdf>

In this 4th Report, the focus is on the evolution of ethical finance and its contribution to changing the mainstream financial culture. It highlights the differences between ethical finance and traditional banking, using objective criteria that encompass economic strength, social and environmental impacts. It also explores the role of ethical finance in countering the effects of the pandemic and emphasizes the importance of reflecting on the desired world and relationships, rather than solely relying on numerical analysis.

e-MFP. “European Microfinance Platform”. 2023. Accessed Jun 6, 2023 <https://www.emfp.eu/> See best practices (point 1.5) for reference

EMN. “European Microfinance Network”. 2023. Accessed Jun 6, 2023 <https://www.european-microfinance.org/about> See best practices (point 1.5) for reference

ESMA. “Sustainable Finance”. 2023. Accessed Jun 6, 2023 <https://www.esma.europa.eu/esmas-activities/sustainable-finance>

In this section of the ESMA website, the role and the activities of ESMA – the European Securities and Markets Authorities – are showed. It is also presented the ESMA Strategy on Sustainable Finance, a strategy to take account of sustainable business models and integrate ESG factors across the main activity areas of single rulebook, supervisory convergence, direct supervision and risk assessment.

European Commission. “Overview of sustainable finance”. 2023. Accessed Jun 6, 2023

[urly.it/3wsz9](https://ec.europa.eu/finance/urly.it/3wsz9)

This website section represents an overview of the sustainable finance provided by the European Commission, with the following sub-sections: What is sustainable finance? Why is sustainable finance important? Policy making timeline Commission experts’ groups on sustainable finance The EU sustainable finance framework

FEBEA. “Charter of the Annual General Meeting”. 2015

https://febea.org/wp-content/uploads/2020/12/febea_charter_eng1.pdf

This charter has the ambitious to give a definition of “Ethical Bank” based on the following criteria: Role of an ethical bank Origin of money Destination of money Criteria and values for the use of money Conditions for bank management

FEBEA. “FEBEA Position Paper on the EU Sustainable Finance Strategy”. June 25, 2021 <https://febea.org/febea-position-paper-on-the-eu-sustainable-finance-strategy/>

This publication represents the position paper of the European Federation of Ethic and Alternative Banks and Financiers regarding the EU Sustainable Finance Strategy, by delivering 8 proposals and recommendations for this latter.

FEBEA. “Your Money, Your Choice”. 2023. Accessed Jun 6, 2023 <https://febea.org/ethical-finance/>

This section of the FEBEA website shows information regarding the ethical finance, with the following structure and subtitles: Ethical finance: what is it? Where does it come from? Raison d’etre How? Which services does ethical finance offer? For whom?

GABV. “Global Alliance for Banking on Values”. 2023. Accessed Jun 6, 2023 <https://www.gabv.org/> See best practices (point 6) for reference

Marianne Hayes. “What Is Ethical Finance?”. Experian, Jan 28, 2023

[urly.it/3wswx](https://www.experian.com/urly.it/3wswx)

This article starts with a brief description of what ethical finance is and then addresses the following themes, into the relevant sections: What Does Ethical Finance Means? How to Find Ethical Financial Products Challenges of Supporting Ethical Financial Companies

Matteo Cavallito, Emanuele Isonio, Mauro Meggiolaro, Andrea Baranes. “Ethical and Sustainable Finance in Europe”. Second report. Fondazione finanzaetica. 2019

https://base.socioeco.org/docs/2019_ethical_and_sustainable_finance_in_europe_eng.pdf

This report reflects on the traditional financial system’s short-sighted speculation following Lehman Brothers’ collapse. It highlights the growth of socially responsible investment funds, engaged shareholding, and ethical banks, awaiting legislation to incentivize

further expansion in the United States and the European Union.

Matteo Cavallito, Emanuele Isonio, Mauro Meggiolaro, Alba Crespo Rubio, Marco Piccolo. “Ethical and Sustainable Finance in Europe”. Third report. Fondazione finanza etica. 2020

<https://finanzaetica.info/wp-content/uploads/2020/02/2020-RAPPORTO-EN.pdf>

This report examines top managers’ compensation schemes and the contrasting approaches of mainstream financial institutions and ethical banks. It also acknowledges the 50-year commitment of responsible shareholders advocating for better choices benefiting employees, society, and the environment during annual general meetings.

Nasdaq. “Nasdaq Sustainable Bond Network”. 2023. Accessed Jun 6, 2023

<https://www.nasdaq.com/solutions/nasdaq-sustainable-bond-network-investors>

See best practices (point 6) for reference

Sara Garcia Martin. “The Evolution of Ethical Finance in Europe”. FEBEA, Dec 9, 2021 <https://febea.org/ethical-finance-in-europe-today/>

This newspaper article is part of the FEBEA blog and shows how ethical banks in Europe are no longer a small niche. It also deals with the contribution of ethical finance in the pandemic era and its support to the real economy.

The World Bank. “Sustainable Finance”. Aug 5, 2021

<https://www.worldbank.org/en/topic/financialsector/brief/sustainable-finance>

This article briefly defines what sustainable finance is and presents the contributions and several initiatives of the World Bank’s team on sustainable finance, such as: The Global Programme on Sustainability The Sovereign ESG Data Portal Climate Support Facility IFC Edge J-CAP

Ugo Biggeri, Mauro Meggiolaro, Daniel Sorrosal, Leone Di Stefano, Barbara Setti, Andrea Baranes, Marco Piccolo. “Ethical finance in Europe”. Fifth report. Fondazione finanza etica, FEBEA. 2022 <https://febea.org/wp-content/uploads/2023/04/QUINTORAPPORTO-EN.pdf>

This report challenges the EU’s definition of sustainability, criticising the inclusion of gas and nuclear power and emphasising the finite supply of uranium. It calls for clear definitions and a stronger approach to redirect capital flows towards ethical finance and the real economy. Urgent action against climate change and sustainable development goals is crucial, highlighting the need to avoid greenwashing and prioritise immediate change.

2 IN FRANCE

2.1 Ethic finance meaning

Ethical finance in France is a concept that aims to promote financial practices that take into account social, environmental and ethical criteria. It is based on principles of transparency, fairness and responsibility. The financial products offered by ethical finance players are selected according to strict criteria, aimed at favoring sustainable, environmentally-friendly projects, as well as companies that respect human rights and social standards. Ethical finance players in France include banks, credit unions, institutional investors and socially responsible investment funds.

2.2 Sustainability finance meaning

Sustainable finance in France can be defined as a set of financial practices that take environmental, social and governance (ESG) issues into account when making investment decisions. It aims to encourage companies to adopt sustainable practices and promote the transition to a more environmentally and socially responsible economy. In France, sustainable finance is encouraged by initiatives such as the law on energy transition for green growth and the action plan for business growth and transformation (PACTE).

2.3 Mapping specific ethic Banks

Definition of Ethic Bank

Ethical bank, also known as social bank or alternative bank, is a group of financial entities whose products are not exclusively conditioned by the criterion of maximum profit. In some cases, they also have an internal structure based on cooperative participation.

Criteria to be defined Ethic Bank The main characteristics of an ethical bank are: the financing of projects with a positive impact, contributing to the development of the social and solidarity economy. Transparency, by making all loans public and making citizens aware of how their money is used.

List of the Ethic Banks:

- Helios: Helios is a French green bank based between Paris and Nantes, created in March 2020. It is associated with Solarisbank, a German bank, which is also partnered with Vivid Money. But Helios' deposits are isolated from the German bank's overall balance sheet, enabling them to trace and ensure that every euro is invested in a project supporting the ecological transition. Their observation is simple: the money you leave on deposit with traditional banks is in fact used to finance highly polluting projects. <https://www.helios.do/>

- OnlyOne: Onlyone's founders are French entrepreneurs with backgrounds in banking and tech. In 2018, they came together around a common mission: to put banking back at the heart of the social and environmental issues of our time. Onlyone donates all fees collected to EcoTree, a French forest management company that protects biodiversity, notably by installing beehives and flowering hedges. So, with every purchase you make with your card, you plant trees and protect the ecosystem of French forests, without spending a penny more. <https://onlyonecard.eu/>

- Monabanq: Monabanq is proud of its autonomy, as the company is not listed on the stock exchange, and its main priority is customer satisfaction. . <https://www.monabanq.com/fr/index.html>

2.4 National legislation on sustainable finance and ethics

Socially responsible investment (SRI) covers investment practices that integrate sustainable development criteria into the management of financial assets, with the aim of encouraging companies to respect these criteria in their business models, including in their relations with their economic partners. In its principle, philosophy and implementation, socially responsible investment can therefore be seen as both a financing mechanism for the ecological transition and a factor in accelerating the transformation of production and consumption patterns, by choosing to finance only the most virtuous companies in terms of sustainable development. It appears to be one of the levers that can be activated to encourage companies to adopt advanced corporate social responsibility practices. To encourage the development of this type of management, the public authorities in France have put in place an incentive legal framework. The financial sector is committed to the ecological and energy transition. The challenge is to direct public and private financial flows so that they are compatible with the climate objectives of the Paris Agreement. France's Ministry of Ecological Transition is initiating and contributing to the reorientation of investments in favor of the ecological and energy transition through its action on green finance.

2.5 Case studies and/or Best practices in France concerning ethic and sustainability finance

- Solidarity finance

Solidarity finance is a component of sustainable finance, as it promotes the interests of the community over the long term. Solidarity finance covers all initiatives and regulations aimed at facilitating the financing of projects designed to combat exclusion and improve social cohesion. In concrete terms, solidarity-based finance makes it possible to finance projects or investments that would not be financed by conventional financial channels because they are not sufficiently profitable.

- Finansol label

The Finansol label is a private label created in 1997 to enable savers to distinguish solidarity investments (including funds, but not exclusively) from other financial products. It is managed by the FAIR association, the result of a merger between Finansol and Impact Invest Lab. Awarded by an independent committee, the Finansol label identifies investments that contribute to financing the social and solidarity economy (SSE) sector, which includes activities that generate social and/or environmental benefits.

References

- Ministère de la transition écologique, Finance verte, Site du gouvernement, 2019

<https://www.ecologie.gouv.fr/finance-verte>

- Ministère de la transition écologique, L'investissement socialement responsable, Site du gouvernement, 2019

<https://www.ecologie.gouv.fr/linvestissement-socialement-responsable>

These two pages from the French government's website set out the legal framework and political plans for developing ecologically-oriented finance in France.

- Pablo Winant, La Finance éthique, Regards croisés sur l'économie, 2008
<https://www.cairn.info/revue-regards-croises-sur-l-economie-2008-1-page-84.htm>

This article provides conceptual definitions of ethical finance, and describes the sub-groups that constitute ethical finance. It also gives the example of the highly developed American model of investment in ethical funds.

- Quel rôle donner à l'éthique dans le fonctionnement de la finance ?, Institut pour l'Education Financière du Public, 2022 <https://www.lafinancepourtous.com/decryptages/>

The mission of this French website is to popularize key financial concepts. It is funded by the French Ministry of Education, and provides keys to understanding the ethical dimension of finance

3 IN ITALY

3.1 Ethic finance meaning

In Italy, the general understanding of ethical finance aligns with the global principles and practices of responsible investing, which includes accountability and ethical behaviours. It encompasses financial activities and investment strategies that consider not only financial returns but also social, environmental, and governance factors. It involves allocating capital to companies, organisations, and projects that promote sustainability, social responsibility, and good governance practices. The key principles guiding ethical finance in Italy include the so-called ESG factors, as follows:

Environmental Considerations (E): Ethical finance emphasises investing in activities that mitigate climate change, endorse renewable energy, safeguard natural resources, and protect the environment. This involves backing projects that foster sustainable development and have a favourable environmental impact

Social Impact (S): Ethical finance aims to support investments that contribute to social well-being and address social challenges. This entails supporting companies and initiatives that promote fair labour practices, gender equality, human rights, and community development

Governance (G) and Transparency: Ethical finance emphasises investing in companies that uphold strong governance practices, including transparency, accountability, and ethical business conduct. This encompasses evaluating the company’s management practices, board diversity, and overall corporate governance structure

3.2 Sustainability finance meaning

In the Italian context, sustainable finance is commonly referred to as responsible finance, being the application of the concept of sustainable development triggered by financial activity. It involves making financial investments that prioritise sustainability. This means investing in companies that actively make sustainable business choices, aligning themselves with the principles outlined in the Action Plan for sustainable finance, published by the European Commission in 2018, and the UN Global Compact on human rights, labour standards, environmental protection and anti-corruption. Sustainable finance is also in support for the achievement of the goals of the UN 2030 Agenda for Sustainable Development and the Paris Agreement on Climate Change.

While ethical finance is certainly also sustainable and responsible, the opposite case might not be necessarily true. Take, for example, a company that operates with full respect for workers and the environment – hence is sustainable and responsible – but operates within a very controversial sector such as armaments or tobacco. In this case, it is precisely the type of business that raises ethical questions, going beyond the consideration of sustainability alone as responsibility.

3.3 Mapping specific ethic Banks

Definition of Ethic Bank

“A banking institution that operates on the monetary–financial market with aims inspired, in its intention, by moral values considered superior, by civil values corresponding to the common feeling of the place where it is based, by a model of sustainable human and social development. The ethic bank performs the traditional function of a credit institution, collecting savings from customers, which is then invested

in remunerative productive and financial activities, but in compliance with the ethical and social content of the investment, which differs between ethical banks”. Source: <https://www.treccani.it/enciclopedia/banca-etica>

Criteria to be defined Ethic Bank

On 21 January 2023, the Italian Ministry of Economics introduced a regulation outlining the criteria for achieving the status of “ethic bank”. The status of ethic bank comes with tax benefits, hence the incentive from a business perspective to operate in a “ethic” regime. To be recognised as an ethical and sustainable bank, the following requirements must be met:

- Requests for loans / financial support from an ethic bank should go through a “strict” assessment of their socio–environmental impact, based on established ethical rating standards. For instance, loans provided to entities engaged in activities violating human rights, causing serious environmental damage, or relying solely on non–renewable energy sources surely will not meet these standards
- The bank must disclose information about loans to legal entities and the disbursement criteria in an annual report published on their website, in compliance with data privacy regulations
- A minimum of 20% of loans must be granted to social enterprises meeting specific criteria outlined in the regulation
- Profits, management leftovers, and reserves should not be distributed to shareholders, or personnel, but rather reinvested in the bank’s own operations
- The governance structure must meet certain characteristics, such as having more than 200 shareholders and preventing any shareholder with more than a 10% stake from exercising voting rights
- In addition to the Bank of Italy’s rules on policies, remuneration, and inducements, appropriate remuneration policies should ensure that the highest compensation within the bank does not exceed five times the average compensation

Banks that fulfil these requirements will be eligible for a tax benefit allowing them to deduct 75% of the sums allocated to equity increase (up to the annual expenditure limit set in Article 111–bis, paragraph 3, of the TUB, currently set at €1 million) when preparing their financial statements for the year.

List of the Ethic Banks:

- Gruppo Banca Etica – <https://www.bancaetica.it/gruppo-banca-etica/> The Banking Group of Banca Etica consists of Banca Etica, Etica Sgr, CreSud, and offers complementary financial services to promote cultural, environmental, and social development

- Banca Etica SCpA – <https://www.bancaetica.it/about-us/> The parent company, Banca Etica SCpA, is an independent cooperative owned by more than 45,000 people and member organisations that have chosen ethical finance to put their savings and investments at the service of the protection of the planet and people’s rights. In other words, Banca Etica is a credit institution, established as a joint-stock cooperative society, specialised in ethical and alternative finance (ethical banking). It was founded in Padua in 1999 and has a share capital of €88.620.787,50 and direct deposits of €2.521.000.000. Etica Sgr – <https://www.eticasgr.com/en>

- Etica sgr is the asset management company of the Banca Etica Group, the only one in Italy that exclusively places ethical mutual funds since 2000. It deals with ethical finance and responsible ESG investments, being pioneers in ethical finance. With its mutual funds, Etica sgr aims to add value to clients' savings by investing only in sectors and companies that meet certain criteria of environmental protection, human rights and good corporate governance
- CreSud SpA – <https://www.cresud.it/> CreSud is a joint stock company established in Milan in 1999 to offer financial resources, financial and assistance services to Microfinance Organisations, Fair Trade and Sustainable Producers, Cooperatives, Networks, Associations and NGOs in Latin America, Africa and Asia. Joining the Banca Etica Group in 2019, CreSud now works on microfinance projects in the Global South, collaborating with local banks to promote the development of territories. CreSud is also a founding member of the European Microfinance Platform (e-MFP) and the Ethical Banking Association. It is also a member of Finance Alliance for Sustainable Trade, the Italian Microfinance Network (RITMI) and the World Fair Trade Organisation (WFTO). Cresud's mission is to promote access to credit for people normally excluded from local financial systems and to facilitate the growth of sustainable economies through ethical savings and socially responsible investment choices.

- MAG Mutua per l'Autogestione cooperativa sociale – <https://magverona.it/> MAG, the Mutual Society for Self-Management, was founded in Verona in 1978, following Italy's growing self-management experiences in industry, agriculture, and services. It promotes ethical finance and solidarity by redirecting private funds towards social and mutual activities. MAG operates as a Mutual Aid Society, in compliance with the 1886 law (Law No. 3818 of 15 April 1886 – concerning the legal personality of Mutual Aid Societies) which is still relevant for nowadays' operations. Through its Service Center, MAG supports and promotes self-managed entities like Mutual Cooperative Enterprises, Business Associations, Community Foundations, and Non-Profit Organizations. It offers orientation, professional training, entrepreneurial services, and microfinance.

MAG is connected to around 400 permanent businesses operating in sectors such as organic agriculture, social services, artisanal production, fair trade, and more. Over 900 social enterprises have been supported by MAG. Since 2005, MAG has provided microcredit through a dedicated desk, assisting individuals and microenterprises facing poverty situations which are typically excluded from the traditional banking system. MAG established the LUES (Free University of Social Economy) in 2005 under the Equal program.

3.4 National legislation on sustainable finance and ethics

In this section we present the main legislative sources regulating Ethical and Sustainable Finance in Italy:

- Article 111bis Banking Act (D.lgs. 1 settembre 1993, n. 385) [updated to 25/08/2021] about ethical and sustainable finance This article introduces the definition of Ethical and Sustainable Finance into Italian legislation. The article specifies the criteria that banks must meet. These criteria are innovative not only within the Italian context but also in the European and international arenas. To be considered operators of ethical and sustainable finance, among other things, banks must evaluate financing based on social and environmental criteria, ensure full transparency, finance the third sector for at least 20%, maintain a maximum-to-average remuneration ratio not exceeding five, and more.

- The law 8 November 2018 This law established the National Fund for Sustainable Finance and defined the modalities of financing sustainable development projects.
- The Legislative Decree No. 254, enacted on December 30, 2016, is a law in Italy that promotes responsible finance and protects investments in the public interest. It implements the European Directive 2014/95/EU on the disclosure of non-financial and diversity information by certain large companies and groups.

The decree applies to public interest entities, which are companies that meet specific size requirements. It mandates that these entities disclose non-financial information in their management reports. The information should cover environmental, social, and employee-related aspects, respect for human rights, anti-corruption efforts, and relationships with local communities.

The main objective of this law is to enhance transparency and reporting by companies regarding their non-financial impacts. It enables investors and other stakeholders to better assess the social and environmental impacts of corporate activities.

- Legislative Decree No 209 of 4 October 2022: Regulation implementing Article 111-bis of Legislative Decree No 385 of 1 September 1993, as amended by Law No 385 of 11 December 2016, No 232, on the regulation of ethical and sustainable finance bank operators.

This decree represents the implementing regulation to make the legislation based on Article 111-bis of the Consolidated Banking Laws, mentioned earlier, operational.

The recent decree, based on Article 111-bis of the Consolidated Banking and Credit Laws, has introduced a series of fundamental requirements for banks wishing to adopt ethical and sustainable financial practices. The new regulations cover various aspects, including loan evaluation, transparency in information, allocation of a portion of the credit portfolio to non-profit organizations, reinvestment of profits, and adoption of democratic governance. Additionally, a tax exemption of 75% has been introduced on funds intended for the capital increase of banks operating in the ethical and sustainable financial sector. The implementation directives will be issued by the Minister of Economy and Finance, taking into account a public cost limit of 1 million euros per year starting from 2017.

3.5 Case studies and/or Best practices in Italy concerning ethic and sustainability finance

- Produzioni dal Basso - <https://www.produzionidalbasso.com/>

Produzioni dal Basso: is the first Italian online crowdfunding platform established in 2004 with the mission to provide digital services to support fundraising for initiatives and projects promoted by civil society with the aim of generating a positive impact in the social, cultural and environmental areas. Crowdfunding is a method of raising funds for a project, venture, or cause by collecting small contributions from a large number of people, typically through an online platform. It enables individuals, organizations, and businesses to access financial support and bring their ideas to life.

In the case of Produzioni dal Basso, the platform enables the promotion of projects that have a particular value in terms of positive impact on communities and the environment. Produzioni dal Basso deals with two specific types of crowdfunding: donation and reward.

“A platform for everyone”, this is the main feature of Produzioni dal Basso, which from the very beginning decided on a ‘no filters’ policy, so that everyone had the opportunity to organise their own fundraising campaign, regardless of the number of followers on social

media (at the time still not widespread), the quality of the presentation video or the chances of success of the project.

- Sbilanciamoci! - <https://sbilanciamoci.info/>

Sbilanciamoci! Since 1999, the Sbilanciamoci! Campaign has brought together 51 organisations and networks of Italian civil society committed to the issues of public spending and economic policy alternatives with the perspective of ethical finance. Sbilanciamoci! has produced so far many initiatives, analysis tools and proposals for action, with the aim of building an economy based on the principles of economic and social justice, environmental sustainability, peace and solidarity.

Among the various analyses and proposals on financial policies, the one concerning investment funds related to complementary pension welfare is worth mentioning here.

According to a survey carried out by the Forum per la Finanza Sostenibile (which can be consulted in the 2019 annual report), and addressed to operators dealing with pension funds (both negotiated and open-ended pension funds), it emerges that in Italy, out of every 10 euros invested in pension funds, only 1 euro is used to guide or encourage a process of social, environmental and organisational reconversion. The survey concludes that on the basis of the responses received and those operators that didn't reply at all, only 23% of the assets invested in complementary pension funds are managed according to ESG criteria, i.e. environmental, social and governance factors. The report therefore underlines how aligning complementary pension investments with ESG parameters would be a great opportunity for redistribution and for more social and environmental justice thanks to the additional jobs that could be created and the CO2 that could be saved.

- Valori - <https://valori.it/>

Valori.it is an Italian editorial hub specialising in the topics of ethical finance and sustainable economy. Valori is the newspaper owned by Fondazione Finanza Etica and promoted by Banca Etica and Etica Sgr. Since 2002, the editorial staff of Valori has been carrying out investigations and reports to bring people closer to the world of finance and economics. Topics that are often considered 'complex', are translated into comprehensible terms, because the quality of life, of the environment, of our communities are deeply connected to the choices that take place in companies and markets. Valori tries to turn the spotlight on the injustices of the economic system, highlight the local and global consequences of individual behaviour, and promote alternative experiences of social and sustainable economy.

Valori is also a mean of financial education: Italy is among the countries with the lowest levels of financial education in the world: "we believe in a critical, independent financial education, capable of putting people at the centre, not only as 'clients', but above all as citizens capable of grasping the non-economic consequences of economic actions" is the claim of Valori. The magazine is also available on social media to reach more people and share high-quality financial information in an accessible and entertaining way.

References

Baranes A., Biggieri U., Tracanzan A., Vago C., Villano D., "Non con i miei soldi! Manuale di autodifesa ed educazione critica alla finanza", Altreconomia edizioni, 2020;

"Non con I miei Soldi!" aims to provide everyone, savers, and citizens, with the tools to no longer be accomplices of the financial system. This book is a "school" that starts from financial ABCs, explaining the fundamentals of finance with clarity.

Biggieri U. Ferri G, Finanza Etica, Bologna, Il Mulino, 2021;

This book describes how ethical finance emerges, how it works, the objectives it sets, and the growth prospects within a theoretical framework, with extensive use of in-depth boxes.

Biggieri U., Bargu Cristina Diana, *I soldi danno la felicità*, Chiare Lettere, Milano, 2020; This Book is a simple and accessible guide for everyone to find the best way to use money, while being mindful of its impact not only on our lives but also on the lives of others and our planet. It emphasizes the importance of being aware and informed in order to make conscious financial choices.

Schioppi A., *La Finanza Sostenibile, un nuovo paradigma*, Tricase (LE), Youcanprint, 2022;

This is a book that tackles the emerging concept of sustainable finance and its role in changing the global financial landscape. The text explores how sustainable finance diverges from traditional profit-oriented finance and also focuses on environmental, social, and governance (ESG) aspects.

VV. AA., *Gli investimenti sostenibili in Italia Tendenze e prospettive di mercato*, Forum per la Finanza Sostenibile, 2021, <https://finanzasostenibile.it/wp-content/uploads/2021/11/Investimenti-sostenibili-Italia-WEB.pdf>

The book published by the Forum for Sustainable Finance in 2021, addresses the topic of sustainable investments specifically in the Italian context. The text analyses current trends and prospects of the sustainable investment market in Italy.

VV. AA., *Il manifesto della finanza etica*, Associazione Finanza Etica, 1998, <https://www.bancaetica.it/app/uploads/2022/01/Manifesto-Finanza-Etica.pdf>

The book published in 1998 by the Association for Ethical Finance, addresses the topic of ethical finance and promotes the fundamental principles and values of responsible finance. The text aims to define a vision and approach to finance that emphasizes sustainability, fairness, and positive social impact.

VV.AA. *La finanza Etica in Europa, quinto rapporto, 2022*, Fondazione Finanza Etica e Fundación Finanzas Éticas, le due fondazioni del Gruppo, in collaborazione con FEBEA, <https://finanzaetica.info/landing/quinto-rapporto-sulla-finanza-etica-e-sostenibile-in-europa/>

The report "Ethical Finance in Europe, fifth report," published in 2022 by the Fondazione Finanza Etica and the Fundación Finanzas Éticas, the two foundations of the Group, in collaboration with FEBEA (European Federation of Ethical and Alternative Banks), analyzes the state and development of ethical finance in Europe.

Messina A., *Previdenza e finanza sostenibile. Una pensione che guarda al future (anche del pianeta)*, Valori.it, 2020 <https://valori.it/previdenza-e-finanza-sostenibile/>

4 IN SPAIN

4.1 Ethic finance meaning

Ethical finance is an increasingly popular approach to financial decision-making that has gained traction in recent years. It recognizes the importance of incorporating environmental, social, and governance (ESG) factors into investment strategies, as these factors can have a significant impact on the long-term value of a company or project. By considering ESG factors, investors can identify risks and opportunities that traditional financial analysis may overlook, and make more informed decisions that take into account the potential impact on society and the environment. In Spain, ethical finance has become an integral part of the financial landscape. Many financial institutions, including banks, asset managers, and insurance companies, have adopted ESG criteria in their investment strategies and products. They recognize that incorporating ethical and sustainable considerations into their operations not only aligns with their values, but also helps to mitigate risks and drive long-term value creation. This trend is reflected in the growing demand for sustainable and responsible investment products. As the importance of ethical finance continues to grow, it is likely to play an increasingly important role in shaping the financial sector in Spain and beyond.

4.2 Sustainability finance meaning

Sustainability finance is a term that encompasses various financial approaches aimed at supporting sustainable development. It is a critical component of ethical finance and serves as an important tool for addressing environmental and social challenges. With a growing interest in sustainable finance, more and more financial institutions are recognizing the need to integrate sustainability into their investment and lending practices. This can involve offering sustainable investment products to their clients, implementing sustainability criteria into their credit assessment process, and promoting sustainability through their operations and partnerships. In Spain, this trend is visible with the rise of sustainable finance initiatives, such as green bonds, social impact investing, and sustainable funds. These initiatives have gained significant momentum in recent years, reflecting a growing recognition of the importance of sustainability in the financial sector.

4.3 Mapping specific ethic Banks

Criteria to be defined Ethic Bank

Ethical banks are financial institutions that prioritize social and environmental responsibility alongside financial profitability. In Europe, some of the most well-known ethical banks include Triodos Bank, GLS Bank, and Banca Etica. In Spain, there are several ethical banks that operate under different models and criteria. Some of the criteria used to define an ethical bank in Spain include transparency, social impact, and a commitment to sustainability.

List of the Ethic Banks:

- Triodos Bank is a Dutch-based ethical bank that has branches in Spain and other European countries. It focuses on financing sustainable projects and businesses and has a strong commitment to transparency and social impact. Triodos Bank has been

recognized as one of the most sustainable banks in the world and has received numerous awards for its ethical and sustainable practices. Website: <https://www.triodos.es/>

- Fiare Banca Etica is a cooperative bank that operates in Spain and Italy. It is committed to promoting social and environmental justice through its lending and investment activities. Fiare Banca Etica is one of the few banks in Spain that has obtained the B Corporation certification, which recognizes its commitment to social and environmental responsibility. Website: <https://www.fiarebancaetica.coop/>
- Coop57 is a cooperative financial institution that provides loans and investment capital to socially responsible projects and businesses. It is focused on promoting solidarity and sustainability and operates under a participatory and democratic model. Website: <https://www.coop57.coop/>
- Caixa d'Enginyers is a cooperative bank that operates in Catalonia and other regions of Spain. It has a strong commitment to social responsibility and sustainability and offers a range of sustainable investment options. Caixa d'Enginyers has been recognized for its commitment to sustainable finance and has received several awards for its ethical and sustainable practices. Website: <https://www.caixaenginyers.com/>

4.4 National legislation on sustainable finance and ethics

Spain has enacted several laws and regulations to promote sustainable finance and ethical investment. One of the most important pieces of legislation is Law 11/2018 on Non-Financial Information and Diversity, which requires large companies to disclose information on their environmental and social impact, as well as their governance practices. This law is aimed at promoting transparency and accountability in corporate decision-making and encouraging companies to adopt more sustainable practices. Another relevant regulation is the Royal Decree 18/2020 on the regulation of investment funds that incorporate social or environmental criteria. This regulation establishes guidelines for the integration of ESG criteria in investment funds and requires fund managers to disclose information on the ESG performance of their portfolios.

4.5 Case studies and/or Best practices in Spain concerning ethic and sustainability finance

- The Green Bond market - <https://www.climatebonds.net/market/data/>

The Green Bond market in Europe has emerged as a best practice example in sustainable finance. Green Bonds are a type of debt security issued by governments, banks, and companies to finance environmentally sustainable projects, including renewable energy, energy efficiency, and clean transportation. The market for Green Bonds has experienced exponential growth over the last decade. This growth can be attributed to increasing investor demand for sustainable investments and the development of standards and guidelines for Green Bond issuance. The Green Bond Principles, for example, provide a framework for issuers to disclose information on the use of proceeds, the environmental benefits of the projects financed, and the management of proceeds.

- The Social Impact Bond - <https://www.investopedia.com/terms/s/social-impact-bond.asp>

The Social Impact Bond (SIB) model is another best practice example of sustainable finance in Europe. SIBs are a type of financial instrument that uses private investment to fund social programs such as job training or homeless services. If the social intervention is successful, the investors receive a return on their investment, paid by the government

or other public entity that benefits from the social impact. The SIB model has been implemented in several European countries and has been praised for its potential to align financial and social goals and to bring new sources of funding to social programs. The model also allows public entities to fund social programs with no upfront costs and only pay for outcomes that have been achieved, thus transferring the risk to private investors. SIBs have demonstrated success in areas such as reducing recidivism rates in prisons and improving employment outcomes for disadvantaged youth.

References

San Jose Ruiz de Aguirre, L., Retolaza Ávalos, J. L. (2018). Análisis comparativo de la banca ética con la banca tradicional: Identificación de indicadores. *Revista de Economía Crítica*, (25), 45-60. This research paper compares ethical banking with traditional forms of funding organizations like banks, savings entities, and credit cooperatives. The authors define the fundamental characteristics of ethical banking, including social participation, transparent and professional management, ethical codes, and investment in socially valuable projects.

Ofiso. (2022). Informe Anual: La financiación sostenible en España. Retrieved from [urly.it/3wsxx](https://www.ofiso.es/3wsxx) The report covers topics such as green finance, social finance, and sustainable finance instruments, among others. It also provides information on the development of the Spanish sustainable finance market and its main players, as well as an overview of relevant legislation and regulatory frameworks in the field of sustainable finance in Spain.

Climent, F. (2018). Ethical Versus Conventional Banking: A Case Study. *Sustainability*, 10(7), 2152. <https://doi.org/10.3390/su10072152>

The article discusses ethical banking, its origin, and its main characteristics. The study aims to compare the profitability of ethical banking and conventional banking and identifies differences between the two types of banks using a comparative analysis of Triodos Bank and Banco Santander over four years (2012-2015).

Spanish Law 11/2018, of December 28, on non-financial information and diversity. Official State Gazette, no. 312, December 29, 2018, pp. 1-44. <https://www.boe.es/buscar/doc.php?id=BOE-A-2018-17989> Law 11/2018, of 28 December, which amends the Code of Commerce, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Auditing of Accounts, with regard to non-financial information and diversity.

Government of Spain. (2020). Royal Decree-Law 18/2020, of May 12, on social measures to protect employment. Official State Gazette, No. 136,243, 1-28. Retrieved from

<https://www.boe.es/buscar/act.php?id=BOE-A-2020-4959>

Royal Decree-Law 18/2020 of 12 May on social measures in defence of employment.

Organisation for Economic Co-operation and Development. (2015) Green bonds: Mobilising the debt capital markets for a low-carbon transition. Retrieved from [urly.it/3wsxw](https://www.oecd.org/3wsxw)

The report is about green bonds, which are debt instruments designed to finance climate-friendly projects. It examines the potential of green bonds to mobilize the debt capital markets for a low-carbon transition. The report provides a comprehensive overview of the market size, growth, and characteristics of green bonds.

La Torre, M., Trotta, A., Chiappini, H., Rizzello, A. (2019). Business Models for

Sustainable Finance: The Case Study of Social Impact Bonds. *Sustainability*, 11(7), 1887.

<https://doi.org/10.3390/su11071887>

The article focuses on the relevance of cross-sector partnerships for sustainability (CSPfS) in mitigating the failure of traditional business models for sustainability (BMfS). The study proposes an exploratory qualitative research method to understand social impact bonds (SIBs) within the framework of BMfS and how they vary across social sectors and geographical areas.

5 IN TURKEY

5.1 Ethic finance meaning

Ethics is one of the most critical and complex aspects of an organization, especially in areas such as finance. There is a “right” or a “wrong” associated with any human action based on the traditional ethics and business ethics of the organization.

Ethics in Finance in Turkey is about financial behavior or activities that are ethically right or wrong.

Business ethics followed by financial institutions, financial services or financial markets is an integral part of ethics in finance.

It is often used to describe finance that takes into account ethical sewage along with ESG (environmental, social and governance) factors of financial returns.

Fundamental Requirements of Financial or Business Ethics in Turkey are : 1. ESG 2. Green finance 3. Principles of Responsible Investment 4. Sharia-compliant finance 5. Sustainable finance 6. UN Global Compact 7. UN Sustainable Development Goals (SDGs)

5.2 Sustainability finance meaning

In Turkey , Sustainable finance is a concept used to improve the financial system to include environmental, social and governance (ESG) criteria. Considering these criteria while providing financing means that resources are provided in a sustainable way. Thus, it is aimed to transition to a sustainable economy by creating a more responsible financial system.

Thanks to sustainable finance, the necessary resources are provided to achieve the Sustainable Development Goals (SDGs) set forth by the United Nations. Developing banking and investment processes covering all sectors has an important place in the transition to a green and circular economy.

With the ESG (Environmental, Social and Governance) criteria developed in the field of sustainable finance, it is aimed to realize investments and loans by considering risks and opportunities in the most comprehensive way. Adapting to the changing commercial dynamics as a result of the risks focused on the climate crisis is possible with a risk management that attaches importance to the ESG criteria.

5.3 Mapping specific ethic Banks

Definition of Ethic Bank

Ethical banking aims to prevent the destructions caused by traditional banks and to make a difference with its transparent and accountable structure, such as where and for what purpose depositors' savings are used.

Criteria to be defined Ethic Bank

Criteria to be defined Bank ethic in Turkey:

- (a) Integrity: Stick to the principle of integrity in all their relations in the course of their operations; and
- (b) Neutrality: Departing from the basic principle of “Respect towards human underlies the success.”, do not ever discriminate among their employees and customers, and refrain from biased behaviors; and abstain from any discrimination of ethnical origin, religion, financial and social status, or sex in provision of their services; and

- (c) Reliability: Provide clear, understandable and accurate information to their customers within the frame of mutual trust in all their services and operations, and perform their customer services timely and completely; and
- (d) Transparency: Keep their customers clearly, understandably and frankly informed about their rights and obligations, and benefits and risks regarding the products and services offered to them; and before giving any product, service or advice, efficiently assess their customers and financial capacity, status and needs of their customers, and offer their products and services accordingly; and
- (e) Supervision of Public Benefits, and Respect to Environment: In all of their activities, do not only target profitability, but also take pains in supporting and sponsoring social and cultural events and activities in the light of the principles of supervision of public benefits and respect to environment; and
- (f) Fight against Laundering of Proceeds of Crime and Combat against Financing of Terrorism: Within the framework of international norms and national applicable laws and regulations, adopt it as an important principle to combat against laundering of proceeds of crime, corruption and similar other acts, and act willingly to cooperate with each other and with other relevant entities and organizations and concerned official authorities, and take the required actions in their own organization, and organize training programs for their personnel;and
- (g) Information Abuse: Take all kinds of measures and actions in order to prevent abuse of insider information of themselves and their customers.

List of the Ethic Banks:

- Albaraka Türk operates in compliance with the "Ethical Banking Principles" determined by the Turkish Participation Banking Association. It was founded in 1984 by pioneering interest-free banking in Turkey and began actively serving in 1985. Having founded under the guidance of the strong capital groups in the Middle East, Al Baraka Group B.S.C., Islamic Development Bank (IDB) and another industry group serving the Turkish economy for more than a half century, they continue operating in Turkey in compliance with the 5411 Banking Law. Ethical Principles of Albaraka Türk are prepared by taking Ethical Principles of the Participation Banks Association of Turkey Banking to gather and summarize principles the Board of Directors and all employees have to follow and the rules on working order. Website : <https://www.albaraka.com.tr/en/about-us/get-to-know-albaraka/about-albaraka>
- DenizBank works to ensure a bright future for its home country and society with various social responsibility efforts. The Bank provides support in strategic areas such as health, sports clubs, municipalities, shipping, tourism, energy, education, infrastructure and agriculture. DenizBank is also committed to meeting the needs of SMEs, who are at the heart of the nation's economy. The Bank continually develops innovative financing models to foster this key segment. Within the scope of the ethical principles it has adapted, DenizBank takes into account the following elements in its activities in order to protect the rights and interests of account owners, to ensure confidence and stability in financial markets, to ensure the effective operation of deposit, credit and payment systems, to prevent transactions and practices that may cause significant damage to the economy, as well as to look out for social benefits and the protection of the environment Website : <https://www.denizbank.com/en/about-denizbank>

5.4 National legislation on sustainable finance and ethics

ABOUT SUSTAINABLE FINANCE: - The Republic of Turkey has established “Sustainable Finance Framework” to support its sustainability commitments and to set out how it intends to raise Green, Social and Sustainable Financing Instruments. With this Framework, and any financing under this Framework that may follow, Turkey intends to contribute to the development of the Sustainable Financing market domestically as well as internationally. The Republic of Turkey use this Framework as the basis to issue Green, Social or Sustainability Bonds, Sukuks, Loans and other debt instruments (“Sustainable Financing Instruments”). The Republic of Turkey also believes that Sustainable Financing Instruments will improve its access to international finance to accelerate the sustainable transformation in Turkey. Under this Framework, the Republic of Turkey may issue 3 types of financing instruments: 1. Green Financing Instruments where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the Eligible Green Project categories.

2. Social Financing Instruments where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the Eligible Social Project categories.

3. Sustainability Financing Instruments where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within both Eligible Green and Social Project categories.

Such Sustainable Financing Instruments entered into under this Framework are standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.

ABOUT ETHICS : The ethical Banking principles are defined by the Bank Association of Turkey as THE CODE OF BANKING ETHICS. Its main Objective and Scope is defined in Article 1- The fundamental motive behind the banking ethics to apply to the procedures and transactions of the banks with each other and with their customers and shareholders, and as well as with other organizations is to ensure that the existing respect for the banking profession in the society is set on a permanent footing, to maintain and improve this social respect, called also as professional honor, and to maintain and protect the stability and trust in the banking sector. For the implementation of this Code “banks” term means the banks which are the members of the Banks Association of Turkey.

5.5 Case studies and/or Best practices in Turkey concerning ethic and sustainability finance

- Akbank’s activities in Sustainable Finance

· In the first half of 2021, they provided a total of 17 billion TL of sustainable financing. As in the last four years, they continue to provide 100% of the financing we have allocated for projects in the construction phase for renewable energy projects, while the ratio of renewable energy projects to our total energy production loan portfolio has reached a high rate of 84

· With the “Green Foreign Trade Package”, they offer advantages to our foreign trade customers who prioritize sustainability in their way of doing business. Thus, they support both the environment and our foreign trade customers.

· They have developed our “Transition to Low Carbon Economy” product to reduce the carbon footprint in all sectors, especially in carbon-intensive sectors.

During the pandemic process, they made the first Green Bill issuance in Turkey.

References

Author : Aysel Gündoğdu Year : 2018 Place : İstanbul

<https://isahlakidergisi.com/content/6-sayilar/22-11-cilt-2-sayi/m00113/gundogdu.pdf>

The aim of the study is to explain what ethical banking means, to examine ethical banks in the world and to explain their differences from traditional banking and to examine ethical banks in Turkey. to discuss the feasibility of banking.

Prepared by : Bank Association of Turkey Date : 23.07.2014 Place : İstanbul
urly.it/3wsya

Enlarging the banking system, increasing the quality of banking services, using resources in the best way, fair and honest competition between banks Based on the purposes of providing an environment for the banks and preventing unfair competition, the banks, both among themselves and with other institutions, as well as their customers, It is required to regulate its relations with its shareholders and employees in accordance with these Ethical Principles.

Prepared by : Birgül BOZKURT YAZAR Date : 2021 Place : Ankara , edition 1

<https://dergipark.org.tr/tr/download/article-file/1448497>

The report aims to to reveal the importance of principles and rules in terms of both independent audit and interest-free financial institutions professional ethics practices. It is thought that the study is important in that it draws attention to the importance of the ethical rules of the independent auditors during the professional practice.

Date : 2020 Prepared by : Borsa Istanbul

urly.it/3wsy-

Environmental, Social and Corporate Management (ESP) Factors reporting and Communication – Report about sustainable finance and ethic for companies.

6 CONCLUSION

The conclusions obtained from this analysis provide a valuable guide to understanding the current landscape of ethical and sustainable finance in the countries studied, both in terms of existing legislation and ongoing activities. The thorough mapping of existing ethical banking institutions has shed light on the different interpretations and practices in the sector. This document has proved to be an essential tool in clarifying the complex concepts of ethical and sustainable finance, thereby facilitating informed access to both the issues addressed and the banking institutions involved.

A tangible result of this collaborative effort is the creation of an important reference for those seeking a comprehensive overview of current practices and fundamental principles of ethical and sustainable finance. The analysis has shed light on exemplary practices, providing a wealth of information on virtuous models already in action. This resource is priceless for those wishing to deepen their knowledge and make informed decisions about their banking choices.

It is remarkable how the consortium of partners worked together autonomously and in synergy. The common framework provided a robust framework while allowing the necessary flexibility to adapt to the differences that exist in the different countries analysed. This combination of a unified approach and targeted customisation helped to capture the essence of each national situation and to produce a comprehensive and diverse analysis.

It is recognised that, while this work may not comprehensively capture all the nuances of the issue, it undeniably represents a significant contribution at European level. In this respect, the inclusion of a section providing an overview at the level of the European Union has been particularly valuable, providing a holistic view that reflects the network ability and synergies between different countries.

In conclusion, this document not only serves as a key reference point for understanding ethical and sustainable finance, but also underlines the scope for European cooperation in charting a path towards more responsible and socially beneficial financial practices. The information, analysis and best practices gathered provide a solid foundation on which to build a more sustainable and ethical financial future.

