Ethical banking

It is the objective of this paper to give an introduction to the notion of what is often described as "ethical, sustainable, social, alternative, development or solidarity" banking and finance. The common bond and specificity of this type of financial institutions is that they are characterized by values driven impulses and practices at the core of their business while values are poorly developed in the field of mainstream commercial banking and finance.
This paper is giving an overview of the principal modern pioneers in this field and is putting them in a historical context, describing the nature of their initiatives and as an example going deeper into the case of Triodos Bank from an ethical point of view.

1. Introduction

The private sector and financial institutions in particular, are increasingly expected to play an important role in helping to create a truly sustainable world. Conscious consumers, ethical investors, enlightened businesses, non-governmental organizations (NGOs), cultural creatives, and leading international institutions are working to make the triple bottom line (People, Planet and Profit) a reality. These people and institutions want solutions for poverty, injustice, war, widespread diseases, educational inequalities, destruction of nature and the planet. In short, they want to improve quality of life for everyone on this planet, and they understand that we all are economically interdependent and thus co-responsible for taking care of current and future generations. They share a common set of values centered on the enhancement of human dignity. Some of these values are already universally accepted, other are nurtured at a personal level. These people and institutions know that knowledge, capital and energy are available to solve most of the problems, and they see themselves as part of the solution, ready to contribute.

Non-governmental organisations are calling upon financial institutions to implement more socially and environmentally responsible lending policies. An example of this is *The Collevecchio Declaration on Financial Institutions and Sustainability*[1], which outlines six principles that financial institutions should embrace: a commitment to sustainability, to 'do no harm', to responsibility, to accountability, to transparency and to sustainable markets and governance. In addition it explicitly calls on financial institutions to advocate for regulation.

Some developments are making their way into mainstream decision-making in the financial industry. Clear indications of this are demonstrated by major financial institutions signing internationally recognised standards such as *The Principles for Responsible Investment*[2], (which concern environmental, social, and corporate

[1] *The Collevecchio Declaration on Financial Institutions and Sustainability* was launched at the World Economic Forum in 2003.
[2] *The Principles for Responsible Investment* is an initiative of the UNEP Finance Initiative and the UN Global Compact: see www.unpri.org.

governance issues), and *The Equator Principles*[3]. And although it is a long way to change policies in the banking sector, especially when the driver is the 'common good' and an ethical approach, some first steps have been made. This mainly concerns the creation of ethical investment funds, separate from the core banking business and the introduction of lending policies with ecological criteria for the sake of risk reduction or reputation protection. However, ethical private development banking as a core mission is still not on the agenda of institutions mainly focused on financial return, driven by stock markets and short-sighted shareholders.

Crucial human development and sustainability issues, such as poverty alleviation, awareness of the human impact on climate change, investments in renewable energy, fair trade and organic agriculture, demonstrate possibilities for a widening of the scope of responsibility for financial institutions. But three conditions need to be fulfilled by financial institutions. They have to:

1. understand and accept their responsibility in handling money-streams
2. establish internal rules and systems that can cope with ethical criteria
3. widen their concept of return including the social and ecological added-value of their activities.

As this is probably more than one step too far for most financial institutions, the near future of truly sustainable ethical banking will be furthered by specialised banking institutions with ethics as part of their DNA and mission, and with financial activities clearly oriented towards human development, quality of life and a decent financial profit.

2. Ethics in banking

Banking and finance as a profession have an intrinsic value chain which is interwoven with the cycle of providing adequate financial products and services. As long as there are no bank guidelines or criteria on ethical, social and sustainability aspects, the individual co-worker or the lending committee are generally applying the 'neutrality rule', excluding ethical, social and environmental considerations from the bankers´ decision making. In reality however, money is not neutral and it involves responsibilities from its inception and along the distribution chain where it has to do with value creation, not only pure financial value but also human, social and environmental added values.

Money, capital, intelligently and wisely invested as an instrument for improving quality of life, can have a major impact on human development. Because of this impact, a neutral attitude to investment and lending is irresponsible. In the financial markets, money and money systems become mechanical and develop uncontrollable dynamics. Financial regulators and authorities are only concerned with the mechanics of the system in order to prevent major breakdowns. Is there an organisational design for money as an instrument subservient to human development? What are ethical impulses and human qualities that can be found in modern societies in both developed and developing countries and that can

[3] *The Equator Principles* are a banking industry framework for addressing environmental and social risks in project financing: see www.equator-principles.com.

be brought into the banking and finance process? Three possible impulses are described below.

a. The impulse of brotherhood and sisterhood at interpersonal, local and global level

Are we interested in each other's physical existence and well-being? Do we feel responsible for each other? How do we deal with this question on a planetary level? In which way do we experience and organise a global co-existence at a time of different development patterns in different cultures and in different natural environments around the globe? Are we ready for such a scope of social cohesion while self-interest and pure consumer orientation are taking the lead in modern economy? Can a transparent money stream serve social cohesion and stimulate the interest in each other by making money become available to those who are talented to use it in value creation activities for the common good?

b. The impulse of recognition of human dignity as a precondition for human development

The impulse of recognition of human dignity as a precondition for human development demonstrates a deep interest in the personality and the capacities of other human being(s), including respect for a person's inner life and active tolerance. How can the availability of money, in its respective qualities through lending, investment or donation, contribute to a valuable use of human capacities?

c. The impulse of searching for 'meaning' and 'quality' in life

'Meaning' refers to a constant quest for understanding, including the spiritual level. 'Quality' has to do with the added value that is the outcome of a search process where choices are being made in life. How can investment and lending be directed to meaningful positive action and be diverted from financing negative developments or negative aspects of an undertaking? Can ethical banking be a method of constant search and reflection on the meaning of human and economic value creation while putting its findings into practice?

Standing in the middle of social and economic developments, bankers are well positioned to have an overview and a feeling for what matters, although they assess risk versus opportunities without considering social and environmental development. They generally use this position to grow their business. They do not take this opportunity to transform the knowledge they have acquired into wisdom that they could apply in developing ethical banking policies and making fundamental choices.

Bankers' observations of the needs of their clients and of society in general can lead to inner reflection and understanding of the degree of importance of some development questions. Conscious bankers can transform feelings of powerlessness into an understanding that something can be done. Transparency of ethical banking operations – showing what is financed – is a prerequisite for open dialogue with clients and civil society. This dialogue can lead to a deepening of understanding of the phenomena and to inspiration for adequate action to be deployed. When this perpetual process of observation, reflection, mutual exchange, taking responsibility, action and reporting is included in specific organisational forms, ethically working bankers will have developed a valuable instrument that is not only serving the needs of their clients but will also help to fulfill the needs of society as a whole. This description of ethical banking does not refer to charitable action. It starts from the observation that altruism, or looking after someone else, is part of economic life where division of labor and interdependency of people are a basic principle of efficiency. Human needs are an expression of a healthy egoism in an economic process dealing with the fulfillment of needs. Altruism in an economic sense is not in contradiction with egoism but tends to equilibrate the economic process.

3. Emergence of ethical banking and finance

Quite early in history gold, reflecting the spiritual world, served artistic, religious and economic goals, and was directly linked with the gods and their servants, the priests, who organised its flow. Throughout medieval times Christianity set its laws on usury, Islam set its rules on interest, and monasteries organised economic life in their surroundings, working with investments and charitable actions in a moral and religious perspective. In these times humanity was strongly organised around three realities: the spiritual world, the world of nature, and local social entities.

Since the beginning of the 15th Century, natural sciences and later enlightenment, gradually emancipated people from the world of the gods, nature and their local social environment. The relationship between human beings changed with the growing predominance of individualism.

This context and background of modern society are fruitful to the emergence of modern ethical banking concepts and practices.

3.1. Essential characteristics of banking on values

Social, ethical, alternative, sustainable, development and solidarity banking and finance are denominations that are currently used to express particular ways of working with money, based on non-financial deliberations. A precise and unified definition of these types of finance as such is not available and perhaps not possible because of the different traditions from which ethical finance actors have emerged. While individual motivations from founders, investors, savers, borrowers, social entrepreneurs, managers and co-workers of these institutions vary greatly, there are some universal human values, practices and needs that motivate all of them to develop positive action. Conscious handling of money is considered to be an additional value in itself. Many of these values are part of internationally recognised declarations or principles, such as the United Nations *Universal Declaration of Human Rights* (1948) and the International Labour

Organization's *Declaration on Fundamental Principles and Rights at Work* (1998), that identify basic rights such as:

- Freedom of thought, opinion and expression using reason and conscience are leading to financing art and culture, education and research
- Equal rights at a political and juridical level, the freedom and right of association in a democratic society and the right to work are a basis for financing civil society projects and for participating in the public debate about the benefits and challenges of shared social responsibility
- A spirit of brotherhood, based on understanding, tolerance and cooperation in economic life leads to financing social entrepreneurs especially in the areas of high urgency like poverty alleviation, fair trade, environmental production and preservation.

To practitioners of ethical banking, raising consciousness and responsibility are essential in their missions and ambitions. They make the choice to only finance projects and organisations that contribute to a more sustainable society and they define absolute criteria about who they will not lend money to, for example non-sustainable products and/or services and those involving unsustainable working or production processes. Their specific products and services reflect these values and intentions.

While money is a catch-word of our age, to ethical banking institutions and their shareholders, savers, investors and borrowers money and ethical banking practices are instruments for human development. These characteristics differ with those of mainstream finance, mainly driven by market forces, shareholder value and financial return.

3.2. Socially responsible investment

In the 18th Century, the Quakers in the United Kingdom refrained from investing in industries they were morally opposed such as tobacco, alcohol, gambling and the slave trade. This was the first negative ethical screening of investments, later to become known as Social Responsible Investment (SRI). It continued into the 1920's with the Methodist Church of North America screening out negative activities, or 'sin stocks' from their investment portfolios. In the 1960's and 70's the conviction that investment funds could be used to achieve social change give rise to the public demand for ethical investment vehicles such as the Pax World Fund[4]. In the 1980's investments supporting the South African apartheid regime were avoided, and Friends Provident (UK) was the first financial institution to launch an SRI fund. With its help, the Ethical Investment Research Service (EIRIS) was established to provide critical research and information on stock-listed companies social, environmental and ethical performance. In the United States, Amy Domini developed her ethical screening advice services and the first ethical stock market index.

---

[4] Inspired by a civilian wanting to invest in a mutual fund that did not invest in war-related industries, Pax World Fund was established in 1971 creating the first broadly diversified, publicly available mutual fund to use social as well as financial criteria in its investment decisions: see www.paxworld.com

At the beginning of the 1990's, a first attempt was made in The Netherlands to develop a positive ethical screening to be used alongside the original negative ones. This positive screening involves a best-in-class method, where company performances were compared with those of competitors. This type of screening has since further been developed and several ethical screening organisations have been established. Standards of screening have been developed and screening services are now being widely provided to banks, insurance companies, asset managers, private bankers, institutions and high net-worth individuals. Most stock-listed companies have had some form of ethical screening of their social and ecological behaviour so that ethical funds or asset managers can constitute diversified portfolios primarily based on combined negative and positive ethical criteria. Some of these funds, such as those of the Triodos Bank Group are also actively involved in (proxy) voting at shareholder meetings. The ethical investment fund market is developing quickly and many mainstream banks are offering such products.

Today there are more than 600 ethical investment funds worldwide and their number is constantly increasing. However the ethical quality of these products differs significantly in terms of quantity and content of positive and negative criteria applied. As a quality label the generic denomination ethical fund, indicating that some sort of ethical screening has been applied, is not appropriate.

As corporations have a tremendous impact on both people and planet, and as they are operating more globally than ever, their corporate responsibility needs to be engaged. Its making its way to the boardroom table as well as that of management and has begun to become integrated into internal structures. However high-quality corporate responsibility is still an exception. Whether responding to customers needs, preparing and positioning for the future, or as a result of enlightened leadership, this development is likely to grow and so will the number of ethical questions and dilemmas. By applying ethical screening to their investments, ethical funds, institutional investors, and pension funds are exercising influence on management, and gradually corporations are responding with improved transparency, reporting and accountability.

In the best circumstances ethical screening and investor pressure is contributing to a process of intensified observation, questioning, reflection, measurement, ethically amended business principles and consequently adapted decision-making.
Better reporting, external social and environmental auditing, the elaboration of social and environmental guidelines in corporate governance codes, feedback by the screening analysts and regulations could lead to a system of permanent upgrading of ethical conduct by corporations.

Socially responsible investment is of a totally different nature than ethical banking since it relates to the ability to influence company behaviour through the provision of capital to stock-listed companies. Ethical banking, as described below essentially relates to direct financing and loans.

3.3. Ethical banking

Ethical banking provides direct finance through lending and risk capital to fulfill the financial needs of selected entrepreneurs, organisations and businesses. The cooperative movement from the beginning of the 20th Century is an example of how essential needs can be fulfilled through forms of collaboration and mutuality in membership organisations. Modern forms of cooperation beyond focusing on membership needs such as the fair trade and microfinance movements, combining economic with social values, are a step forward in the understanding and practice of brotherhood and solidarity in a global economical context. Both the cooperative movement and the new social movements from the 1960's have developed a practice of ethical banking. Cooperative banks and new social banks co-exist, while some mainstream banks have become aware of business opportunities in this sector. Microfinance institutions focus their effort in parts of the world where there is a high need for poverty alleviation. For a better understanding it is useful to distinguish these tendencies:

a. Cooperative banks and credit unions

Cooperative banks and credit unions have substantially contributed to the provision of finance to their members, which at the beginning of the 20th Century was a social task. This changed when commercial and savings banks started offering banking services on a broader scale. Many cooperative banks expanded their activities into the mainstream and lost their special social mission. Some of them have recently rediscovered their roots and are redirecting some of their activities. Driven by a need to build a specific brand identity in a financial world where there is much of the same, these banks manage to successfully combine usual banking business (the bulk of their financial operations) with support to specific areas such as community development, the not-for-profit sector and/or environmental development. Examples of such banks include Rabobank in The Netherlands (having a major green fund), Vancity in Canada (giving low-income and marginalised members access to necessary financial services), Cooperative Bank in the United Kingdom (taking a stand against the finance of armaments), and Crédit Coopératif in France (developing solidarity products).

b. New social banks or private development banks

In the last 40 years, new social banks or private development banks have been created and new banks are still being constituted. Impulses for their mission come from the recognition of social and human development needs and of a need for quality of life including care for the environment. They look to the processes of dealing with money, not only at the outcome. They see cooperation not as a mutual aid process between members but as a shift of interest towards the needs of other human beings in a local or global context. They want to stay true to their values even as they grow and change, while growth is not a target on its own and financial profitability is seen as a condition for further development.

These impulses are connected to those driving non-governmental organisations such as

Amnesty International, Greenpeace and Friends of the Earth, and they appeal to those citizens or cultural creatives who are convinced that they can play an active role in this global and personal development process.

The founders of GLS Bank in Germany, constituted in 1974, were the first to concentrate on the qualities of loan money (to potentially stimulate human interest) and gift money (the most productive seed capital). They also focused on the capacity building force of bringing savers and borrowers, consumers and entrepreneurs together for investment, for example in organic agriculture, school education and care for handicapped people. GLS sees banking as a continuous and conscious process of directing the money flow to where it is needed in societal and human development perspective. Individual responsibility and care for the other human beings are seen as core drivers of these processes. Community building through participation in these processes is stimulated through the creation of borrowing and guarantor communities, dedicated savings instruments, and a choice for clients of the bank to determine for themselves the height of interest rates on their deposits. This ethical approach to banking, has been an inspiration for many of the European social banks which have gradually developed over the last few decades. Notwithstanding cultural differences, variety in size, accents (social, environmental), products and services, and stage of development, all of them have ethical and sustainable development elements at the core of their mission, ambitions and practices. All of them are making a good case for human and social development while offering both generally and specifically designed products and services to their respective markets. Whilst a few have failed, most of them have found their way of continuity, with different models of functioning, whilst being in conformity with general banking regulations. An overview of those successful institutions that have a banking statute are:

- ShoreBank, (1973), USA
- GLS Bank, (1974), Germany
- Triodos Bank, (1980), The Netherlands with branches in Belgium, United Kingdom, Spain and Germany
- Freie Gemeinschaftsbank in der Schweiz, (1984), Switzerland
- Merkur Bank, (1985), Denmark
- Wainwright Bank and Trust Cy, (1987), USA
- Alternative Bank Schweiz, (1990), Switzerland
- Cultura Sparebank, (1997), Norway
- Ekobanken, (1998), Sweden
- Banca Popolare Etica, (1998), Italy
- Charity Bank, (2002), United Kingdom.

Some social banks have been constituted by trade unions and have developed based on social and ethical criteria:

- ASN Bank (1960), The Netherlands
- Caisse d´Economie solidaire Desjardins (1971), Canada
- Unity Trust Bank (1984), United Kingdom.

Other social banks are focusing on some specific market segments:

- Health and social economy – Bank für Sozialwirtschaft, created in 1923 on behalf of the UN High Commissioner for Refugees and originally serving as the central administration for UN funding in Germany
- Environment – Umweltbank (1995) in Germany, and the New Resource Bank (2006) in the USA

These banks are quite different as to the volume of their operations – balance sheet totals vary from EUR 30 million to several billions, and their financing capacity from EUR 50,000 to EUR 25 million per project. All together they are currently financing tens of thousands of projects with added social value mobilising the savings of more than one million people and institutions. Being still relatively small, these banking on values institutions, have substantial growth rates, are professionalising and consider themselves to be catalysts for social change. With these banks also succeeding in applying outstanding internal organisation and staffing practices, and in developing specific methodologies to properly deal with the ethical aspects of this type, they have a potential for further qualitative development.

c. Microfinance banks

Microfinance is a methodology of banking for the unbankables (people without access to finance), contributing to poverty alleviation through micro lending for income generating activities of the poor themselves. Although this methodology is not new nor comparable to the movement that was launched in Germany by Friedrich Wilhelm Raiffeisen at the end of the 19th Century (and later developed by credit unions), microfinance in its present form received a tremendous boost from the Grameen approach in Bangladesh, designed by the 2006 Nobel Price winner Professor Muhammad Yunus.

In 2007 there are approximately 10,000 microfinance institutions worldwide. Apart from their contribution to economic development of millions of poor entrepreneurs, their families and their communities, they are often providing basic education and methods of community building. Some of these institutions have the potential to develop into full social banks and are helped with support structures from the north such as Oikocredit, launched in 1975 by the World Council of Churches, the Triodos Microfinance Funds (1994 and 2002), ShoreBank and Shorecap International (1988 and 2003) and many other institutions. Apart from Grameen Bank some of the most advanced microfinance institutions are Brac Bank (Bangladesh and Afghanistan), Basix (India), Acleda Bank (Cambodia), Mibanco (Peru), Findesa (Nicaragua), Compartamos (Mexico), Equity Bank and K-Rep Bank (Kenya) and Centenary Bank (Uganda).

The financing of poor people's entrepreneurship in the north requires different methods compared to traditional banking due to the different social structures and the predominance of individualism. Adie (Association pour le droit à l´initiative économique) created in 1989 by Maria Nowak in France, is a good example of

collaboration between mainstream banks, government and non-governmental organisations.
So long as microfinance institutions are able to integrate basic ethical values, going beyond the mission of fighting poverty, and are able to connect local savings to local borrowing and continue to get the support from northern development money, they have potential for high quality development. New challenges however, such as the effects of climate change, especially in the south, will require huge investments from the world community pointing at the necessity of further social and environmental globalisation on the planet.

4. Innovative practices case study: Triodos Bank Group

The paradigm shift of people using banks to take their money out of the anonymity of markets and to give it a human sense needs drastically innovative banking practices. The Triodos Bank Group is interesting because of its constant transformation, growth, diversification and integration while keeping its mission and ambitions alive. This is why today it is a reference for the social, ethical and sustainable banking industry.

Using money as an instrument for social change can bring a breath of fresh air to the banking sector. This is what the founders of Triodos Bank in the 1970's had in mind. After more than 25 years of social banking activities, and with more than EUR 3 billion assets under management with profits linked to ideals, the Triodos Bank Group has widely diversified its activities beyond taking in savings and lending to sustainable projects and social entrepreneurs. Apart from traditional payment services, the bank's core activities include lending to sustainable projects and social entrepreneurs, taking in savings from committed depositors, special purpose fund management, ethical screening services, and sustainable private banking. Some of these and the innovative processes of human resource management and internal organisation are described in more detail below in order to demonstrate how an ethical approach to banking can be integrated in business and organizational processes.

a. Lending and investment

The Triodos Bank, apart from the funds under management, currently lends more than EUR 850 million to about 4000 projects, organisations and businesses in four key areas and 16 sub-sectors in five European countries. The key areas are nature and environment, social business and culture and society and sub-sectors include organic food, renewable energy, social entrepreneurship, housing associations, education, art and culture. Through investment and lending to approximately 60 microfinance institutions in 30 countries (Asia, Africa and South-America) and financing fair trade and development cooperation, the Triodos Bank Group is contributing globally. The Group also manages environmental, social and ethical investment funds.

The lending policy integrates both positive criteria (projects that combine added cultural, social or environmental value with financial credibility and that clearly benefit the wider community) and negative criteria (clearly defined non-sustainable products and services, for example, nuclear energy, environmentally hazardous substances and the weapons industry plus non-sustainable work processes, such as intensive agricultural production, genetic engineering, breach of fundamental labor rights).

The following elements of policy and practice concerning lending are innovations with ethical considerations and demonstrate the quality of internal ethical and social standards:

- the Bank's loan book is 100% mission based (ethical, social and development aspects in the mission) which is high compared to lending by other social banks and exceptional compared to mainstream banking practices where lending is ethically neutral
- choices of lending are clearly defined and are only in selected key areas and sub-sectors. The lending process ensures that each selected project meets absolute criteria which measure the potential negative impact of a borrower's activity on people and the environment
- lending criteria are strict, publicly available and in accordance with the Bank's other activities such as risk capital investments, investment funds under management and other asset management activities. The criteria are regularly reviewed and refined as changes in the market and trends develop
- the degree of transparency on lending activities is very high due to systematic publications on the lending activities
- the bank closely considers the motivations of the people involved in a loan application as much as their trustworthiness.

b. Savings, advice and screening criteria

By practicing a high degree of transparency – savers are told what the Bank is financing with their money – clients are stimulated to develop their interest and participation in positive action deployed by social entrepreneurs and other borrowers at the bank. Donations in the cultural and development sphere are systematically stimulated and Private Banking clients receive personal advice on the ethical aspects of their investments. The screening criteria used by the Triodos Bank Group's ethical funds are among the most strict and severe in the ethical funds sector. Ethical screening services and advice are also made available to other banks, pension funds and institutional investors.

c. Human resource management

The Triodos Bank pays special attention to the social and ethical motivation of co-workers throughout recruitment, evaluation procedures, internal training programmes and debate and exchange sessions. Co-workers are stimulated to take initiatives out of their personal conviction and ethical understanding as far as these are in line with the Bank's mission. Co-workers are encouraged to actively participate in the decision making process. Therefore information, discussion, reflection, and creative inputs at weekly co-workers meetings are a tradition that keeps the attention, also on ethical questions, alive. The salary system employed by Triodos Bank is based on the principle that income is generated by the joint efforts of all co-workers. Salaries are set based on a system of job evaluation, and on a self-imposed restriction of the difference between the lowest and the highest salaries at the bank.

d. Internal organization

The main objective of Triodos Bank is of an ethical nature – 'With the exercising of banking business, the company aims to contribute to social renewal, based on the principle that every human being should be able to develop in freedom, has equal rights and is responsible for the consequences of his economic actions for fellow human beings and for the earth'[5].

The voting rights at the Triodos Bank annual general meeting are exercised by the Foundation for the Administration of Triodos Bank Shares (SAAT), and are guided by the ethical goals of the bank thus preserving its identity.

Triodos Bank's annual report[6] has been formulated according to the Global Reporting Initiative (GRI) guidelines since 2001 when it was the first bank worldwide to publish an integrated annual report (social, environmental and economic). Since then, more than 50 banks worldwide have used the GRI guidelines[7] for their sustainability reporting.

For reasons of principle, no share option scheme is offered to members of the Board of Management, Supervisory Board members or members of SAAT´s Board of Trustees.

The Group is structured in an integrated way, both locally and internationally, with business units covering specific activities. This helps the Group to consider the ethical aspects of the business at each level of business and globally.

5. Conclusions

Although private community and development banks, microfinance banks, ethical, environmental and social banks and ethical funds differ in terms of focus, accents, clients, products and business culture, they have in common to practice banking and investment with a human development mission. The differences tend to be rather complementary qualities that can be fertile in combination with each other. They are all delivering an innovative and human value contribution to the value-neutral financial system.
Ethical banking as it has been described above stands in a historical line of continuous search for the application of ethical principles in banking and is in line with broader trends in the 20th and 21st centuries such as the emergence of civil society and the new social class of cultural creatives, growing consumer awareness, social justice and environmental movements and the growing recognition of social entrepreneurship, to

[5] Triodos Bank Articles of Association, Article 2.
[6] Triodos Bank's website: see www.triodos.com
[7] The Global Reporting Initiative is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable sustainability reporting guidelines: see www.globalreporting.org

name a few.

Some questions require continuous attention:
Will this emerging financial business sector be able to achieve the relative scale and the professionalism to challenge the dominance of mainstream finance? Will the exceptions of the financial industry become the exceptional and a factor in modern society? Will a profound way of dealing with ethical choices be overruled by the superficiality of business development – also in ethical banking? Can ethical banking as a process with an instrumental character avoid becoming institutionalised? Can ethical banking be a portal for trust forces, morality and responsibility to feed money processes and the financial system with basic values and practices that can be a counter power to uncontrollable morbid growth?

Ethics are now more than ever a subject of personal choice, behaviour and responsibility. At the same time, more and more people are individually looking for values to incorporate in daily life. As contemporaries on their way, they are part of an ongoing process of search and practice linking up and networking with other people, creating new forms of social cohesion. Instruments such as ethical banking processes, products and services and money as a subservient tool can be helpful.

It was not the intention of this paper to provide an in depth analysis and screening of ethical banking practices but rather to describe the state of the art of an emerging financial sector with the conviction that it could become a significant factor in society, not so much in terms of volume but in terms human added value.

Frans de Clerck

Inspired by insights and publications from Wilhelm-Ernst Barkhoff, Rolf Kerler, Paul Mackay, Peter Blom, Lex Bos, Henri Nouyrit, Christine Gruwez and collegues from the ethical banking scene.

Frans de Clerck is senior advisor to the Executive Board of Triodos Bank Group, co-founder of Triodos Bank Belgium and co-founder of the Global Alliance for Banking on Values.