Corporate Social Responsibility in Europe

Author’s Details:
(1)Ngoc Anh Nguyen (2)Thi Thanh Hoa Nguyen (3)Thi Hoan Nguyen
(1)(2)(3)University of Economics - Technology for Industries, Vietnam
Correspondence: Ngoc Anh Nguyen, 456 Minh Khai, Hai Ba Trung, Ha Noi

Abstract:
The evolution of Corporate Social Responsibility (CSR) has an impressive history since the 1950s. The roots of the concept indicates that the business domain have paid increasing attention to the concerns of society. However the term CSR is viewed in different concepts and still searching for a universally accepted definition. The article has conducted an overview of the current situation of corporate social responsibility in banks in Europe.

Keywords: Corporate Social Responsibility, European

1. Introduction

The overview of CSR in Europe has been sufficiently mentioned in the paper “A Guide to CSR in Europe, Country Insights by CSR Europe’s National Partner Organizations” of CSR Europe in 2010. According to the report, the interaction between business and society in Europe is shaped by the diversity of economic, political and cultural landscapes across the continent. The concept that companies can contribute to societal welfare without their legal obligations has a long tradition in many parts of the region. In general, the development of CSR in Europe has been driven both by proactive strategies adopted by pioneering businesses, European institutions and national governments, as well as by external pressures from other stakeholders such as civil society and the investor community, among others. In Western Europe, while companies were expected to fulfill their societal obligations mainly by complying with laws, paying taxes, and providing employment, the development of the welfare state system during the second half of the 20th century emphasized the role of the state as the primary provider of welfare. Over the recent decades, however, economic and socio-political factors in many Western European countries have led to a redefinition of the line between the public and the private sector as well as their respective roles in the society. In this context, voluntary actions that companies take as part of their CSR strategies to manage their economic, social and environmental impacts and to contribute to wider societal development were received growing attention. In the post-communist Central and Eastern Europe, environmental and social concerns have tended to receive less attention than the significant economic challenges regarding to the transition to market economy. However, CSR awareness and implementation in the region are advancing rapidly. In contrast to Western Europe, it is mainly companies themselves - often multinational corporations - that are the main agents of change, whereas external pressure from civil society, media and public authorities has so far been fairly low.

2. CSR in Europe

2.1. Specific features of CSR in Europe

In Europe, as well as in other parts of the world, the CSR movement has traditionally been led by large companies. However, the fact that 99% of European companies are small and medium-sized enterprises (SMEs), and about two-thirds of jobs in the private sector are in SMEs. Many small companies are by nature adapt to the values of their founder or owner as well as to the needs of their local communities, but today increasing attention is being paid to the implementation of a more structured CSR approach in European SMEs. As a relatively wealthy, stable region with a developed economic and societal structure, the current CSR issues and challenges in Europe naturally differ to some extent from those faced by the less developed regions in the world. Many social and environmental responsibilities, which may fall under companies’ voluntary CSR engagement elsewhere, are legally defined in Europe. Nevertheless, the increasing interest in business
opportunities associated with innovative CSR approaches, together with the growing stakeholder expectations for corporate accountability and responsible business practices both within and outside Europe continue to push the CSR program forward.

Furthermore, as a result of the financial and economic crisis, the level of public trust in business has fallen in many European counties. In this context, it is crucial for companies of all sizes to contribute to rebuilding trust in business and shaping a more responsible and sustainable economy in Europe and globally.

Moreover, European CSR practices are normally codified in the legal frameworks. It is important to note that corporate include public interest into their decision-making deliberately. It leads to the diversity of international CSR models which range from: corporations independently defining their level of contribution for societal development to formal and informal institutions (from governments to NGOs to common interest groups) agreeing on public interests which are then transformed into mandatory requirements for corporations. It is very clear when comparing the CSR models in America and Europe. Jeremy Moon and Stanislav Grafski, in their section of The Report on Social Investments in Russia 2004, has compared the approaches to CSR by America and Europe. According to the authors, in America, CSR is often based on the principles of self-help and participation. Due to the nature of American entrepreneurship which is based on maximizing the freedom of participants, there are a lot of self-regulating mechanisms in American society. Therefore, the relation between employer and employee are mainly the subjects of bilateral agreements. The right to health protection is regarded as an individual choice such as to acquire health insurance or not (hence, voluntary medical insurance). On the other hand, European CSR practices rarely originate from the explicit policies of corporations. With the formation of the European Union, CSR has been received significant attention in Europe. Corporate activities, which are traditionally carried out on a voluntary basis in the America, are normally implicitly codified in the norms, standards and legal frameworks of respective countries in Europe. Dirk Matten and Jeremy Moon in a research in 2017 has summarized the differences between CSR in American and European context as below table:

Table 1: CSR issues in the American and European context

<table>
<thead>
<tr>
<th></th>
<th><strong>American Context</strong></th>
<th><strong>European Context</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic responsibilities</td>
<td>Corporate policies with regard to “good corporate governance”, “remuneration” or “consumer protection”</td>
<td>Legal framework, codifying corporate constitution (“Betriebsverfassungsgesetz”), the 35h-week, minimum wage legislation or lengthy and elaborate legislation for developing and testing pharmaceuticals</td>
</tr>
<tr>
<td>Legal responsibilities</td>
<td>Relatively low level of legal obligations on business</td>
<td>Relatively high levels of legislation on business activity</td>
</tr>
<tr>
<td>Ethical responsibilities</td>
<td>Corporate policies with regard to local communities</td>
<td>High level of taxation in connection with high level of welfare state provision of local public services</td>
</tr>
<tr>
<td>Philanthropic responsibilities</td>
<td>Corporate initiatives to sponsor art, culture or fund university education</td>
<td>High level of taxation sees governments as the prime provider of culture, education etc.</td>
</tr>
</tbody>
</table>
2.2. **Guidelines to address CSR**

The European Commission promotes CSR in the EU and encourages enterprises to follow international guidelines and principles. More specifically, the EU’s policy is built on its 2011 renewed strategy for CSR, which aims to align European and global approaches to CSR. This strategy stresses the importance of enhancing the visibility of CSR and spreading good practices, through the integration of CSR into education, training, and research. The strategy also improves self and co-regulation process and companies’ disclosure of social and environmental information. Besides, there are a lot of documents for CSR policy such as:


- **Reflection paper: towards a sustainable Europe by 2030,** published in 2019. It using the UN’s Sustainable Development Goals (SDGs) as a compass, the reflection paper identifies key enablers for the transition towards sustainability. It outlines three scenarios on how best to progress on the Sustainable Development Goals: (1) An overarching EU SDGs strategy to guide all actions by the EU and Member States; (2) Continued mainstreaming of the SDGs in all relevant EU policies by the Commission, but not enforcing Member States’ action; (3) Putting enhance focus on external action while consolidating current sustainability ambition at EU level.

- **United Nations global compact:** By incorporating the Ten Principles of the UN Global Compact into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success. The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the international Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

- **United Nations Guiding Principles on Business and Human Rights,** published in 2011. This publication contains a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations.

- **UN 2030 agenda for sustainable development:** set out a 15-year plan to achieve 17 Goals were adopted by all UN Member States in 2015 which includes: (1) no poverty, (2) zero hunger, (3) good health and well-being, (4) quality education, (5) gender equality, (6) clean water and sanitation, (7) affordable and clean energy, (8) decent work and economic growth, (9) industry, innovation and infrastructure, (10) reduced inequalities, (11) sustainable cities and communities, (12) responsible consumption and production, (13) climate action, (14) life below water, (15) life on land, (16) peace, justice and strong institutions, (17) partnerships for the goals.

- **ISO 26000 guidance standard on social responsibility,** published in 2010. It provides guidance to those who recognize that respect for society and environment is a critical success factor. As well as being the “right thing” to do, application of ISO 26000 is increasingly viewed as a way of assessing an organization’s commitment to sustainability and its overall performance.

- **OECD guidelines for multinational enterprises,** updated in 2011. They are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards. The Guidelines are the only multilaterally agreed and comprehensive code of responsible business conduct that governments have committed to promoting.
OECD due diligence guidance for responsible business conduct, published in 2018. It provides practical support to enterprises on the implementation of the OECD Guidelines for Multinational Enterprises.

The GRI Sustainability Reporting (GRI Standards) which provides an international, standardized language that corporations could use for their sustainability report. The Global Reporting Initiative (GRI) is an independent international organization that helps businesses and governments understand and communicate their impacts on essential issues such as climate change, human rights, governance, and social well-being. The GRI Standards are issued by the Global Sustainability Standards Board, an independent operating entity of GRI.

The International Integrated Reporting Framework (IR Framework) developed by the International Integrated Reporting Council (IIRC). It sets out the principles and contents that govern an integrated report. The purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. An integrated report benefits all stakeholders including employees, customers, suppliers, business partners, local communities, regulators, and policy-makers.

Furthermore, guidelines that have been developed for the financial services sector to address global CSR issues include:

The Equator Principles

The Equator Principles (EPs) is a risk management framework, adopted by financial institutions, for determining, assessing, and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making. The EPs apply globally, to all industry sectors and to four financial products: Project Finance Advisory Services, Project Finance, Project-Related Corporate Loans and Bridge Loans. The relevant thresholds and criteria for application is described in detail in the Scope section of the EPs. Current effective version is EP3 which from Jun 2013. The EP3 include 10 principles as briefly mentioned as follows:

Principle 1: Review and Categorization: When a Project is proposed for financing, the Equator Principles Financial Institution (EPFI) will categorize it based on its potential environmental and social risks and impacts. The categories are: Category A: Projects with potential significant adverse environmental and social risks and/or impacts; Category B: Projects with potential limited adverse environmental and social risks and/or impacts; and Category C: Projects with minimal or no adverse environmental and social risks and/or impacts.

Principle 2: Environmental and Social Assessment: For all Category A and Category B Projects, the EPFI will require the client to conduct an Assessment process to address the relevant environmental and social risks and impacts.

Principle 3: Applicable Environmental and Social Standards: The Assessment process should address compliance with relevant host country laws, regulations and permits that pertain to environmental and social issues.

Principle 4: Environmental and Social Management System and Equator Principles Action Plan: For all Category A and Category B Projects, the EPFI will require the client to develop or maintain an Environmental and Social Management System (ESMS).

Principle 5: Stakeholder Engagement: For all Category A and Category B Projects, the EPFI will require the client to demonstrate effective Stakeholder Engagement as an ongoing process in a structured and culturally appropriate manner with Affected Communities and, where relevant, Other Stakeholders.

Principle 6: Grievance Mechanism: For all Category A and, as appropriate, Category B Projects, the EPFI will require the client to establish a grievance mechanism designed to receive and facilitate resolution of concerns and grievances about the Project’s environmental and social performance.
Principle 7: Independent Review: For all Category A and, as appropriate, Category B Projects, an Independent Environmental and Social Consultant will carry out an Independent Review of the Assessment Documentation in order to assist the EPFI's due diligence, and assess Equator Principles compliance.

Principle 8: Covenants: For all Projects, the client will covenant in the financing documentation to comply with all relevant host country environmental and social laws, regulations and permits in all material respects.

Principle 9: Independent Monitoring and Reporting: For Project Finance under Category A and, as appropriate, Category B, and for Project-Related Corporate Loans which an Independent Review is required under Principle 7, the EPFI will require the appointment of an Independent Environmental and Social Consultant, or require that the client retain qualified and experienced external experts to verify its monitoring information which would be shared with the EPFI.

Principle 10: Reporting and Transparency: The EPFI will report publicly, at least annually, on transactions that have reached Financial Close and on its Equator Principles implementation processes and experience, considering appropriate confidentiality considerations according to an minimum reporting requirements.

Currently 104 EPFIs in 38 countries have officially adopted the EPs1, covering the majority of international project finance debt within developed and emerging markets. EPFIs will review and update the Equator Principles on a periodic basis based on implementation experience and in order to reflect ongoing learning and emerging good practice. The latest update is EP4 was released on 18 November 2019 and all EPFIs will must implement EP4 from 1 October 2020.

3. United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking

The United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. The Principles for Responsible Banking were launched by UNEP FI with more than 130 banks from 49 countries, representing more than $47 trillion in assets, on 22 and 23 September 2019 in New York City2, during the annual United Nations General Assembly. The Principles for Responsible Banking help banks to align its business strategy with society’s goals as expressed in the United Nations’ Sustainable Development Goals and the Paris Climate Agreement. The Principles provide the framework for a sustainable banking system, and help the industry to demonstrate how it makes a positive contribution to society. There are six Principles as below table , and banks which become signatories to the

Principles make a commitment to the underlying ambitions of each principle. The Guidance Document is also available to support banks in implementation of the Principles.
Table 2. The Principles for Responsible Banking

The main idea of each principle are briefly summarized as follows:

Principle 1: Alignment: In line with the Principles for Responsible Banking Framework Documents, banks are required to describe how they are aligning their business strategy with the SDGs, Paris Climate Agreement, and other frameworks that are most relevant to their operating contexts.

Principle 2: Impact and target setting: In the Preamble to these Principles, banks have defined their purpose as helping to develop sustainable economies and to empower people to build better futures. To put this purpose into practice, banks need to identify, assess and improve the impact on people and environment resulting from their activities, products and services. For the banks to continuously increase positive impact while reducing negative impact on people and environment, they need to incorporate assessment of risks and impacts on all three dimensions of sustainability (environmental, social and economic) into business decision-making at strategic, portfolio and transaction levels. Setting targets is an essential component to scaling up banks’ contributions to society’s goals.

Principle 3: Clients and customers: Banks are vital economic intermediaries and as such can make their most significant contributions to society’s goals by creating synergies with customers and clients, encouraging sustainable practices and accompanying their customers and clients in their transition towards more sustainable business models, technologies and lifestyles.

Principle 4: Stakeholders: Proactively consulting stakeholders ensures bank benefits from their knowledge and subject-matter expertise and enables the correct/legitimate definition of society’s goals; it drives legitimacy and capacity to identify positive and negative impacts. Proactively engaging stakeholders early on ensures that all relevant interests are taken into account and a bank will not encounter challenges down the line.

Principle 5: Governance and culture: It requires establishing a daily business culture and practice in which all employees understand their role in delivering the bank’s purpose and integrate sustainability in their work and their decision-making. To deliver on its commitments under these Principles, a bank needs to put in place...
effective governance procedures pertaining to sustainability, including assigning clear roles and responsibilities, setting up effective management systems and allocating adequate resources.

Principle 6: Transparency and Accountability: Public disclosure is critical as it enables internal and external stakeholders to assess your bank’s contribution to society, and the progress it is making. This, in turn, helps build confidence in your bank’s sustainability-related commitments and helps to distinguish your bank from its competitors. Making targets public and reporting progress significantly increases the potential for success in achieving them. Progress reports are key to ensuring the effectiveness of your approach, to motivating employees, competing with peers, driving innovation, and strengthening reputation and trust.

Considering that banks which commit to the Principles will differ significantly in context and starting point, The Guidance Document has also been made available to support banks in their implementation of the Principles and point to relevant resources, tools, frameworks and good practices.

The UN Principle for Responsible Investment

The UN Principles for Responsible Investment (PRI) are a set of six principles that provide a global standard for responsible investing as it relates to environmental, social and corporate governance (ESG) factors. Organizations follow these principles to meet commitments to beneficiaries while aligning investment activities with the broader interests of society. The Six UN Principles for Responsible Investment include: (1) We will incorporate ESG issues into investment analysis and decision-making processes; (2) We will be active owners and incorporate ESG issues into our ownership policies and practices; (3) We will seek appropriate disclosure on ESG issues by the entities in which we invest; (4) We will promote acceptance and implementation of the principles within the investment industry; (5) We will work together to enhance our effectiveness in implementing the principles; (6) We will each report on our activities and progress towards implementing the principles.

Launched in 2006, by 2019, over 2,250 investment institutions have become signatories with approximately $86 trillion assets under management.

EU Directive on Non-financial and Diversity Information

In 2014, the European Union passed through the new European Directive 2014/95/EU. The directive outlines the rules on how large companies shall disclose their non-financial and diversity information (Directive 2014/95/EU of the European Parliament and of the Council). By that, organization must produce a non-financial report if they are a large undertaking, as defined by Directive 2013/34/ EU, defined as exceeding 2 out of 3 of the following criteria for 2 successive accounting periods or if they are a public-interest entity or have an average number of employees exceeding 500 during the financial year. The Information must be provided at the minimum for the matters such as environmental, social and employee matters, respect for human rights and anti-corruption and bribery matters.

Organization must produce a diversity report if they are a public interest entity with respect to the undertakings such as administrative, management, supervisory bodies. The report must include the matters such as: age, gender, professional and education background.

4. CSR in European banking sector

The European banking industry has long ago realized the central importance of having a defined CSR policy. Banks fully understand the worth of CSR because they are such central actors in any modern economy. Together, members of the European Banking Federation (EBF) account for a total of combined assets three times the total EU GDP and they accounted for 1.5% of the total number of people employed in the EU (EBF, 2017).
4.1. Overview of banking industry in Europe

The performance of the Eurozone economy is closely linked to the health of its banking system. Europe banking system is the largest in the world. In the “2019 Facts & Figures” report of EBF, the data shows that banks continued to scale back their physical presence across Europe because widespread branch network become less important. Clients increasingly interact with banks through digital channels instead of branches. In 2018, the total number of bank branches in the EU declined to approximately 174,000, down 5.6 percent, or about 10,000 branches, when compared to the end of 2017. The amount of total assets held by EU banks expanded in 2018 after few years of consecutive contraction. In 2019 it enlarged by approximately €500 billion from the previous year amounting to €43.35 trillion (€30.9 billion in euro area and €12.5 billion in non-euro area). The expansion came basically from gain in the total assets in the euro area countries (1.6%). Considering the country breakdown, the country with the strongest boost in absolute terms was Finland with €176 billion (39.1%) (EBF, 2019). Total assets in EU banks from 2014 to 2018 following figure:

![Total assets in EU banks](image)

Figure 1. Total assets in EU banks 2018

Source: EBF, 2019

Regarding to the bank funding, the share of deposit liabilities over total assets increased in 2018 from 53.4% to 54.2%, in line with the rising trend since 2007 (47.3%) that reveals the shift towards greater reliance on deposits as a source of funding.
Banks are a core element of corporate and household finance in Europe. Corporations in Europe and Japan tap banks for three-quarters of their financing requirements while the regions’ households rely on them for nine-tenths of funding needs. That is double and triple the proportion seen in the US, respectively. Beyond providing lending, banks also act as intermediaries, advisers and providers of both capital and risk management expertise for capital markets. Far from being mutually exclusive, market-based financing and banking finance work...
together to meet the needs of companies and investors. A critical ingredient of this success is the diversity of the European banking sector, consisting of banks of different sizes, allowing for breadth and depth (EBF, 2019)

4.2. The role of authorities in CSR activities

In Europe, both the European Union and individual nations advocate CSR. This thesis analyze the role of some authorities at the EU-level which have strongly promoted CSR activities in banking sector such as European Commission, the European System of Central Banks and European Banking Federation.

Firstly, The European Commission (EC) has played a pioneering role in the development of public policy to promote CSR ever since its 2001 Green Paper and the establishment of the European Multi-stakeholder Forum on CSR. The impact of EC’s policies on CSR has been summarized in the paper :” A renewed EU strategy 2011-14 for Corporate Social Responsibility”, published in 2011. By that, in 2006 the Commission published a new policy whose focus was strong support for a business-lead initiative called the European Alliance for CSR. The policy also identified 8 priority areas for EU action: awareness-raising and best practice exchange; support to multi-stakeholder initiatives; cooperation with Member States; consumer information and transparency; research; education; small and medium- sized enterprises; and the international dimension of CSR. Through the European Alliance on CSR, leading enterprises developed a series of practical tools on key issues. About 180 enterprises expressed support for the Alliance. The remainder of this communication presents a modern understanding of CSR, including an updated definition, and a new agenda for action. In October 2011, the EC adopted a new strategy that marked an important step in the development of EU’s CSR policy. The new strategy puts a strong focus on a core set of internationally recognized CSR guidelines and principles as part of an evolving and strengthened global framework. These internationally recognized principles and guidelines include OECD Guidelines for Multinational Enterprises, the ten principles of the United Nations Global Compact, the ISO 26000 Guidance Standard on Social Responsibility, the International Labour Organization (ILO) Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the United Nations Guiding Principles on Business and Human Rights. As part of this strategy, the European Commission has invited all large European enterprises to make a commitment by 2014 to take account of at least one of these sets of instruments while developing their own policies on CSR.

Secondly, the European System of Central Banks (ESCB) play an important position in European banking industry. The members of the euro area are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain. The European Central Bank (ECB) is the central bank of the 19 European Union countries which have adopted the euro. EU Member States who have not used euro currency are Bulgaria, Croatia, the Czech Republic, Denmark, Hungary, Poland, Romania, Sweden (the United Kingdom has been formally left the EU on 31 January 2010). ESCB comprises the ECB and the national central banks (NCBs) of all EU Member States whether they have adopted the euro or not. In order to develop financial culture, the European Central Bank publishes popular materials, videos and games on its website, which are primarily aimed at the younger generation and their teachers (ECB 2014b). Moreover, many publications are published on the website of the ECB. Developing financial culture appears prominently at the central banks of several European countries as well. The National Bank of Poland, for example, supports research and organizes conferences and seminars on the role of central banks in the economy, within this, among others, about the topics of monetary policy, financial stability and the competences of central banks. In connection with the topic of consumer protection, the Czech National Bank promotes the development of financial knowledge with the following: distribution of manuals and workbooks among teachers and students, and the organisation of seminars and interactive exhibitions. The Danish National Bank assists economic culture with the Danish Journal of Economics scientific journal, PhD scholarships, and with an award rewarding women economists. Supporting economic research, education and university students is the objective of the Spanish National Bank as well, and humanitarian and social work, and the creation of non-profit centres also appear. The Dutch central bank
considers itself as part of the society, which appears in community work, sponsorships, assistance, and the support of the cultural, educational and welfare sphere as well (Lentner et al., 2017).

The last authority to be mentioned is European Banking Federation (EPF). The EBF members account for over 3,500 banks in 32 countries, comprising the European Union and European Free Trade Association. They extend 80% of total loans, hold almost 70% of deposits and an estimated EUR 45.8 trillion in assets. The European banking sector is the world’s largest banking system in the world’s largest economic space. Therefore, given the European banking industry’s pivotal role in the modern economy, it realized long ago the central importance of articulating and defining its role in CSR and ways to integrate CSR into daily business practices. CSR is included in the EBF Guiding Principles, to the extent that banks' work in this field should be highlighted, and that information on their achievements ought to be broadly conveyed. In 2008, for example, the EBF have already published a similar report on ‘European Banking Sector CSR Best Practices’ in a bid to raise awareness to the EU policy makers of just how important CSR is to the industry. The actual report aims out to inspire future CSR activities by illustrating how voluntary CSR initiatives have served society at large. The EBF foresees the publication of an updated report on a regular basis. The European Banking Federation (EBF) therefore considered that it was opportune to set up a dedicated working group at the European level. Considering that the Corporate Social Responsibility scope of actions belongs to individual banks, the EBF is positioning itself as the spokesman of the CSR initiatives of the banking sector (EBF, 2019).

### 4.3. CSR practice in European banking industry

The European banking sector is the world’s largest banking system in the world’s largest economic space. Therefore, given the European banking industry’s pivotal role in the modern economy, it realized long ago the central importance of articulating and defining its role in CSR and ways to integrate CSR into daily business practices (EBF, 2013). The highlighted achievements in CSR activities will be reviewed in key sectors such as: community involvement, environmental impact, information disclosure, socially responsible investment and labor relations.

#### Community involvement

Community involvement in corporate social responsibility can be defined as the contribution of banks and/or bankers’ associations to the community where their businesses are established or conduct their business via drivers such as education, innovative partnership, empowerment staff, backing micro finance. The following will analysis some typical examples from various activities that exist today across Europe.

Many national banking’ associations and their members offer educational programmes to help develop the financial skills of the general. This could be, for example, by means of organizing conferences, and seminars for teachers and tutors on specific topics. An example from Bank of England who have offer many online free classroom materials help to explain how the economy works and what the Bank of England does. There are many topic regarding to economic sector for each object such as: for age 8 to 14 focused on Learning from the financial crisis: Every eight weeks, a new resource to help nine-year-olds and upwards published to develop knowledge, critical thinking, literacy and confidence through inspiring discussions about the news; for age 11 to 16 focused on “EconoME” which provides young people with a greater economic awareness and the analytical skills to make informed decisions.4

In 2016, the Council of Europe Development Bank (CEB) invested €718 million in education and vocational training projects. Bulgaria, Cyprus, Sweden, Finland, Hungary and France all benefited from loan financing to enhance the quality and inclusiveness of education (CEB, 2016). HSBC also has long supported education across the globe, especially helping disadvantaged young people access primary, secondary and higher education. In addition, they are providing $80 million to help people in the wider communities we serve develop the skills for the jobs5. Recent projects on education include: providing tools and resources such as HSBC University to help our employees develop and identify areas for career development; help students...
develop the business skills needed for the future by supporting the world’s largest business case competition in Asia; Sponsoring the Student Energy Summit 2019, which enhanced university students’ understanding of sustainability in the future economy; supporting social enterprises that help people in local communities develop their employability and financial capability skills.

Beyond supporting and financing traditional initiatives, the financial sector invests a great deal in beneficial projects for civil society. Barclays PLC is one of the banks which work with a lot of organizations to partner on projects, provide support, and share expertise including industry initiatives, academic institutions and Non-Governmental Organization (NGOs). Barclays helped raise $1.47bn through a bond offering for the acquisition of HCR ManorCare by ProMedica Health Systems (a leading not for profit healthcare provider). The transaction was deemed one of the largest acquisitions of a for-profit company by a not-for-profit healthcare entity and the combined organization aims to create a unique healthcare delivery platform that will redefine healthy aging for the future. In October 2018, the Power Up Midlands programme is an innovative partnership between Big Issue Invest and Barclays UK. Following a competitive application process, 14 impactful social and community businesses from across the Midlands have joined the programme. In order to support the sustainable growth of the organisations and maximise their local impact, Barclays and Big Issue Invest will provide business development training and mentoring, in addition to potential investment, in 2019 (Barclays PLC Report 2018).

Many banks all over Europe have their own foundations with specific focus areas and targets. Community-based projects and micro-enterprises are benefitting from a donation from the banking sector in Ireland to a Social Finance Foundation. Launched in 2007, the initiative serves as a source of wholesale funding for community-based projects and micro-enterprises that would not otherwise qualify for mainstream commercial funding. A further loan agreement in the same country involves banks providing 12-year loans at very competitive interest rates. The foundation provides funding to social lending organizations which, in turn, provide repayable loans at affordable interest rates for community projects, local development initiatives, and micro-enterprises that have a social impact. BNP Paribas SA has been active in microfinance for 30 years. In 2019 it financed €1.6 billion for microfinance institutions (MFIs) and social enterprises. Over 358,000 micro-borrowers benefited in 17 countries, and the bank will increase the amount by 10% every year. They signed an investment agreement in October 2018 to strengthen specialized MFIs in Europe, including a €1 million investment in the Helenos Fund, whose mission is to contribute to reducing unemployment and social exclusion through micro-entrepreneurship across Europe (BNP Paribas report 2019).

Environmental impact

Environmental management or minimize negative environmental impacts and promoting environmental management is an essential item of the CSR policy. Banks take on a wide range of initiatives to help combat climate change reduce energy, water and resource use in both their own operations and those of their clients and other stakeholders. Tools that are used to reach environmental goals for banks and in sectors that banks support include: contributing to research, environmental certification, environmental management and reporting of annual carbon footprint, Eco-friendly financial products, green finance, eco management, green constructing business, low energy buildings (EBF, 2013).

Successful efforts to reduce carbon emissions include reduced business travel and increased use of video conferencing, lower electricity consumption through upgrading and switching to modern equipment, and innovative technologies to reduce paper use. Many banks support the Carbon Disclosure Project and report on their CO2 emissions. Barclays PLC has a Group Property Policy which sets out criteria for environmental management, risk, opportunity and control for their buildings as they operate the business. Within the Property Policy they have environmental controls which range from aspects and impacts, pollution control through to environmental data reporting. These controls are audited internally by Barclays Internal Audit on an annual basis and control effectiveness is reported up to senior management as part of our Enterprise Risk Management.
Framework. Within the Property Policy they include a commitment that any building investment over £5m will achieve an independent best practice standard for environmental performance (Barclays PLC report, 2018).

Besides, banks offer a lot of products and services to support and finance environmental protection for all public and private customer segments. For wholesale banking sector (large corporate clients), banks provide loans support projects related to photovoltaic panels, biomass plants, hydropower plants and energy efficiency measures. For retail banking sector (SMEs, households, individuals), banks offer loans for energy-efficient renovation of property, the purchase of ecological equipment and installation of solar and photovoltaic panels (EBF Report, 2017). Credit appraisal plays an important process for green financing products which normally required large amount in a long duration. Many bank has applied Environmental and Social Management System (ESMS) which include a set of procedures that are integrated into the internal processes of banks by aligning the policy requirements for their loans to the standards and requirements set by the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD).

The ‘Green Bond’ concept is one response to the growing demand from investors to be able to select and back climate-related business opportunities. This investment method integrates the fiduciary element of fixed income products with climate mitigation and adaptation awareness, giving mainstream investors access to climate-related investment opportunities. Over 100 investors have now invested in ‘Green Bonds’. In many countries banks offer Green Bonds and other financial products that have multiple goals such as protecting the environment, financing and promoting renewable energy and helping to revive run-down areas. The Green Bond market has reached EUR 147 billion in 2018 with a continuing rising demand from investors (EBF report, 2019).

Information disclosure

Banks across Europe often go beyond legal requirements for reporting information. Regarding to sustainability report, banks generally report according to the relevant standards. Many of them focus on how they integrate environmental, social and governance issues (ESG) into their core business such as banks’ funding and risk management activities. The information is often verified by an external entity thereafter. A group of banks and other stakeholders have developed reporting guidelines specifically geared to the financial services sector, in the form of a supplement to the Global Reporting Initiative guidelines. Moreover, sustainability issues are published on the banks’ website, very often with a link to the home page to add prominence. Some banks integrate ESG issues in the bank’s annual report. A number of banks have won international awards for sustainability reporting practices. According to EBF report in 2013, 70% of national industry’s assets publish a sustainability report and 77% of the banking industry’s total assets enclose and distribute it with their annual report. In 2014, the European parliament and the Council of the European Union has issued Directive 2014/95/EU- also called the Non-financial Reporting Directive. The Directive requires public-interest companies in EU Member states with more than 500 employees to disclose non-financial and diversity information in their yearly management report. Many banks have included non-financial statements in their annual report from 2018.

Furthermore, banks have maintained active and transparent dialogue with their shareholders via the various channels of communication that have been established for the purpose of information disclosure and stakeholder dialogue. These are managed by numerous groups within the bank, such as the corporate unit for customers and quality, the shareholders area, investor relations, human resources, the risks management, integral management of spending, asset and capital structuring and the retail units of the bank. The bank’s sustainability group also maintains regular contact with stakeholders in the third sector to identify the matters of concern to them, their information needs, and the opportunities for improvement. Maintaining an active dialogue with key stakeholders could be a good way to identify concerns and generate ideas for improvement. Information disclosure initiatives are also developed by banks in the following areas: data protection, compliance, anti-money laundering and counter-terrorist financing measures, partnership with authorities and organizations such

The Organization for Economic Co-operation and Development (OECD), Financial Action Task Force (FATF), International Monetary Fund (IMF).

Social Responsible investment

Socially responsible investments take into account the ethical dimension of investments, considering their environmental and social impact. This is a key area in which banks can play a role in promoting sound and ethical practices. The importance of such aspects in investing has grown in recent years and today there are a number of guidelines the banking sector can be and is drawing on within the decision making process. Many banks in Europe are members of the United Nations Principles for Responsible Investment. The UNPRI is a network of international investors working together to put the six Principles for Responsible Investment into practice. The six principles reflect the increasing relevance of environmental, social and corporate governance issues (ESG) to investment practices. They are further integrating these issues into their asset management business (e.g. climate change focused funds). Through these funds, banks help finance sustainable energy investments as a means to address climate change. Sustainability issues are an important part of the investment process with all of one bank’s funds. Some banks are committed to developing socially responsible investment (SRI) channels. They have products with different profiles adjusted to specific customers’ investment demands in this area. These products do not only meet financial return criteria but also social and environmental criteria, complying with recommended practices for corporate governance and transparency. In some cases, they have a portfolio management service which provides a personalised service for customers for the administration of their portfolios in accordance with the socially responsible investments (SRI) criteria. Some examples from banks’ practices regarding to responsible investment such as: asset administrators are continuously educated on corporate sustainability targets and evaluate all financial counterparties based on their sustainability services; ethical labelling on mutual funds, allows customers to see if a mutual fund has companies in its portfolio which violate international conventions. A bank’s investments are ethically responsible when it seeks out companies that have adopted a systematic approach to managing key economic, social and governance (ESG) risks and opportunities. Unicredit, for example, commit no support for thermal coal mining and coal fired power plants project by 2023 (Unicredit commitment, 2019). BNP Paribas SA no longer invests in tobacco and tightened its coal financing policies in 2019. In May 2019, BNP Paribas announced that it would no longer finance electricity producers in Poland because of their dependence on the coal industry.

Labour relations

In 2005, the Banking Committee for European Social Affairs (BCESA), the European Association of Savings Banks (ESBG) and European Association of Cooperative Banks (EACB) signed a joint statement on social and employment aspects regarding CSR with the representatives of UNI-Finance, which is the European finance trade union federation. This statement is important cause dialogue with trade unions on the subject has been difficult at European level, due to the complexity of subjects and to the fact that more than 25 countries were participating to discuss. This agreement underlines the importance of CSR activities, which are implemented by banks on a voluntary basis with regard to corporate business and industrial relations without any predetermined models. At the same time, it promotes policies conducted by banks at EU level on issues such as: vocational training, core labour standards, work-life balance, equal opportunity and internal communication.

Activities to promote health and well-being, include specific plans to support ‘health at work’, such as professional medical check-ups, prevention structures. A wide range of services for financial sector employees exist to promote health, safety and well-being at work. Taking one of these cases e.g. work-life balance is a growing interest in Europe that the banks are responding to this challenge in a dynamic fashion. For instance, through a policy designed for older employees to scale back their working hours without compromising their pension and nearly maintaining the salary at the same level when working full time. This policy received an overwhelmingly positive response from staffs who stating that this policy has had a positive impact on their working conditions. Another example is a co-operation with local, occupational health care where a bank
carries out extensive rehabilitation work to help long term sick-listed employees return to work. Training is also seen as a priority for developing employees’ professional and personal skills that also aligns these skill sets with the bank’s strategy. The pursuit of excellent customer service involves permanent training adapted to each employee’s specific needs. Banks also motivate employees to be pro-active and responsible for his/her own development including by e-learning. This approach to training by member banks can be illustrated in a project launched by one bank to introduce unemployed young people aged 18-25 to the labour market, by creating trainee positions throughout the branch network. Additionally, corporate bank clients were encouraged to create trainee positions for these groups of trainees. The scheme has so far created 400 positions in banks and 3,000 with corporate clients. In a similar project, unemployed academics, born outside the country, are offered a six-month traineeship in bank branches, many of whom will be employed by the bank subsequently. A national association is further, actively involved in an initiative called ‘Fit4job’ dedicated to getting unemployed people back to work (EBF, 2013).

Equal opportunity and gender equality are received many attention in recent years. Equal employment opportunity policy governs all human resources’ systems and procedures i.e. recruitment, training and development, performance appraisals, and promotions. Specific committees are formed to ensure that all staff members are treated equally and no staff member is discriminated against, ensuring for instance, the recruitment of young people with disabilities. Some bank has developed and plan for each country to achieve a female-male manager ratio corresponding to the overall gender distribution in the group. As a result, about 38% of managers in the group are now women (with total number of women at 52%). Another employer initiative dating back to 2006 is a programme designed to nurture female talent in the financial industry. The programme seeks to contribute to improve strategic interaction between women and men and to identify female talent through course sessions, individual tutoring and networking. Between 2006 and 2012, a small European country participated, contributing to the project around 170 talented female employees.

REFERENCES


xxvii. KPMG Vietnam and the Chamber of Commerce and Industry France- Vietnam, *Corporate Social Responsibility in Vietnam*, the Guidebook, 2019


