

# **SUSTAINABLE BANKS TRUST & LEADERSHIP**

## **THE ROLE OF THE STATE WITHIN PRIVATE BANKS**

**A WORKING PAPER IN PROGRESS**

Within the framework of the  
“EU Objectives 2020 Initiative”  
Action Plan

**DRAFT 1**

**Presented by the Sustainable Banking and Public Policy Consortium:**



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**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

**FORWARD**

This is a “working document in progress”. It has been drafted to stimulate discussion around the urgently needed “new Banking business model” and Economic, Social and Governance (ESG) issues shaping the new risks and performance management aspects of banks that have not been adequately addressed so far. This Part One is focused on the role of the State within private banks. Banks concerned are listed in Annex III. These Banks and the Governments concerned are well known, including:

- Hypo Alpe Adria (Austria)
- BNP-Paribas-Fortis (Belgium)
- Caisse d'Epargne-Banques Populaires (France)
- BNP-Paribas (France-Belgium)
- Societe Generale (France)
- Commerzbank (Germany)
- Hypo Real Estate (Germany)
- Anglo-Irish (Ireland)
- Irish Life & Permanent (Ireland)
- Bristol and Western Bank (Ireland)
- ABN Amro (Netherlands)
- RBS (Netherlands)
- Barclays (UK)
- HSBC (UK)
- Nationwide Building Society (UK)
- Standard Chartered (UK)
- Volksbanken (Austria)
- KBC (Belgium)
- Credit Agricole (France)
- Dexia France (Belgium)
- BayernLB (Germany)
- HSH Nordbank (Germany)
- AIB (Ireland)
- Irish Nationwide (Ireland)
- Bank of Ireland
- Fortis (Luxembourg)
- Fortis (Netherlands)
- Abbey (UK)
- HBOS (UK)
- Lloyds Banking Group PLC (UK)
- Royal Bank of Scotland (UK)
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This ‘Part One’ of the project will be completed by October with a second chapter “Financing the Low Carbon and Resource Efficient Economy and the Energy Revolution”. This second chapter will address the role of all European banks known as private banks, cooperative banks, saving banks, investment banks, retail banks, and asset managers. Indeed, as stated in the FUNDETEC report: “To meet the financial challenges of tackling climate change and securing an energy efficient and sustainable economy, public institutions will need the help of commercial type funding on a very large scale. Innovative instruments must tap into private pools of capital, as public resources will prove insufficient to meet the new financing requirements. But these segments cannot act in isolation from each other; much more cooperation between players in public and private finance is required.” In addressing these strategic issues the FUNDETEC project came at a crucial moment in the evolution of environmental technology finance. If Europe wants to take the lead in climate change and eco-innovation, we need the EU to take the lead in “sustainable banking”

All interested parties are encouraged to comment this draft and complete the information available on the developments taking place that are included in this document.

This “working paper in progress” should be followed by roundtables in Member States and Transatlantic level before a final version of this draft report is officially presented by 2010.

**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

**1. OVERVIEW**

Governments in both North America and Europe have either directly invested or guaranteed over US\$4 trillion to bolster the banking and finance sector.<sup>1</sup> The question remains what, exactly, do taxpayers and governments stand to gain from these significant investments in the financial sector while other pressing problems are mounting due to distraction and under-investment? How can these investments that have already been made by governments also address the pressing problems for the global economy, environment, and society at a time where we have to accelerate change towards a low carbon economy?

The current financial and banking crisis may ultimately be as much about trust and confidence in government and financial institutions as it is about the financial positions of banks and economic growth. The debate over accountability in the financial sector and the boundaries between government, shareholder, and management responsibility is just beginning, and it will continue in the absence of greater public policy coherence and an approach that better integrates with other pressing policy concerns.

Trust and confidence can only come from a comprehensive understanding of the current problems as well as a sound set of solutions. Ministries of Finance and banking sector approach of going back to 'business as usual' as fast as possible may not be in the interest of the shareholders, governments, citizens, the environment, nor of banks themselves, which must work immediately to restore ethics and trust. Systemic crises, such as the financial and economical crisis, climate change, and energy availability are not being tackled appropriately. Continued support for failed banks at the expense of people and the environment results in an asymmetry which is ethically unsupportable and economically and environmentally unsustainable. We need to develop a new business model for banking.

The financial sector continues to fall behind other sectors in terms of managing environmental, social and governance (ESG) risks. According to a study from Ethical Investment Research Services (EIRIS) the banking sector has shown the least improvement over the last three years when compared to other sectors.<sup>2</sup> According to Stephanie Maier, head of research at EIRIS, "There is a growing view among investment professionals that ESG issues can affect the performance of investment portfolios."

Conflicting visions regarding governance within banks as well as the role of the State in banking and finance also persist. One vision considers the government as a passive actor, catalyzing an economic reaction with public policy while remaining uninvolved in the broader strategic and operational functioning of banks and financial institutions. A contrasting vision requires the owners of the bank,

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<sup>1</sup> See Appendix I: Financial Sector Rescue Packages, Europe and North America

<sup>2</sup> EIRIS News Release, 20 April 2009, <http://www.eiris.org/>

**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

namely the State to play a more proactive role in setting the strategy, risk management and compensation objectives and incentives of the banks, as might be expected of the owners of public corporations. However, as governments have become key shareholders in banks through financial rescue packages, the role of government in the banking sector has yet to be clearly defined. The role and limits of public and private banks in national and regional economies remain to be adequately addressed.

Regardless of these different visions, globalisation has heightened the risk to the stability of national economic and financial systems, making risk management more difficult and complex. International capital flows increasingly dictate the cycles of economic production. These capital flows, and the complex financial engineering which accompanies them, are overwhelming the traditional government tools of monetary policy and the regulatory architecture.<sup>3</sup> Accordingly, there is a risk that past mistakes resulting from poor governance and passive investment schemes are being repeated, and the consequences will intensify as policy focus and funding to address other pressing problems continue to be postponed and wanting adequate investment.

The banking crisis is not a stand-alone phenomenon, as various predicaments in other sectors of the public interest also have the potential to severely disrupt the economy. Energy, climate change, natural resources shortages, poverty and other social and environmental crises have significant potential to cause future negative shocks to the banking sector. Governments, as bank shareholders, independently from the question of how many years they will remain shareholders, have the opportunity to formulate a new approach to banks risk management and a new business model.

## **2. MOVING FROM CSR TO SUSTAINABLE BANKING**

Many banks and financial institutions have already adopted policies and practices that reflect Corporate Social Responsibility (CSR), while few others have gone further to fully incorporate Environmental, Social and Governance (ESG) principles into their regular operations. The distinction between adopting CSR and fully integrating ESG principles into regular bank operations and practices is considerable. This gap between degrees and commitment to ESG practices reveals opportunities for governments, as bank shareholders, key stakeholders and regulators, to move towards better governance and sustainability in banking operations.

Sustainable banks<sup>4</sup> are, so far, resistant to the current financial shock and some, such as Triodos, have continued to grow in the past year.<sup>5</sup> According to Peter Blom, CEO of Triodos Bank, the three primary reasons for their resilience are their focus on the relationships with clients, maintaining close relationships with shareholders (most are not publicly traded), and the concentration on core banking

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<sup>3</sup> Graeme Wheeler, Managing Director, The World Bank, Lunchtime Address: Sovereign Debt Management Forum, Policy Challenges for the Financial Sector

<sup>4</sup> See Appendix II, Joint Statement, Global Alliance for Banking on Values

<sup>5</sup> Environmental Finance, 11 Jun 2009

**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

services.<sup>6</sup> Sustainable banks have been able to avoid the worst impact of the crisis and maintain profitability derives from the focus on sustainable businesses that deliver explicit social, environmental and cultural benefits. Moreover, the operations of the most sustainable banks are devoted to areas providing real economic growth, by financing only those businesses and projects that provide services and products that people need. Given the success of sustainable banks in avoiding many of the impacts of the financial crisis, should banks with governments, as majority shareholders, become 'sustainable banks' in some form or other? How can EU Member States best manage this type of transition given the current economic realities?

**3. RE-THINKING BANKING AND PUBLIC POLICY GOALS**

Government, as shareholders of private banks, have so far failed to communicate a clear policy regarding their objectives with their interventions into banks and financial institutions, let alone their coherence with other Government duties and commitments (from managing the EU public deficit and the public debt criteria to accelerating the implementation of EU Objectives). This has undermined the prospects for much-needed systemic improvements to ensure the capacity of the banking sector to finance a new industrial and energy revolution and a 'Green New Deal'.

So far US\$4 trillion has been committed to the rescue of the global financial industry. In contrast, the estimated price tag to move to a sustainable economy is \$200 billion per year, \$2.1 trillion dollars in total over the next decade, \$4.2 trillion dollars in total over the next 20 years. The global financial system has not provided investment at the scale required; with only \$13.1 billion committed to these efforts so far.<sup>7</sup>

EU Member States currently have the ability to leverage their shareholdings, in coherence with existing policies and measures, to meet the EU Objectives 2020 related to climate change, emission reductions, energy efficiency and renewable energy. The ownership of banks provides a suitable opportunity to leverage their role as owners to shift the banking system to a better position, enabling them to develop and implement a comprehensive strategy towards meeting these goals.

In 2007, the European Commission set the '20-20-20 Objectives' as precise, legally binding targets to guide climate and energy policy over through the next decade. These objectives target a 20% reduction in emissions, 20% of energy production to be from renewable energies, and 20% improvement in energy efficiency by 2020.<sup>8</sup>

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<sup>6</sup> Peter Blom, "The Upside of the Downturn: How Sustainable Banking Can Deliver a Better Future", Innovations: Social Innovation in a Post-Crisis World, Special Edition for the World Economic Forum Annual Meeting 2009, MIT Press

<sup>7</sup> UNDP, Scaling Up Efforts to Meet the Climate Change Challenge, May 2008

<sup>8</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 23.1.2008, COM(2008) 30 final

**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

The contribution of ECOFIN on the efficiency of economic instruments to reach energy and climate change targets to the Spring European Council 2008 stressed the importance of “clear and credible long-term signals for investors and the need for overall policy frameworks to be designed to support and generate private-sector investment in energy infrastructure and safe and new clean technologies.”<sup>9</sup> Europe can take the lead in the new low carbon economy only if it takes the lead in the financing of the scale up of existing technology and the development of new technology, both on an unprecedented scale. Yet, are the European Commission and Member State Governments currently equipped to be leaders in banking tackling climate change? The answer up to now has been negative, and will continue to be so without significant new policy developments and frameworks accompanied by their rapid subsequent implementation.

*Should the Banking System Better Reflect Government Policy?*

While economic and ideological arguments about the dangers of government interference in the banking sector have dominated the discourse about the role of State in banks, the current global economic crisis provides evidence that the current regulatory and policy framework has not worked, and has been self-defeating, leading to the massive and unprecedented intervention of governments in the sector. The rules on banks governance and their disproportionate effect on national and global economy are in the process of transforming. A key consideration is the opportunity within to enhance banking practices to better meet public policy objectives with regards to sustainability, climate change and energy security.

Should governments continue to take a ‘hands off’ approach or should they leverage public investment as an opportunity to better align finance with other pressing economic, social and environmental responsibilities? The current non-interventionist approach with regards to bailout oversight minimizes the potential bearing that these government interventions may have on a variety of policy issues, including economic, social, environmental and governance issues.

Likewise, the current strategy of most government interventions in banks continues the problem of passive shareholders, who did not exercise sufficient governance of banks, and has contributed to the failure and distress of many institutions. Do governments have a responsibility to enhance and reform bank governance as a part of their shareholder role? Some of the pitfalls of intervention that we need to avoid include:

- A distortion in competition is created between banks where government has a stake and those without substantial government ownership, leading to negative economic outcomes. A level playing field must be maintained in the banking sector to ensure availability of capital for economic recovery.

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<sup>9</sup> ‘Council conclusions on efficiency of economic instruments to reach energy and climate change targets’, 2847th Economic and Financial Affairs Council meeting, Brussels, 12 February 2008

**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

- Public policy mandates, outside of the normal scope of banking activities, may increase the likelihood that banks will increase risky operations in the service of public policy mandates. Politicians have different objectives than bankers and it is best not to mix these objectives in the banking system.
- There is a moral hazard in continuing to bolster distressed banks at the expense of banks that were more responsible with their lending, investment and risk management practices. This may further encourage economically damaging lending and investment practices.

Nevertheless, the risks of inaction are also compelling:

- The business model of many banks has failed, as demonstrated by their insolvency. If left to the market, new banks would have emerged with different models. However, because of the government intervention, the required transformation will not happen without regulatory controls and temporary operational involvement by government. Business as usual will result in continued systemic deficiencies and unacceptable risk.
- Long-term financial and economic considerations will continue to be undermined by short-term gains. Managers could be better incentivised by linking remuneration to multi-year profitability, rather than short-term concerns. This is not possible with the current ownership and governance structures.
- The moral hazard of leaving the current banking system in place is politically unpalatable, as risk is effectively socialised whilst the banks remain “too big to fail”, whereas rewards are kept by management and future (private sector) shareholders. Without an effective active ownership provided by government, existing board members and management may continue to underperform while benefiting massively.
- Externalities, such as energy availability and prices, or agricultural and property damage from climate change, may threaten banking systems and economies in the future. These threats could be addressed in a coordinated and coherent fashion by a combination of sound public policy and good bank governance.

Despite some of the legitimate arguments against continued government interventions in the banking sector, there is little doubt that the banking and finance system that resulted in the current crisis will not be able to withstand future shocks, both from internal shortcomings and inefficiencies or from external sources. On the other hand, banks also play a key role in the financing of clean energy and the retrofitting of infrastructure and industrial facilities to be energy efficient, generating the jobs necessary to counter rapidly rising unemployment, in order to drive the economic growth needed for global financial recovery.

State participation in banking ownership and governance presents one of the few opportunities to address some of the systemic and governance problems in a protracted and comprehensive manner.

**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

However, this window of opportunity for meaningful change is momentary and a proper multi-stakeholder dialogue on this issue must take place soon.

#### **4. MEMBER STATES AS BANK SHAREHOLDERS**

The multiple and interrelated predicaments facing governments, in addition to the banking and finance crisis, has created a complex situation. Given these overlapping policy priorities, should banks where government is a significant shareholder replicate other government policy priorities in their lending and risk management operations?

##### *What is the Role for Governments as a Shareholder in Banks?*

In light of the complex and grave difficulties facing many national economies and the global economy, the role of governments as a shareholder in banks needs further consideration. In regards to risk and engagement, States have a much larger role to play as bank shareholders than currently exercised.

The assumption of the extensive financial risks and liabilities compelled the government to take full or partial ownership of distressed banks and financial institutions. However, systemic financial risks, such as those presented by toxic assets and shaky financial positions, are not the only threats to the financial system and the economy. Environmental risks, such as those presented from climate change, waste management, and natural resource availability also have the potential to broadside business, industry and financial markets. A significant increase in the price of fossil fuels, for example, could quickly erase any gains made in the process of economic recovery. As shareholders, Governments have the ability and the responsibility to ensure that these risks are adequately addressed.

Shareholder engagement is another area where governments have a substantial role to perform. As has been the situation for quite some time, depending on the country in question, many shareholders have been somewhat indifferent to general assemblies and have either failed to vote or have given unconditional proxies to the management.<sup>10</sup> However, this is starting to change. In April 2009, Shareholders voted 9-to-1 against RBS's 2008 remuneration package, which included Sir Fred Goodwin's annual pension. The UK Government, as a shareholder, was instrumental in this vote. This vote actually marked the first time such a package has been rejected at a publicly listed U.K. bank. More recently, shareholders of Royal Dutch Shell voted down the director remuneration package. Private and institutional shareholders, were mostly behind this move. According to the Financial Times, "Proxy voting agencies say turnouts at meetings have risen across Europe as shareholders seek to deflect accusations from regulators and politicians that they were soft on boards and the reward cultures now blamed for contributing to the banking crisis."<sup>11</sup> In fact, remuneration has become an increasingly important issue in corporate governance in general, and for the banking industry in particular. The United States has already moved to ban bonuses to executives and staff at banks that

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<sup>10</sup> Yadong Luo, *Global Dimensions of Corporate Governance*, Blackwell Publishing, 2007

<sup>11</sup> 'European investors balk at director pay', K. Burgess and R. Milne, *Financial Times*, 1 June 2009



**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

have received government funds. While much of this interest may be due to moral hazard concerns, a systemic change in the way remuneration of bank managers are determined and how their performance is evaluated has a significant impact of how banks and financial institutions are run, and how lending and risk management decisions are made. Moreover, shareholder resolutions on environmental and social lending policies also offer governments the opportunity to exercise prudent governance to mitigate these external risks and better align financial practices to public policy.

The degree to which governments actively engage as shareholders in banks remains to be seen. There are already signs that that government ownership in many banks will be short-lived. However, this underscores the need for greater policy coherence according to clear objectives and guidelines at both the Member State and European Commission levels.

*Mechanisms Open to Governments as Banks Shareholders*

Several mechanisms are already available to States as shareholders in financial institutions, such as shareholder resolutions, as previously mentioned, or the appointment of board members. Other mechanisms include regulatory incentives and subsidies.

One of the most powerful mechanisms currently open to government shareholders of banks is the ability to appoint members to the Board of Directors. Should States have independent board members reflecting societal concerns in banks where their shareholdings make it possible? A bank's Board of Directors oversees the operations of the bank to ensure the best interests of the shareholders, including issues such as compensation, disclosure of financial condition to investors, lending policies, growth strategies, etc. Governments, as majority shareholders in financial institutions, have the obligation to ensure bank accountability to shareholders' best interests. While private shareholders may have a more limited set of interests, it is certainly within the interest of governments to ensure that overall State interests along a broader set of metrics are also represented in the bank's lending and investment policies.

*Mandate of Government Board Members.*

What should the terms of reference be for the mandate of Board members representing States and the mandate of independent Board members representing societal concerns? How can States as bank shareholders best address the need to transform the economy towards a low carbon, energy and resource efficient economy? A checklist of key ESG commitments and actions that can be initiated and monitored by Board Members provides a starting point. Such a checklist for Board Members should include:

- Nomination of a SRI Advisory Committee.
- Setting wider goals for banks beyond maximising shareholder value.
- Developing innovative reward packages emphasizing long-term value and sustainability.
- Adoption of the GRI Reporting Guidelines.

**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

- Adoption of the Equator Principles.
- Refusing to lend to perceived ‘unsustainable projects’ such as coal-fired power stations.
- Changing lending practices to provide a better access to financing for environmental and clean technologies, renewable energy, emission reductions, and green buildings.
- Open up environmental technology desks in regional loan offices and within investment groups.
- Provide public policy engagement through strategy input and participation in partnerships with governments to finance large-scale environmental and social policy goals.
- Bank carbon footprint analysis and bank carbon footprint investment assessment tools.
- Act as intermediaries for SME access to EIB Loans and other public financing programs.

*National Coordination of the Government and Banks*

We need a new industrial revolution and to ‘re-industrialise’ Europe to reduce risks related to climate change and achieve a low-emissions and sustainable global economy. This effort must strive to improve Europe’s energy security and develop new technologies that rely less on scarce raw materials. To remain global leaders in eco-efficient technologies, Europe will need to ‘re-industrialise’, both in its energy and non-energy sectors, to reshape cities and transport systems, to make buildings energy efficient, and to adapt agriculture. All of these sectors and industries have limits as to how quickly they can develop and deploy, therefore access to capital and to skilled staff will be critical. As a result, it is essential to embed these elements into the post-Lisbon strategy, which designs the structural reforms at Member States level in order to achieve global competitiveness, employment and sustainable growth. Each EU Member State should set up by 2011 a ‘Europe 2020-2050 Platform’ involving the Government, Private and Public Banks with the participation of and reports by the Banks Board Members representing Governments in Private Banks (see above), as well as all other private banks willing to join and benchmark on a voluntary basis. Benchmarks should include private and public banks contributions in support to “the new industrial revolution”, a review of available financial tools and barriers to finance, leverage of public and private finance in support to Cities (as Cities members of the Covenant of Mayors), SME’s, and citizens contributing to the Global Green New Deal called upon by the UN Secretary General.

**5. BANKS STRUCTURAL REFORMS AND POLICY POWER**

Policy mechanisms are another lever that governments may use to influence the ESG aspects of banking practices. Government laws and policies are instrumental in commercializing environmental technologies, particularly with regard to renewable energy. A majority of investors and environmental technology developers do not believe that, in the end, market forces are enough to catalyze a large-scale shift in the financing of environmental technologies.<sup>12</sup> While many banks have voluntarily signed on to the Equator Principles to better assess the social and environmental risks in large project

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<sup>12</sup> FUNDETEC: Comparison and Assessment of Funding Schemes for the Development of New Activities and Investments in Environmental Technologies (<http://www.fundetec.eu>)

**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

financing, it is important to recognise that the role of banks is potentially far wider than a limited level of environmental responsibility. The financing of environmental and social solutions requires proactive lending and investment policies. Possible measures to better leverage policy mechanisms to align banking and public priorities may include:

- Establishment of green savings accounts and lending programs (currently in place in France and the Netherlands).
- Requirements for banks to report on the social and environmental impacts of their lending and investment practices.
- Referencing of appropriate social and environmental standards in bank authorisation, lending procedures, and statutory guidance.

Incentive and subsidy mechanisms offer another lever of better aligning public policy objectives and banking practices:

- Government-backed securitisation of green commercial and residential mortgages and development loans.
- Develop innovative residential energy efficiency retrofit packages.
- Financing bank activities for public-private partnerships and multi-sector partnerships for environmental technologies and green development, as well as greater incentives for private banks to act as intermediaries for public institutions and programs.
- Demand-side incentives to boost consumption of sustainable products and services, such as tax credits and subsidies for residential improvements, trade-ins for high mileage vehicles, and green public procurement policies.
- Incentives and subsidies with a longer timeline than they are presently allowed, providing greater stability over a longer period of time.<sup>13</sup>

*European Commission: Policy Frameworks and the New Agenda*

So far, in response to the banking and trust crisis, the European Commission has presented several new legislative proposals.<sup>14</sup> However, none of these proposals address the new risks and possible leverages to secure EU and Member States policy coherence. Many EU Member States Governments, as well as the US Administration, have contributed capital and asset guarantees for the banking and finance sector. With the sole exception of Ireland, these capitalization and asset rescue programs have excluded any conditionality for sustainable development, climate, or related public policy goals.

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<sup>13</sup> The possible loss of a subsidy may discourage many consumers and investors from sustainable products and investment, as well as limit the participation of private sector intermediaries in related lending, guarantee and securitisation programs.

<sup>14</sup> Examples include: a proposed directive on alternative investment funds, hedge funds and private equity funds, reforms of financial supervision, and capital requirements for financial institutions.

**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

**6. RECOMMENDATIONS (MECHANISMS AND FRAMEWORKS)**

In light of the considerations outlined in this paper, the Sustainable Banking consortium has developed the following recommendations as a starting point for a broader dialogue to take place in 2009-2010 towards a comprehensive strategy to better protect taxpayers (ESG risk assessment) and leverage the financial industry rescue measures to meet EU 2020 policy objectives:

1. **New Business Model and ESG Check List:** Private financial institutions entirely or partially owned by States should align their business model with best environmental, social and governance (ESG) practices and their lending, sustainable responsible investment (SRI) and other operations with key social and public policies to better catalyze the new energy revolution and solutions to climate change through direct lending and their private banking intermediaries.
2. **Accountability:** Board members representing States should report annually to the Government and then National Parliament on progress made in ESG risk management and performance.
3. **Comprehensive Coordination at Member State Level** between governments, their appointed board members in private and public banks, and other interested banks in order to accelerate the implementation of the objectives of the EU 2020 targets.
4. **Sustainable Banking EU Guidelines** to be adopted within the framework of the post-Lisbon strategy 2010-2020. These guidelines should detail how banks and banking practices can promote economic growth and jobs in a manner that is fully consistent with the objective of sustainable development as outlined in the strategy. These guidelines should also include specific provisions for European institutions, Member States and regions in terms of financial mechanisms and risk management considerations.

**Appendices**

- I. Financial Sector Rescue Packages, Europe and America
- II. Joint Statement, Global Alliance for Banking on Values
- III: FT/IFC Sustainable Banking Award Winners
- IV. Details of State of Interventions on Banks

*This working paper represents the outcomes of a multi-stakeholder development process. Further drafts will be developed and released based on stakeholder participation and feedback. Please contact Raymond van Ermen at European Partners for the Environment ([raymond.vanermen@epe.be](mailto:raymond.vanermen@epe.be)) you would like to comment on this draft or participate as a stakeholder.*

**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

**Appendix I: Financial Sector Rescue Packages, Europe and America**

<b>Country</b>	<b>Amount (billions)</b>	<b>Description</b>
United States of America	1,300	Troubled Asset Relief Program (TARP), commercial funding paper facility, Fannie Mae/Freddie Mac, AIG, Bear Sterns, FDIC Bank Takeovers
United Kingdom	743.0	The UK bailout was the first announced and largely served as the model for other European rescues. Half of the package is for guaranteeing inter-bank lending, 40% for short-term loans and 10% for recapitalization.
Germany	636.5	The bulk is to guarantee medium-term bank lending, with 20% for recapitalization.
France	458.3	The bulk is to guarantee bank debt, with about \$50 billion for recapitalization.
Netherlands	346.0	To guarantee inter-bank loans.
Sweden	200.0	For credit guarantees.
Austria	127.3	For bank buyouts, interbank lending, and bank bond issuance guarantees.
Spain	127.3	For bank buyouts, interbank lending, and bank bond issuance guarantees.
Italy	51.0	To purchase bank debts
EU-27 & ECC Rescue Packages	110.6	Cross-national packages.
<b>Total European</b>	<b>2.8 trillion</b>	
<b>Total European and USA</b>	<b>4.1 trillion</b>	

**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

**Appendix II: Joint Statement, Global Alliance for Banking on Values**

4 March 2009 - Eleven of the world's leading sustainable banks have created a new alliance to build a positive alternative to a global financial system in crisis. The banks, which have assets of over \$10 billion and serve over seven million customers in 20 countries, came together for the first time at a special meeting in the Netherlands from 2 - 4 March.

The Global Alliance for Banking on Values was launched at an event which included speeches from Her Royal Highness Princess Máxima of The Netherlands, a former banker and former member of the United Nations Group on Inclusive Financial Sectors, and Achim Steiner, Executive Director of the United Nations Environment Programme. The banks in the Alliance range from BRAC Bank - part of the BRAC Group, the world's largest microfinance institution - to ShoreBank, a community bank based in Chicago, and Triodos Bank, Europe's leading sustainable bank.

Speaking at the launch, Peter Blom, CEO of Triodos Bank, said, "Unlike their enormous mainstream contemporaries, these banks are profitable, growing and crisis resistant. When it was unfashionable to do so they stuck to simple, core banking services that balance people, planet and profit. There's no one single answer to the global financial crisis. There are many. But the leaders of these organizations, acting on an international stage, hold many of them. Together they are an extraordinary force for change".

The new partnership plans to develop new ways of working, build organizations better suited to long-term sustainable thinking, and new forms of ownership and economic cooperation. And, given the financial crisis, and its profound and lasting influence, the new Alliance believes its timing is crucial.

According to Fazle Hasan Abed, Founder and Chairperson of BRAC, "We are increasingly dependent on each other economically, wherever we live in the world. If we are to tackle the global problems we face, we are going to need international action to do it. We believe these banks have the potential to change the architecture of the financial world, and start delivering lasting solutions for unserved and underserved communities and sectors."

Founded by BRAC Bank in Bangladesh, ShoreBank in the United States, and Triodos Bank in The Netherlands, the Alliance's members are senior bankers, seven of whom are founders of the institutions themselves.

"We will promote responsible finance - supporting existing banks and helping to develop new ones," says Mary Houghton, President of the ShoreBank Corporation. "We will lead the debate on the banking models we think could inspire profound changes in the mainstream financial industry. We won't just talk about change, we will work together to deliver it. Given the need for a healthier, more sustainable economy - and the current failure of the mainstream to provide it - establishing the Global Alliance for Banking on Values could hardly be more important."

**The Global Alliance for Baking on Values consists of the following members:**

Alternative Bank ABS, Switzerland	<a href="http://www.abs.ch">www.abs.ch</a>
Banca Popolare Etica, Italy	<a href="http://www.bancaetica.com">www.bancaetica.com</a>
Banex, Banco del Exito, Nicaragua	<a href="http://www.banex.com.ni">www.banex.com.ni</a>
BRAC Bank / BRAC Microfinance Programme, Bangladesh	<a href="http://www.brac.net">www.brac.net</a> , <a href="http://www.bracbank.com">www.bracbank.com</a>
GLS Bank, Germany	<a href="http://www.gls.de">www.gls.de</a>
Merkur Bank, Denmark	<a href="http://www.merkurbank.dk">www.merkurbank.dk</a>
Mibanco, Banco de la Microempresa, Peru	<a href="http://www.mibanco.com.pe">www.mibanco.com.pe</a>
New Resource Bank, United States	<a href="http://www.newresourcebank.com">www.newresourcebank.com</a>
ShoreBank Corporation, United States	<a href="http://www.shorebankcorp.com">www.shorebankcorp.com</a>
Triodos Bank, The Netherlands	<a href="http://www.triodos.com">www.triodos.com</a>
XacBank, Mongolia	<a href="http://www.xacbank.com">www.xacbank.com</a>

**SUSTAINABLE BANKS: TRUST & LEADERSHIP**  
**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
*WORKING PAPER (DRAFT I)*

**Appendix III: FT/IFC Sustainable Banking Award Winners**

<b>Sustainable Bank of the Year</b>	
2009	Triodos Bank, Netherlands
	Standard Chartered, UK (Runner-up)
2008	Banco Real, Brazil
	Rabobank, the Netherlands (Runner-up)
2007	ABN Amro, Netherlands
2006	HSBC

The Sustainable Banking Award recognises banks and other financial institutions that have shown leadership and innovation in integrating social, environmental and corporate governance considerations into their operations.

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**THE ROLE OF THE STATE WITHIN PRIVATE BANKS**  
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**Appendix IV: State Interventions on Specific Banks (Work in Progress)\***

Bank Name	Member State	Government Share %	Amount	Notes
Hypo Alpe Adria	Austria			"
Volksbanken	Austria			received funding from the Austrian Government
BNP-Paribas-Fortis	Belgium	25.0%		75% owned by BNP Paribas
KBC	Belgium			The Belgian and the Flemish Government are shareholders
Caisse d'Epargne-Banques Populaires	France			The French Government is shareholder
Credit Agricole	France		3.0b euro	Debt stakes
BNP-Paribas	France	17.0%	5.1b euro	Mainshareholders French and Belgian Governments
Dexia	France-Belgium	25.0%	9.2b euro	French, Belgian and Luxembourg governments
Societe Generale	France	7.2%	3.4b euro	Total of EUR 3.4 billion from the
BayernLB	Germany		10b euro	10b euro capital, 19.8b euro guarantees
Commerzbank	Germany		8.2b euro	8.2b euro capital, 15b euro guarantees
HSH Nordbank	Germany		1.3b euro	1.3b euro capital, 30b euro guarantees
Hypo Real Estate	Germany			30b euro guarantees, 50b euro in liquidity assistance
AIB	Ireland			
Anglo-Irish,	Ireland			
Irish Nationwide,	Ireland			
Irish Life & Permanent	Ireland			
Bank of Ireland	Ireland	25.0%	3.5b euro	
Bristol and Western Bank	Ireland			
Fortis	Luxembourg	25.0%		Only in relation to luxembourg operations. 75% owned by BNP Paribas
ABN Amro	Netherlands	100.0%	€16.8b euro	Sale to RBS and Fortis in 2007, Dutch govt' maintains full control of Fortis in Netherlands.
Fortis	Netherlands	100.0%		Only in relation to Netherlands operations and holdings.
RBS-Netherlands	Netherlands			
Abbey	UK			
HBOS	UK	43.4%		
Lloyds Banking Group PLC	UK	43.4%		Preferred shares, non-voting
Nationwide Building Society	UK			
Royal Bank of Scotland	UK	57.0%		
Standard Chartered	UK			

\* Due to the complexity of the financial rescue packages within Member States and across the European Union, as well the regularly changing status of the terms in regards to specific banks, the data presented here may not be up to date or accurate. If you would like to contribute information to make this data presentation more accurate, please contact the consortium research office at: [research@fbicg.com](mailto:research@fbicg.com)