

# World Sustainability Economy Forum Lille

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## SUSTAINABLE FINANCE

Deon Rossouw

# Economy and Responsibility

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## Economy and Ethics

- Economy in service of society
  - *“Reduction of misery and increase of happiness”*  
(Lord Hastings)
- Create wealth of nations and our world
  - Protect against threats
  - Promote development

# Economy and Responsibility

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## Economic and financial performance

- Financial performance does not equal economic performance
- Excellent financial performance can have disastrous economic consequences
  - GRI G3 guidelines: financial and economic performance

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“I must confess that I do not draw a sharp or any distinction between economics and ethics”

(Mahatma Ghandi)

# Financial Sector and Society

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- Responsibility starts with question:  
“What is the Role of Business in Society?”

## Business of Business is Business?

- Shareholder value maximization?
- Fragmentation that breaks down integrity
  - CEO of Electricity Company

# Financial Sector and Society

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Business of Business is Business

Versus

***“Business of Business is Fair Business”***

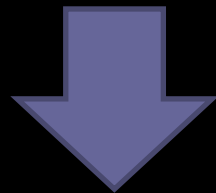
(Grupo Santander / Brazil)

- Impact on society
- Contribution to society
  - Grupo Bimbo (Mariscal) / Mexico

# Financial Sector and Society

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Profitability with  
Economic & Social & Environmental  
Responsibility



**Responsible Corporate Citizen of Society**

# Ambiguity of Money & Markets Negative

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- Irresponsible investment & speculation
- Fraudulent schemes
- Corruption and Bribery
  - 5% of global GDP (Trace International)
- Tax havens (secrecy regimes)
- Clean banks financing dirty project  
(Banktrack)

# Ambiguity of Money & Markets Positive

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## ■ Insurance

- Health (HIV) – La Mondiale / Renaudin
- Natural disasters (climate change)

## ■ Responsible investment

- Responsibility & Financial returns (BPCE)
  - Community development
  - Environmentally sound practices
  - Good governance

# Ambiguity of Money & Markets Positive

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- Poverty alleviation
  - Millennium Development Goals unattainable without Financial Sector
    - Job creation
    - Investment in economic growth
- Green investment and trading
  - Carbon credit and quota trading
    - KfW Bankengruppe Carbon Fund

# Who is responsible for responsibility?

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- Governments & Regulators
- Intermediaries
- Financial Enterprises
- Civil Society
- Individuals

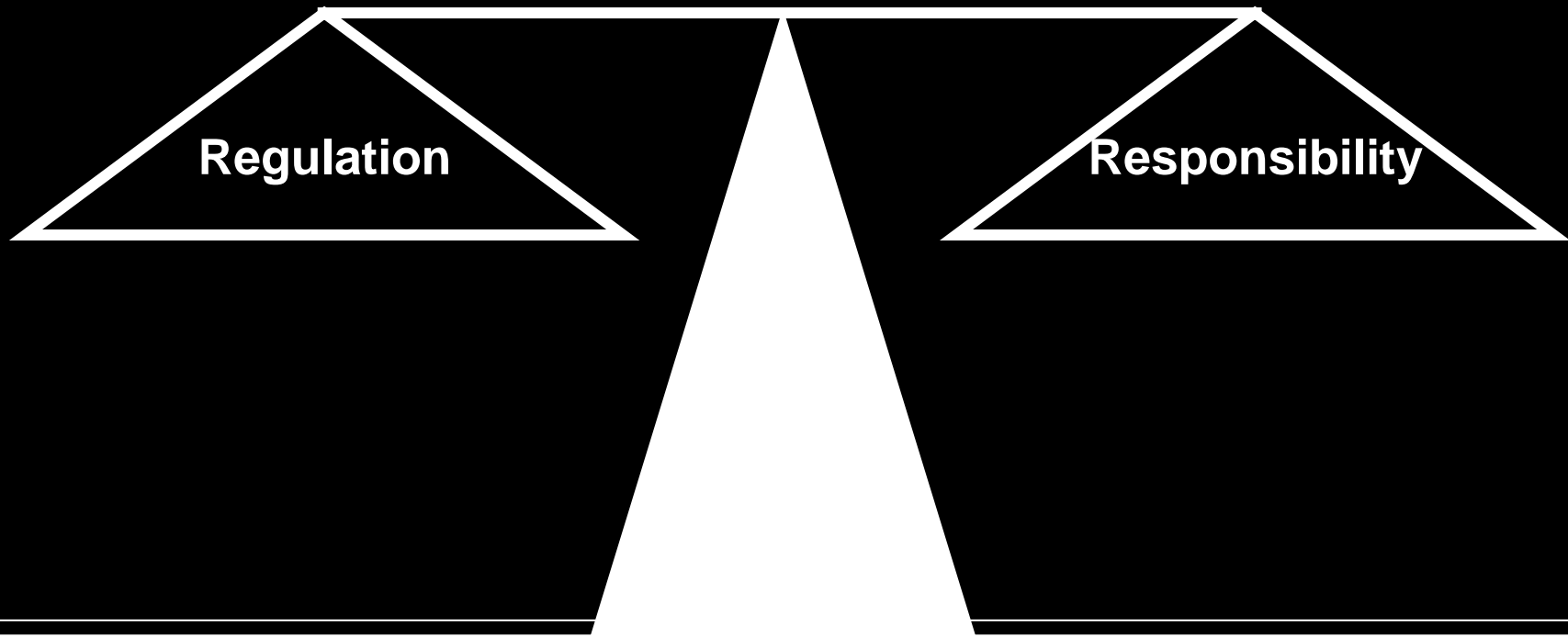
# Regulators and intermediaries

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- Close regulatory loopholes (Perol)
- Improve oversight
- Reform of:
  - Fiduciary duties
  - Accounting standards
  - Reporting standards (GRI)
  - Disclosure standards
- Transnational and global agreements

# Regulation that still allows for imaginative responsibility

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# Financial Enterprises

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- Wealth creation and not mere profit maximization
- Solidarity with society
- Engagement with stakeholders
- Corporate culture that promotes integrity and transparency
- Remuneration that promotes sustainability
  - Balanced scorecard

# Civil society

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- Monitor and educate
  - Truecost and co<sup>2</sup> emmissions
- Pressure
  - NGOs and La Mondiale
- Demand
  - KBC: SRI from 3% to 35% (2009)
- Praise
- Reprimand

# Kofi Annan

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“**Governments** have to do the right thing: to govern well, in the interests of all their people. **Business** must restrain itself from taking away, by its lobbying activities, what it offers through corporate responsibility and philanthropy. And **Civil Society** actors need to accept that the business community is not a monolithic bloc; that it has *leaders* and *laggards*; and that leaders should be encouraged when they take positive steps, even though they may occasionally stumble, and not to be frightened off from trying in the first place.”

# Individuals

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## ■ Leadership

- Conviction vs. convenience
  - Triodos Bank
- Persuade others
  - United Nations PRI
- The power of one
  - Mohammed **Yunus** (Grameen Bank / Bangladesh)
  - Youssou N'Dour (BIRIMA / Senegal)
  - Joaquim Melo (Banco Palmas / Brazil)

# Corporate Economic Responsibility in the Financial Sector

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- The Challenge of the Right Mix between:
  - Risk
  - Security
  - Timing
- Skeptical society
  - Breakdown of trust
  - Systemic reform
    - “Constructive panic!” & “Be very afraid”

# Corporate Economic Responsibility in the Financial Sector

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- Rebuild trust
  - “As safe as a Bank”
- Restore confidence through
  - **Integrity & Accountability**
  - **Solidarity with general interest**
  - **Engagement and Dialogue with stakeholders**
  - **Track record of Responsibility**
  - **Simplicity and Transparency**

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**“The only thing necessary  
for the triumph [of evil] is  
for good men [and women]  
to do nothing.”**

Edmund Burke

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## Sustainable Finance

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