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PERSPECTIVES



9th European Symposium on Savings Banks History

EUROPEAN SAVINGS BANKS: FROM SOCIAL COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

Madrid, 4 - 5 May 2006



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FOREWORD

Together with their focus on retail banking and their regional presence, corporate social responsibility is one of the defining characteristics of savings banks since their very creation. As one of the speakers of this 9th European symposium on savings banks history puts it: it is part of our DNA.

In these proceedings of the 9th European symposium, dedicated to the theme “From social commitment to corporate social responsibility”, speakers from savings banks from Austria, Germany, Spain, Italy, Sweden, France and the UK, as well as external experts shed a new light on a topic that has only recently come in the limelight but that has been developed by savings banks for decades.

This publication brings further evidence to our conviction that trust and solidarity are not incompatible with modern management methods, rather on the contrary. I hope that this publication will be a source of inspiration for our members and for all interested people and I wish you a happy and interesting reading.

Chris De Noose
Chairman of the ESBG Management Committee

SESSION 1: WHERE DO WE COME FROM?

SOCIAL COMMITMENT: FOUNDATION OF THE SAVINGS BANKS CORPORATE SOCIAL RESPONSIBILITY APPROACH

HISTORIC DIMENSION OF CORPORATE SOCIAL RESPONSIBILITY (CSR) OF SAVINGS BANKS - THE AUSTRIAN EXAMPLE

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The search and presentation of specific points of departure pertaining to the argumentation in favour of a long social responsibility for the current CSR concept (existing since the establishment of savings banks in the 19th century) is why a historic contribution to the conference subject matter can and must come about. Indeed, as the meanwhile already quite well-developed historic savings bank research shows, there are a series of starting points.

In this sense, the following has been determined in a ESBG conference held in November 2004 in Brussels: *“Savings banks have been successfully realising CSR initiatives based on their commitment to society for years before the CSR Concept was even invented.”*¹

Before I go into a few such starting points in the example of Austrian savings banks, whose development dates back to the beginning of the 19th century, I would like to attempt to outline a general developmental connection in which the case study Austria can be arranged in an exemplary manner.²

This general developmental connection basically exists in the relationship of the “social question” as an economic and socio-political challenge on the one hand, and the subsequently related reactions of the economic and socio-political institutional system on the other hand. While doing so, the role and function of the “savings bank” institution as a complementary or substitutive element of state social policy is of central interest here. A concept for a 'division into periods' ensues with regard to the historic consideration. This historic consideration reveals - roughly schematised - the following findings, which would be further differentiated as a matter of course:

At the start of the industrialisation in the early 19th century, the “social question” was posed in the form of industrial pauperism with its well-known effects in the lower classes. In the course of the industrialisation, a basic level of protection in terms of individual provision of services emerged as a primary socio-political challenge. The personal contribution in this connection - with regard to the late-absolutist, constitutionally liberal regime that was in a state of upheaval at this time - was insufficient and weak.

Insofar as that is concerned, a clear institutional need for such a basic level of protection in the individual provision of services was revealed. And it was precisely this need, which - based on the relevant discourses in the subsequent clarification - led to the establishment of savings banks with primary philanthropic objectives in the realm of the developing “civil society”, usually with direct or indirect governmental assistance. As a result, very essential starting points with regard to the historic dimension of the CSR of savings banks are undoubtedly present here.

In the era of high industrialisation in the late 19th century, the “social question” was posed in altered form as the necessity of improvement of the chances of survival of the strongly increased lower and middle social classes - and thus their integration in the “civil society”. This also transpired not the least as a method for political stabilisation of the civil state. At the same time, particularly as a consequence of the fundamental crisis of economic and political liberalism in 1873, a successively strengthened, active role of the state in terms of social policy (which was developing into a modern intervention state) also came about with regard to the individual provision of services. As everybody knows, the creation of social security systems is an essential expression of this phenomenon.

The role of savings banks - which in the meantime experienced a considerable expansion with regard to their number as well as their social dimension - now seems to have been appropriately changed and expanded in relation to social responsibility. Now it is no longer the provision of the opportunity of a rudimentary individual monetary provision of services per se which devolves upon them, but rather the provision of an essential contribution towards improvement of the chances of survival with regard to the lower and middle social classes - and thus for their integration in the civil society.

On the one hand, this transpires through a corresponding socially compatible interest and condition structure in the lending and deposit business, and on the other hand in a substantial involvement in the creation of a corresponding public - and thus socio-politically effective - infrastructure, particularly on the municipal level. The latter is attributable through adequate financing offers as well as to an increasing extent to subvention activity.

1 World Savings Banks Institute. European Savings Banks Group, Newsletter December 2004, No. 98

2 Zur Entwicklung der österreichischen Sparkassenorganisation: Die Sparkassen. Verantwortung für Wirtschaft und Gesellschaft, published by the Austrian Savings Bank Association, Vienna 2005

Since at the latest after the end of the long growth path which commenced in the last third of the 20th century (in the transition from the 1940's to the 1950's), there was a deterioration of the chances of survival for a growing portion of the population in the lower and middle income classes - on the one hand through high structural unemployment and evident weakening of the handed-down social security systems, and on the other hand the state had engaged in a socio-political retreat as a consequence of monetary and fiscal restriction - the "social question" is posed. And within this realm, the individual provision of services once again exists as a central socio-political challenge.

Insofar as a method for overcoming this challenge is seen in the concept of CSR, the demand for appropriate positioning ensues in its framework for the savings banks. And this will to a great extent be sought in resorting to the nearly 200 year old history and traditions of the social responsibility of savings banks.

Now, based on the background of the outlined developmental model, allow me to address the Austrian example in a few points. Just like the history of Austrian savings banks started with the "*Ersten Österreichischen Spar-Casse*" ["First Austrian Savings Bank"], which was also essentially the model for the subsequent waves of business foundations in the Habsburg state, an exemplary step in the institutionalisation of the modern CSR concept has also recently been taken by the institute (which has now been listed on the stock exchange for quite a few years as the "ERSTE-BANK AG"). Insofar as the modern concept of CSR is concerned, this does not mean the transformation of a profit-oriented enterprise into a social institute, but signifies a functional combination of profit-oriented business policy on the one hand and social activity on the other hand.

In principle, a historic institution has been utilised for this purpose, namely that of the foundation. For instance, a portion of the proceeds earned in the ERSTE-BANK's banking operation is transferred to "*DIE ERSTE österreichische Spar-Casse Privatstiftung*" ["FIRST Austrian Savings bank Private Foundation"], which is at the same time the bank's principal shareholder and also finances the subsequent social activities.³

3 Der Flug der Biene ins 21. Jahrhundert. DIE ERSTE österreichische Spar-Casse Privatstiftung. How the Bee made its Way into the 21st Century. DIE ERSTE österreichische Spar-Casse Foundation, Vienna 2005 (www.erstestiftung.org)

General Manager Andreas Treichl speaks of a division of labour between bank and foundation: The foundation "*does exactly that with which we [the bank] do not deal with: namely taking care of people who are not able to provide for themselves.*"⁴

And he links this with the objective of an overall revival of the formative idea of the FIRST Austrian Savings bank or of the respective savings bank entity. In this sense, Treichl stated the following at the annual conference of Austrian savings banks in May 2004: "*We must see ourselves as obliged again with regard to our formative notions.*" While doing so, he targeted the fact that - based on a solid business profit situation - the savings banks "*become more strongly conscious of their original function, the promotion of charitable purposes*".⁵

The historic dimension of CSR is directly utilised in this connection. Based on this assumption, the task of a historic contribution is to take a somewhat close look at this historic dimension, as long as this is possible within the scope of this paper. I would like to briefly do so - starting with the "social question" - with the help of the two outlined temporal levels at the beginning and at the end of the 19th century.

First of all, we shall cast a glance at the conditions in the beginning of the 19th century, i.e. in the period of the origins of the savings bank system, based on the background of the "social question" in the form of early industrial pauperism. While doing so, several starting points pertaining to the historic dimension of CSR can be found:

The first point of departure lies in the fact that a savings bank was an element of the "civil society" at that time. This is rooted in the private-law form of association savings bank. And so, starting with the "*Ersten Österreichischen Spar-Casse*" in 1819, savings bank foundation associations were established in the course of the first half of the 19th century in quite a few provincial capitals of the Habsburg state.

These institutions perceived themselves as societies of "philanthropists" - i.e. they emerged in the tradition of enlightened societies, but at the same time anticipated the institution of "civil" association that in the following decades and in many areas was to become an essential factor of cultural, economic, social and political development.

4 Salzburger Nachrichten [newspaper] 29.3.2006

5 Salzburger Nachrichten 21.5.2004

However, this association was not the owner of the savings bank, but its function existed in the provision of initial capital stock and liability guarantee. But this only existed until a corresponding guarantee fund was built up from the proceeds of the savings bank business. The members of the founding association had no claims whatsoever to interest earnings from the re-disposition of savings capital deposited with the savings bank.

The second point of departure for the historic dimension of CSR mainly lies in the savings bank's terms of reference with regard to individual provision of services. According to the preamble of the statutes⁶ of the *Ersten österreichischen Spar-Casse* from 9 August 1819, the purpose was "to give factory workers, craftsmen, day labourers, domestic servants, farmers or any other commercially diligent and thrifty under age or of age individual the personal means to put away from time to time a small fund from their strenuous earnings in order to use such resources in later days for establishment of a better provision, for a dowry, for temporary help in the event of illness, old-age or for attainment of any commendable cause whatsoever."

And so the principle of individual provision of services through interest-bearing disposition of savings or reserves for marriage or marital status, illness and old-age was implemented here - namely for those central areas of social security for which there were no sufficient institutional arrangements under the given circumstances in the early phase of industrialisation, particularly in the large cities.

The "General Provision Institution" that was also established on an association basis in conjunction with the *Ersten Österreichischen Spar-Casse* in 1825 shows that the savings banks were also able to be coupled very early with the institute of social insurance. This was an institution of old-age pension scheme that was geared towards the entire realm of the imperial state or all citizens according to a differentiated age-group model.

A third point of departure for the historic dimension of CSR lies in the combination of profit orientation and public welfare orientation in the savings bank business. It has already been mentioned that the supporting institution - i.e. the savings bank association - was basically not profit-oriented.

But this does not apply in the same manner for the savings bank itself: Because this institute was supposed to earn a "pure profit" from the savings bank business - i.e. the interest-bearing taking-in of savings deposits and their disposition in the capital market or in loans, from which a portion was supposed to be utilised for social or public welfare purposes.

At the same time, the savings bank was not supposed to be a place of fructification of greater capital sums, but limited to small savings. In an instruction from 1821 it was said: "*The savings bank is not the place where one can deposit larger sums in order to draw the greatest possible profit, but it is an institution which safeguards savings and invests them in the most secure manner... The savings bank is not available to invest the money of rich capitalists in the most advantageous manner, but to assure - for the diligent, hardworking and orderly people - the setting aside of their small surplus and to collect this so that it gradually grows into a usable sum.*"

In the 1840's, the institution "savings bank" (in the meantime already existing in greater numbers) was established in the Austrian imperial state as an essential element of the socio-political system at that time, and was also accordingly standardised as such. Moreover, the "*Regulatory Provision for the Formation, Establishment and Monitoring of savings banks*" was enacted in 1844.

In this provision the state explicitly allocated a socio-political function to the savings bank, and thus a public mandate: "*The designation of savings banks consists of offering the less well-off people's classes an opportunity for safekeeping, payment of interest and gradual augmentation of small savings in order to stimulate the spirit of industriousness and thriftiness at the same time.*"

This socio-political mandate was also specifically manifested in the standardisation of the structure of the savings bank business. An important starting point in this connection was the permissible amount of deposits, in which case the formation of savings for the lower social classes was aimed at. "*The lowest amount permissible as a deposit with the savings banks is to be specified as low as possible so that even the poorest class will be offered the opportunity to secure - although initially non-interest-bearing - safekeeping of small savings.*"

⁶ The following quotes have been taken from: 150 Jahre Sparkassen in Österreich, published by the Main Association of Austrian Savings Banks, Vol. 1, History, Vienna 1972

Larger capital investments should be explicitly staved off with a maximum provision. *"A maximum [amount] is to be specified every time in the statutes for the extent of the deposit according to the special local conditions and out of consideration for the guarantee fund, whereby the acquisition of lower people's classes in the districts where the savings banks are located is to be borne in mind, and after that it is to be seen to that the more affluent, who can fruitfully generate their own funds remain excluded from the utilisation of the savings bank for this purpose."*

And a payment of interest beneficial to the small deposits was provided: *"Incidentally, in the statutes which permit relatively larger sums for the deposits of every single party, the interest rate has to be graduated according to the extent of the invested capital in falling progression."*

Furthermore, it was specified that a portion of the operational surplus was to be utilised for *"charitable and non-profit local purposes"*. For the lending business - i.e. dispositions and loans - the security of deposits was the top priority. The decisive criterion was the *"pupillary security"*, i.e. trustee security status.

Now I come to the situation at the end of the 19th century, where the "social question" is posed against the background of high industrialisation as a demand for improvement of the chances of survival with regard to the lower and middle income classes. Among other things, the following points of departure for a historic dimension of CSR can be identified here:

First of all, the combination of the business growth of savings banks on the one hand and the retention of social terms of reference on the other hand. In the course of the economic development dynamics of the second half of the 19th century, the volume of savings bank deposits grew strongly and thus also increasingly exceeded the range of the lower income classes. At the same time, the savings banks were more strongly included in the financing of the economic growth process, in which case, however, they essentially remained beyond the speculative range on account of the relevant provisions.

While doing so, the now predominantly municipal savings banks had (on the basis of their increasing potential as collection points for capital) obtained a very special significance as financing institutions on the one hand for the regional private-sector investment activity, and on the other hand in the build-up and expansion of the public and particularly the municipal infrastructure.

The growth of savings banks was now taken into consideration in the legal setting of standards insofar as the restriction on the lower income classes was lifted in the realm of savings deposits. In § 1 of the new model statute published in 1872 it was said: *"The purpose of the savings bank ... is to create the opportunity for everyone, but especially the less well-off people's classes, so that they can fruitfully invest their savings without difficulty and loss of time."* The degressive payment of interest was soon replaced by a uniform payment of interest on all deposits.

The utilisation of a portion of net surpluses for *"charitable and non-profit purposes"* in the form of subsidisation of social, cultural and municipal institutions was retained.

A second point of departure for the historic dimension of CSR is the balance between the necessary banking industry considerations on the one hand, and the social mandate in the arrangement of the lending and deposit business on the other hand.

Among other things, this concerned the interest structure with regard to the deposits. For instance, here one endeavoured in the 1890's to resist the prevailing trend towards lowering of interest rates in the general money and capital market development, as long as it was somehow possible. At the same time, the fear that savings potential would be diverted by the savings bank through a lowering of interest rates - and thus this institution would not have enough funds available for the fulfilment of its tasks in the public welfare-oriented realm - also played a role.

In the same way, interest earnings that were as high as possible for the saver (as an important contribution towards individual provision of services) were repeatedly put forward as an essential reason, which spoke against a reduction of deposit interest. For instance, in this connection the minutes of the Salzburg savings bank recorded in 1897: *"The savings banks should not be a banking institute, but a welfare institute for the little people."*⁷

7 Minutes of the Savings Bank Committee, 31.12.1897 (Salzburg Savings Bank archives)

Analogously, the social responsibility of the savings bank business in moderately dealing with arrears of interest and redemption reserves in the credit realm had a bearing on the asset side. Here the welfare of the debtor was taken into consideration, going beyond a pure banking industry profit orientation. For instance, in 1900 - as arrears of interest and redemption reserves accumulated to an increasing extent - the management of the Salzburg savings bank thus explained *"that it has always been the institution's principle to give tardy debtors, who are experiencing particular difficulty at the moment, the possibility to recover in the shorter term and in the greatest possible accommodation through approval of instalment payments and granting of respites, insofar as the institution's security was not endangered as a result, and many livelihoods have been saved from certain ruin without the slightest endangerment of the institution's interests through this benevolent and [at the right place] exercised forbearance."*⁸

These statements and examples may well suffice to make it clear that it also makes sense to take into consideration the historical dimension within the scope of the concept of modern CSR with regard to savings banks.

CASSA DI RISPARMIO DI FIRENZE: THE HISTORICAL BACKGROUND BEHIND A SOCIAL COMMITMENT

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8 Minutes of the Savings Bank Committee, 30.5.1900 (Salzburg Savings Bank archives)

The origin of the Casse di Risparmio

The phenomenon of Casse di Risparmio ("savings banks") started to develop in Europe at the start of 1800's. Although there were specific differences, often considerable in local terms, these institutes were essentially characterised by a vocation to provide a new type of answer to the problem of pauperism which had arisen in Europe as of the second half of the 1700's following a series of political and economic upheavals. In particular, during this period there was a complete re-examination of the entire issue of assistance provided to the underprivileged classes, in which the leading economists and social studies scholars of the time participated. The debate centred not so much on the chronic poor (the elderly and the sick), but on people affected by "structural unemployment", that is, people able to provide for themselves by means of their own labour might who found themselves a burden on public assistance as a result of a particularly unfavourable economic events.

The peculiar role which the savings banks proposed to carry out in respect of this social need was to culturally promote among the disadvantaged classes a habit of providence and saving up until then unknown and to implement means of collecting and managing money which were characterised by being safe and easy to perform.

For these institutes, therefore, the collection of funds did not merely have an economic justification, arising from the need to create flows of liquidity for investments, but rather it was undertaken for ethical reasons. Savings banks did not develop by chance throughout Europe; but rather as the result of spontaneous initiatives undertaken by civil society, through the associations of private citizens, religious groups and charitable organisations, or at the initiative of public authorities.

The savings banks also spread rapidly in Italy, with a variety of frameworks and organisational structures that reflected the political fragmentation that characterised Italy during that period. The first was founded in 1822 in Venice; in 1830, there were 17 savings banks almost all of which were located in the northern and central region of the country.

The birth of the Cassa di Risparmio di Firenze

It was in this context that the Cassa Di Risparmio Di Firenze was founded, in 1829, which was the fourth such bank in Italy after those created in Venice, Milan and Turin.

The Cassa di Risparmio di Firenze is part of two different traditional frameworks that make it unique in the European context. Certainly it was most directly inspired by the European experience; in particular, the French experience, characterised by the savings banks organised in the form of limited liability companies, constituted the model for the Tuscan and pontifical banks, during whose creation the contribution of private capital took on a central role. The Cassa di Risparmio di Firenze was unique in that it combined the ancient tradition of Monte di Pietà of Florence, which was created in 1495 with the function of extending loans secured by pledges for the less affluent classes, investing the profits that accumulated in charitable works for the benefit of the poor. This cultural heritage was formally endorsed in 1935, when the Azienda dei Presti, which took over from the Monte di Pietà in 1782 with respect to issuing small loans secured by pledges - merged with the Cassa di Risparmio di Firenze. The spirit behind the activities of Monte di Pietà was very important for the bank's development, and for many years it was to retain the spirit of patronage and philanthropy which had characterised the institution.

The role performed for social, cultural and economic development

The Cassa di Risparmio di Firenze was created to provide social services to the less affluent classes, and to act as the "savings bank" for the poor. An examination of the economic conditions of the regional capital and the surrounding area provided, on the one hand, evidence of a considerable extent of the social unrest and actual indigence, and on the other, the existence of substantial potential for savings, in particular amongst several groups of qualified urban workers and sharecropping families located in the immediate vicinity of the city. The new institute immediately experienced an extremely favourable reception amongst the public.

However, right from the start, most of the capital coming in came not from the classes which were meant to be the institution's main beneficiaries, but rather from the middle classes, who were in possession of "small fortunes" for which there was a requirement for an institute that would agree to receive "small advances from private individuals in order to then transform them after certain time into capital".¹ The analysis of the data on the collection at the end of 1829, six months after the opening, confirmed the true universe of reference with which the bank found that it was dealing: 60% of the depositors were 'well-off', 'traders' and 'manufacturers', 20% were 'employees' and 'domestic workers', 4% 'students' and 'boarders', while 'peasants' represented little more than 3%.

Even during the first decades of the banks' operations, its administrators made efforts to reconcile the original goal, which was promoting savings amongst the poorer classes of the population, with the necessity of responding to the requirements of society and local economic development, while accepting deposits from the middle classes, allowing it to provide support to agriculture, handicrafts and small businesses.

With regard to the first aspect, the bank carried out many initiatives including in particular towards the end of the 1800's, savings boxes for the home, household savings accounts booklets in the name of an individual but payable to the bearer, booklets payable to the bearer without heading, fixed-term booklets, and interest-bearing bonds with a fixed value date; the launch during the initial period of the fascist regime of premium savings booklets, which paid higher interest to customers who contributed their savings on a continual basis throughout the year, and educational savings booklets with an entitlement to a premium for the best students in elementary schools. In addition, employees were permitted to take out loans against the assignment of one-fifth of their wages, and mortgages for the construction of public housing.

Also, during the years that followed the Second World War, the bank remained true to its original mission by promoting social services initiatives, in particular for the benefit of young people and the very young; the granting of loans against security, which were carried out by the Azienda dei Presti, became very popular once again and obtained attractive results. It should be mentioned that the things that were pledged by the neediest were returned to them free of charge in relation to amounts that were quite large.

¹ E. Poggi, Rapporto sull'amministrazione della Cassa Centrale di Risparmio e Depositi di Firenze, in ID., Discorsi economici, storici e giuridici, Le Monnier, Firenze, 1861, p. 157.

With regard to the other aspect, the directors never lost sight of the goal of using the monetary means available to sustain economic activities that were considered deserving of support. Between its creation and the First World War, the bank allocated at least a portion of the funds that were collected for productive purposes. In the period before unification, it contributed to the improvement of the Granducato's road network either by providing direct subsidies to the municipalities, or by providing guarantees of prompt recovery of their capital to entrepreneurs that had been awarded the contracts to carry out the work. During the first decade after the turn-of-the-century, it supported business activities in the City of Florence and in the province. Between 1906 and 1913, it also financed various advanced industrial sectors, such as the iron and steel industry, the automotive industry, and electrical generation.

Between the end of the First World War and 1922 the bank granted mortgages and loans that were allocated to reconstruction efforts after two earthquakes that occurred in the region. It also participated actively in the contributing capital to the newly formed Istituto di Credito from Casse di Risparmio Italiane (ICCRI), which was created to coordinate the actions of these various banks and to ensure that they made an effective contribution to the transactions that were required for the new economic and financial conditions throughout the country. The bank also supported state and municipal initiatives involving the construction of public housing by providing funds, and allocated considerable amounts to be used for loans to farmers, initially through the Agricultural Consortia and the Banca di Credito Agricolo, and afterwards directly.

It is important to stress, for the purposes of today's discussion of corporate social responsibility, that for the first fifty years the bank pursued its mission to support the local community directly and exclusively through its typical business i.e. collecting and lending money. Only later did the resulting profits begin to be used for philanthropic purposes.

This occurred between the end of the 1800's and the beginning of the 1900s. In this period, on one hand, the historical passage from an Institute that was intended to act as a "savings bank" for the poor to a true Credit Institute, dedicated to find new investment strategies in relation to increasing volumes of savings that its ever-growing customer base provided as deposits. On the other hand, with the implantation in 1893 of the Law of 1888 on the reorganisation of the savings banks this institutionalised the practice of "charitable contributions" as the distinctive and enduring aspect of their activities, with the appropriation of 1/10 of annual profits to charitable initiatives.

From then on a management model took shape in which two threads of parallel activities would co-exist: the philanthropic business and actual banking business.

Over the years there would be various orientations to its philanthropic activities.

Initially, these mainly targeted social and welfare initiatives. Of particular importance were the efforts to provide means and specialised equipment for research centres, for the Red Cross, volunteer organisations and hospitals.

From the first few decades of the 20th century, however, a more strictly cultural area of intervention was delineated and this involved prestigious local institutions such as the Municipal Theatre, the Accademia dei Georgofili (agricultural academy) and the Science Museum.

Over time, support for cultural and artistic activities became a distinctive feature of the bank, which in this way reclaimed that tradition of patronage which had made the ancient Florentine banks so important. In this context, three major areas of activities may be identified: valorising the wealth of literature, the artistic heritage and promoting publishing initiatives in the arts and history fields.

The commitment with regard to literature was focused on maintaining the integrity of the library funds built by important individuals in the cultural landscape of Tuscany, and to ensure their usability for scholars and the community. This was undertaken using two different approaches.

On one hand, by supporting the prestigious organisations that had made commitments in this area. In particular, in 1963 the bank carried out the purchase and subsequent donation to the University of Florence of the 11,000-volume collection of Giovanni Papini and, subsequently, with the financial assistance of the Fondazione Spadolini - Nuova Antologia. On the other hand the bank directly acquired important collections (for a total, at present, of approximately 40,000 volumes) and made them available through its own network of libraries. Similarly, the bank has organised its own Historical Archive.

In relation to the valuation of the artistic heritage, starting in 1960 the bank's senior management has promoted a targeted acquisition strategy, not only for reasons of prestige but also to achieve social and cultural goals, namely: ensuring that the bank became the owner of works of art that were often of great value also meant eliminating the risk that these works would be dispersed on the Italian and international marketplace.

Furthermore, between the 1960s and the 1990s, the savings bank was the promoter of financial measures whose purpose was to enhance and protect entire private art collections.

With regard to editorial activities, starting in the 50's the bank has carried out important initiatives and promotional activities, making it possible to produce publications relating to historical and artistic themes which cultural institutions and scholars would not otherwise have been able to achieve. The principle merit of the bank has been providing decisive assistance to the renewal of the local library system, responding to claims from the cultural world and important individuals who have contributed to the magnificence of the city of Florence. The main works that have been produced include the series on the Musei Minori of Florence (23 volumes published between 1965 and 1985) and on the Churches of Florence (14 volumes published between 1982 and 1997), in accordance with an editorial approach which is intended to exploit the lesser-known aspects of the cultural heritage of Tuscany. In terms of history, a series of 17 works (1977-1997) have been produced by Giovanni Spadolini on Italian history during the Risorgimento and the contemporary period, with particular reference to nineteenth-century Florence.

Philanthropic activities, which have been the hallmark of the bank's actions starting from the end of the 1800s, underwent a significant transformation during the 1990s, as a result of the profound change in the structure of the Italian savings banks, with regard to their legal and institutional aspects as well as their structural and operational approach, which came about as a result of the so-called "Amato² law". As provided for by these regulations, in 1992 the Cassa di Risparmio di Firenze was divided into two entities with specific functions: the Cassa di Risparmio di Firenze S.p.A., which carries out banking activities, and the Ente Cassa di Risparmio di Firenze - so-called foundation of banking origin - for the exclusive performance of activities in the public interest "through the promotion of the quality of life and sustainable civil and economic development, contributing to the enhancement of the Florentine identity and more generally to the specific aspects acquired throughout history by the ancient Tuscan community and central Italy" (from Article 3.3 of the Articles of association).

2 Delegated law no. 218 of 30 July 1990

Despite this functional specialisation, the bank, directly as well as indirectly (through the dividends distributed to the Ente CRF), continued to support initiatives of a cultural and social nature by allocating part of its profit, by intensive sponsorship and by its support for publishing activities and management of its own library. With reference to the 2005 financial year, this involved the use of approximately 2.5 million euro in terms of resources,³ as stated in the Social Report that the bank has published since 2002.

It appears clear however that its philanthropic activities have been strongly scaled down when compared with the past, since this is now the role of the Ente CRF Foundation, and that a significant core of behaviour inspired by a theme of corporate social responsibility cannot be identified in the latter.

We have already made a reference to the fact that during the first period of its history, the bank carried out its support activities in the local community exclusively through financial brokerage activities, seeking in this way to interpret and respond to the needs of the time.

From this perspective the recent initiative of the bank must be interpreted as being carried out on behalf of the 'weak categories' (immigrants, workers without open-ended contract, and so on), such as a review of the criteria for granting mortgages for the purchase of housing and the creation of a basic current account service.

The challenge of coming years will be to draw up and to share with its stakeholders, often still attached to an "old" conception of the bank, a broad strategic vision capable of supplementing the needs for efficiency, competitiveness and profitability with an active role in responding to ever more complex and diverse social and economic requirements.

HISTORICAL ROOTS OF THE SOCIAL COMMITMENT OF SAVINGS BANKS IN SPAIN: FROM CHARITY TO CORPORATE SOCIAL RESPONSIBILITY (1835-2002).

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³ This amount does not include expenses associated with sponsoring professional sports activities.

In studying savings banks it is possible to distinguish between good corporate governance (GCG) and corporate social responsibility (CSR), as is also the case in studying limited companies. On the one hand, savings banks are institutions that have followed Good Corporate Governance practices, in as much as maximisation of profits is one of their prime objectives, although they have no shareholders to whom those profits are distributed. On the other hand, when analysing the corporate social responsibility of savings banks it is also useful, as is the case with limited companies, to define two areas of their activity in relation to the stakeholders. The first is that related to those directly involved with the activity of the company, be they employees or customers, to which the theory of stakeholders can also be applied, as is the case with limited companies. The second area is the philanthropic or social activity, which has always been a characteristic of savings banks and other non-profit institutions, although limited companies have also recently become involved in philanthropy, generally as another way of maximising the value of the business. This second area forms the savings banks' social commitment. In turn, it is possible to define two kinds of philanthropy in which savings banks are involved. In the first place, the fight against financial exclusion stands out among the original objectives that savings banks were given, by means of promoting savings and granting loans to the working classes. At first, the own financial activity of savings banks included a charitable component, which in the twentieth century became a social commitment. In this way their financial activity in some way benefits society as a whole, although at the cost of some loss in profitability. This is possible because savings banks are non-profit institutions. Also, as they have no shareholders, they do not have to distribute private dividends. This allows them to use undistributed profits to finance social programmes, which constitute the other part of their philanthropic activity. This social dividend consists of giving back to society the net profits that are not put into reserves.

Strictly speaking, when analysing limited companies, their CSR is confined to the three points above (stakeholders, social effects of their financial activity, and social programmes). However, in the case of savings banks, the first point (good governance) is also part of their CSR, given that their governing bodies (which are made up of philanthropists, public figures and the stakeholders themselves rather than shareholders) are constituted to ensure that, by definition, savings banks continue to practice CSR and GCG as they have done since they were created, which in Spain was in 1839.

Due to their legal structure, the corporate governance of savings banks is integrated in their CSR, which means that since there are no shareholders, the stakeholders themselves and the institutions representative of society - public bodies and civil society - which elect and comprise the governing bodies of savings banks take the decisions which will benefit society as there is no conflict of interest between these interested parties and some non-existent shareholders.

In this paper I shall limit myself to analysing from an historical perspective the final point of CSR, in other words, the social programmes of savings banks as financed by the profits obtained from their financial activity.

It is well known that historians rewrite history from the perspective of the society in which they live, using the concepts of contemporary social science. In this way certain historical events are interpreted in different lights, which change over time, although the historical reality remains the same. This has happened with the history of the savings banks. They have always contributed to social well-being through their financial activity and their social programmes. But that contribution has been called many different things: charity in the 19th century, social programmes in the 20th century, and CSR at the dawning of the 21st century. The historical development of the savings bank social programmes can be defined in four distinct stages, from their inception to the present day. Until the Civil War, savings banks carried out their social programmes voluntarily, and were then obliged to by the Franco regime from 1936 to 1975.

Initially, during the 19th century, the banks contributed together with the state to charitable works aimed at improving conditions for the poor and combating their financial exclusion. Savings banks were used by the liberal governments of the 19th century as part of their charitable policy. They were founded by private patrons, imbued with the altruistic ideas of the Enlightenment, but regulated by the state, so that they would contribute to encouraging saving among the lower classes, and to financing the Montes de Piedad (state-run pawn shops), which offered loans to the people most in need. This enabled the poor to join the financial market and, as owners of their deposits in the savings banks, to become defenders of the liberal order. Likewise the work of the Montes de Piedad, financed by the banks, enabled the most deprived to escape from the clutches of the moneylenders, to whom they paid high interest rates in the pawn shops. This first stage begins with the creation of the savings banks in 1839 and continues through to the end of the 19th century.

The founding principle of the savings banks was to carry out charitable works through their own financial activity. Social works, as we understand the term today, was not one of the original aims of the savings banks. There were two reasons for this. First, the tight regulation of the banks by the state, coupled with their limited financial activity, prevented them from making big profits, since the profit margin (difference between the active interest charged by the state pawn shops and the passive interest paid on deposits) had been fixed by the government to cover the costs of personnel. Second, by the terms of the savings banks' statutes any meagre profits accruing from the business had to be used to encourage saving by increasing the interest rates paid on deposits and awarding prizes to the best savers, and to help the state pawn shops by covering their losses, as well as their creditors, who put up the money for paying off the loans granted by the Montes de Piedad. This was the only cost of the savings banks' social programmes as we understand them today. And it was a primarily social cost, because it benefited the poorest sections of society.

In the second place, during the 20th century until the Civil War the savings banks were responsible for a great deal of financing, and for significant social and assistance work carried out on a voluntary basis, complementing the social provision provided by the government. From the beginning of the 20th century they began to contribute to the distribution of statutory social security and to the financing of social housing, the so-called "cheap houses" (*casas baratas*). This second stage commences at the beginning of the 20th century, when the banks began to develop a strictly social as distinct from charitable function, led by the growth in social provision, which was instigated by successive governments. The state began to involve the savings banks in the financing of social security, centred on the work of the Instituto Nacional de Previsión (National Institute of Provision), and in the construction of low-cost housing. This collaboration in the government's social policy on the part of the savings banks was made compulsory by the Savings Statute of 1933, which established the savings banks' social obligations, obliging them to carry out social, charitable and cultural programmes alongside their primary function, which was providing finance.

In the third place, from 1936 and continuing throughout the whole of the Franco regime, the savings bank social programmes were dictated and imposed by the state. During the Franco era, the state intervened comprehensively in these social programmes. The percentage of profits (at least half) that had to be allocated to social programmes was determined by decree, as was the percentage (15%) that had to be submitted to the Ministry of Employment, so that the latter could carry out the National Social Programme. Likewise, the state fixed the percentage of profits that had to be allocated to each area of the social programmes, essentially health, education and housing. This third stage coincides with the Franco dictatorship and even though legally the savings banks maintained their autonomous status, anything related to the social programme was imposed by the regime, including the distribution of profits between reserves and social programmes and the form the latter took. Governments not only subjected the savings banks to financial repression but also took over their social programmes, of which only a small percentage (10% of 85% of their social programmes) remained "free". Faced with shortages of state funds, the Franco governments forced the banks to make great social outlays financed out of their profits. These social outlays on the part of the banks went to fund public services (health, education and subsidised housing) which in the democratic countries of Europe were provided by the welfare state, but which in Spain were not developed under Franco.

In the fourth place, from the establishment of democracy in 1977 until the beginning of the 21st century, the savings banks have been the standard bearers of Corporate social responsibility, meeting the social needs neglected by the welfare state. The modernisation of the savings bank social programmes took place after democracy was established, when savings banks regained their autonomy and were able to freely carry out their social programme, which led to the beginning of Corporate social responsibility. This fourth stage begins with the coming of democracy, specifically with Royal Decree number 2290 of 1977, which transformed the savings bank social programme. The endowment of the social programme depended on the prior creation of the reserves necessary to cover the warranty coefficient. The possibility that the banks would not allocate any funds to the social programme was also accepted. This decree set out who would be the recipients of the savings banks' charitable-social programme established in 1975, which would be the following: public health, research, education, culture, and social services.

But the banks would be free to decide what percentage they would assign to these social programmes. Furthermore, after 1977 the benefits of the social programme had to be distributed primarily within the own region of the savings banks. This regionalisation of the social programme was also a reaction to the National Social Programme of Franco, as the obligations it had placed on the banks finally disappeared. They no longer had to hand over 15% to the Ministry of Employment, of which they were now completely independent. To sum up, with the coming of democracy the banks recovered the protected autonomy of their social programmes, which from then on had to be approved by their own General Assemblies, and then by the Ministry of Finance (Treasury), as well as by their respective Autonomous Community Governments. These changes affected the statistics, which show that the funds allocated to social programmes by the banks rose dramatically from 1977. There were two areas of activity which grew under democracy: the cultural programme and the education programme. In contrast, there were areas that fell back: the health programme and the assistance programme. The development of the welfare state under democratic governments caused the savings banks to believe that the health and assistance programmes would be covered by the state. Recently, in the face of the huge burden of the cultural programme and in the face of the reduction in the welfare state, plus the new social needs, the banks have begun to reduce their cultural programme in order to be able to increase their assistance and environmental work.

All these characteristics of the savings banks are different examples of non-partisan financial activity, always dedicated to improving social well being. To state the case clearly, the fundamental difference between the savings banks and other charitable institutions of the 19th century and the first half of the 20th century, and between the savings banks and other private foundations of the second half of the 20th century, is that the social programme of the savings banks derives from their financial activity. This can be directly, as is the case with the fight against social exclusion, or indirectly, as with the ability to finance their social programme from the profits made from their financial activity. For this reason, the savings banks' social programme is intrinsically linked to their financial activity. The two cannot be separated and so they affect each other. In both their guises, the savings banks have always been institutions which have responded to the demands of both civil society and the state, given their status as non-profit organisations, and indeed their altruistic aims.

On the other hand, savings banks are different to other banks in that the main aim of the latter is to maximise the value of the business to generate value for the shareholders. This is what the theory of shareholders indicates in terms of Good Corporate Governance, and what historical records have shown. In the case of the banks, Corporate social responsibility is a voluntary added extra, usually meant to improve their image and reputation in the cause of their primary objective, which is to increase profits for the shareholders.

SESSION 2: WHY AND HOW DID THE WORLD CHANGE?

ADAPTATION OF THE SAVINGS BANKS' SOCIAL APPROACH TO THEIR EVOLVING ENVIRONMENT

SWEDISH SAVINGS BANKS AND SOCIETY

Enrique Rodriguez and Mats Andersson

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Basic principles

In 1992, when the decision was made to form a banking stock company that included the greater part of the Swedish savings banks system, it was also decided to apply for listing on the Stockholm Stock Exchange. The company's development from being a holding company in 1990 into a stock company was hastened by the financial crisis. In June 1995, the share was listed on the Stock Exchange, and thus Sparbanken Sverige (Swedbank) took the final step to the modern market. In a very short space of time, i.e. from 1992 to 1995, from having been an organisation in distress, the bank turned into a closely connected banking group with good results. From the old savings bank system some 80 small local savings banks survived, which have kept the traditional foundation form and co-operate in various manners with the big company. Towards the end of the 1990s, changes occurred in rapid succession, and the situation is not likely to become calmer in the years to come.

Swedish savings banks were created in a society marked by poverty. Their founders were largely philanthropists who wished to improve living conditions for the vast majority of the people. It would hardly occur to them that the savings banks system was to be of great importance for the capital accumulation in this country. Savings banks and their role have passed through enormous changes since 1820, when the first savings bank was established. In other words, the creation of savings banks was a purely social commitment.

Three basic principles can be defined. The first principle is the savings banks' aim to encourage saving. The second principle is the savings banks' close local support, and the third principle is their particular non-private profit company form. It may be argued that these fundamental principles have provided a stable foundation that has protected savings banks against external interventions.

The first principle means that savings banks have mobilised minor savings contributions and handed minor credits, which have given rise to great respect in the government sector and even among commercial banks. By encouraging individual savings, savings banks have contributed to stabilise the value of money and hence lead to curb inflation, and particularly to finance important public projects and create funds with a view to crisis situations. Naturally, politicians of all camps have appreciated this.

The second principle has been just as appreciated, particularly by those in power at a local level. Savings banks have been local institutions with a defined sphere of activities and specific rules adapted to local circumstances. As a rule, the savings collected in one region are used in that very region. This has enabled savings banks to embark on new sectors, in accordance with local needs, to develop local industries, thus contributing to improve the regional balance. In the meantime, local politicians have required a wider insight into the organisation that has been responsible for the savings banks' management, i.e. the principals, traditionally controlled by the founders themselves. As time went by, and after many inquiries, reports and compromises, it was decided that local authorities were entitled to appoint 50 percent of the principals, and thus balance was brought about. (*Svensk Sparbankstidskrift*, 1970, p. 343)

The third principle for the savings banks' activities consists of the company form as such. Savings banks have neither been government institutions nor private stock companies or cooperative companies. In a savings bank there is no private profit interest. Any surplus generated in the business stays there as a contribution to continued consolidation. This too has created great respect in society, particularly in view of the fact that this company form was able to offer cheap and personal service, new technique, and hence better competition in the banking trade.

Those principles constituted the core of the savings banks' social work and engagement.

The third principle was also a crucial factor when changes occurred in the 1990s. Unlike the Post Office Savings Bank, savings banks were unable to attract capitals from the government sector, nor by means of share issues. Unlike the Co-operative Farmers' Bank, savings banks had no shareowners, and therefore, capital formation was a growing problem.

During the 1970s, the disadvantages of the savings banks' association form were first discussed. Formally, legislation did not treat savings banks unfairly vis-à-vis the rest of the financial system. Yet, in some limited quarters it was first hinted that the company form itself could create problems, such as shrinking market shares and inferior results. Maybe the owners' demands on commercial banks made these banks keep better control of the development of costs. To a certain extent, the savings banks' social approach kept them from focusing on costs and result. (Rodriguez, 2000)

The lack of balance between the units that made up the savings banks system was also a problem in an economy characterised by increasing centralisation and internationalisation. The much varying size of the independent savings banks, which had been their main advantage for many years, might be a major cause of the weakening of the system.

The capital issue was raised in the 1980s. Certain savings banks needed new capital to be able to develop. A number of savings banks began to find themselves in such a serious position that their own assets would not allow lending to expand. In the late 1980s, the judgement was made that the new situation caused by far-reaching deregulation would require a more coherent savings banks system. The financial crisis in the beginning of the 1990s determined the outcome.

The early years

Responsibility towards the community is part of the savings banks' original business concept.

In the 19th century, when savings banks were created in Sweden, their promoters were leading personalities in the local communities. They were clergymen, industry owners, military officers, etc. who wished to contribute their share to communities and individuals. Those men were highly thought of by the local population and inspired the confidence that a new founded banking business needed. The founders did not primarily serve their own interests, and a proof of that are their generous contributions to the banks' basic funds and a great amount of unpaid work within the banking establishment.

Savings banks were created for the benefit of the poor part of the population. In 1833, C. A. Agardh writes in an article in *Lunds veckoblad*: "A savings bank in a local community is the only kind of poor relief that fulfils its purpose, since it diminishes the number of poor people, whereas all other institution for the poor merely increase their number or make their burden heavier."

Some advocates of the savings banks idea even believed that in the long run savings banks could replace government poor relief completely (Bob Engelbrektsson, *Sala sparbank 175 år*, 2003).

Sometimes care for the poor found expressions that were downright moralizing. This is very obvious in a booklet published on the occasion of the opening of the Visby savings bank, which explains how a savings bank can "help a worker earn a fortune". Women are urged not to buy expensive clothes and men to refrain from drunkenness. The most important message is that when there is a will, everybody can save a small amount of his or her income.

Thus, the savings banks movement was first and foremost part of a social endeavour that mainly targeted mismanagement and lack of financial care as being the cause of poverty in Sweden.

Most savings banks' statutes emphasise that the bank is an establishment for "people of small means", who were given the opportunity to save small amounts regularly in order to secure their old age or build up a financial reserve, should they fall ill.

Limits were put to the size of single and annual deposits and to the capital of each customer. More "well-to-do people" soon found a way to elude the savings banks' aim by opening accounts for their family members.

One example of the restrictive approach to deposits is the Alingsås savings bank, which in 1845 closed down the accounts that had been opened for children from rich families. In 1850, "well-to-do people" were forbidden to deposit money in the accounts of their wives.

Less focus was put on the other side of the banking business, i. e. lending. It would be a rather long time before it was recognised that savings banks could be of great importance to business, by making it possible to establish small-scale enterprises, carry out soil and real estate improvement etc. In this way too, savings banks could support the poor in their strive for better financial conditions.

It goes without saying that the close local support also added to the public benefit. The loans that a savings bank was in a position to grant stayed within the local community and enabled it to develop.

Göteborgs Sparbank, Sweden's first savings bank, was founded in 1820 on the initiative of merchant E. Ludendorff. He was also engaged in poor relief, and this commitment may have contributed to the fact that the bank granted several loans to poor widows in this city. As security for their loans they left personal property such as jewellery, silver cutlery etc.

In its first annual report, the bank states that it helps not only by managing small deposits, but also by granting loans to people in temporary need. Thus, poor and needy people would not have to resort to public poor relief, which in the long run does not benefit the individual. In other words, the savings bank helped people help themselves. The bank also states that these small borrowers would otherwise fall prey to usurers or be forced to sell their property at a loss.

However, the Gothenburg savings bank was not the only one to accept personal property as security for loans. The Ystad savings bank accepted “good and working pocket watches”, gold rings, etc. as security. In 1828, this kind of transactions amounted to as many as 47 of a total of 86 granted loans. Auditors of several savings banks pointed out that their business was beginning to look like a pawnshop.

The Gothenburg savings bank had other ways to illustrate its responsibility towards the community. The city's competing savings bank fell into financial embarrassment following an embezzlement case. The Gothenburg savings bank then took over this liquidation bound bank, thus securing the depositors' money. (*Göteborgs sparbank, 1820-1945*)

Another kind of responsibility towards the community that perhaps has attracted more attention consisted in pure money donations. Some examples of different targets:

During the 19th century, the Vänersborg savings bank donated largely to education, and the beneficiaries were the elementary school, the crafts school and the wood- and needlework school. Donations to the shooting-associations and the choral society are an indication that there were vested interests involved. During the first years, however, assiduous savers were granted donations as a bonus. (*Sparbanken i Vänersborg, 1822-1922*)

The Piteå savings bank also granted money to education, for instance a technical evening-school and school kitchen courses. The State secondary grammar school received money for the term fees of pupils from families of small means and studious pupils. Subsidies were also granted to organisations engaged in relief for poor people, for instance the “Ladies' Association of the City of Piteå” and the “Santa Clauses”, which gave Christmas presents to poor people, and the “Milk drop”, which donated milk to needy people. (*Sparbanken Nord 150 år, 1852-2002*)

In the Jönköping savings bank we see an example of board and trustees who are unwilling to use money from the proceeds of the banking business for purposes other than its main pursuit. In 1838, a fire in neighbouring town of Växjö left many people homeless. The Governor of the County of Jönköping suggested that the savings bank should take money from its funds to help the Växjö inhabitants in distress. The trustees declined this proposal, arguing among other things that funds were insufficient and would be required to cover possible future losses. The Governor, however, was not discouraged. He then suggested that bonuses for “long maid or farm-hand service” should be distributed. The board of directors was not altogether reluctant to this idea, although they preferred to investigate the matter first, but this proposal too was rejected by the trustees, this time arguing again that there were not sufficient funds to secure the depositors' money. In addition, a competing private bank had been established in the same town, and therefore future interest profits were likely to decrease. (*Jönköpings stads och läns sparbank, 1852-1952*) The Jönköping examples clearly illustrate the savings banks' early aims to secure the savers' interests and the community's possibility and desire to benefit from the surplus.

In the beginning there were no nation-wide rules for savings banks. banks drew up and adopted their own statutes and thus also decided the scope of their social commitment. Yet most banks submitted their statutes to the Government voluntarily.

In 1861, responsibility for the statutes was handed over to the County Administrative Boards, but banks were under no obligation, neither could the County Administrative Boards refuse to sanction statutes.

To mention one example, in 1864 the founders of the Gothenburg savings bank decided to set aside no more than half the annual net profit for charity, and the County Administrative Board was informed of that decision.

In the 1860s the issue of a more uniform Swedish legislation arose. Money volumes increased and depositors must be protected at a time when a number of Swedish savings banks had suffered credit losses and had business operation problems. During this decade motions were submitted in Parliament, but the first General Ordinance was not passed until 1875. This Ordinance, which did not have law status, only contained twelve provisions regarding audit, public supervision and the reserve fund obligation.

The most important provision of this Ordinance was the one on reserve funds, which stipulated that the entire annual profit of a savings bank must be used to build a fund to cover costs and potential losses. Only if the reserve fund exceeded 10 percent of the depositors' balance, savings banks were allowed to make grants to encourage thrift or to charity and public benefit purposes. Therefore, grants were taken from a year's total consolidated funds and not directly from the profits generated during that year. The County Administrative Boards were responsible for public supervision, but there may be some doubt as to whether this supervision was effective everywhere, since the Ordinance did not even require savings banks to keep books.

This fact was probably one of the reasons why the first Saving Banks Act was passed by Parliament in 1892. This law stipulated that trustees should decide on the use of the bank's surplus to stimulate and uphold inclination towards greater thrift among poor people, or even for public welfare or charity, if the bank's statutes explicitly allowed such purposes.

Thus, the 1892 law did not alter the savings banks' right and authority to carry on charity activities.

The new law also defined the difference between savings banks and commercial banks. The savings banks' main task should be to receive savings from the general public and commercial banks should manage contacts with trade and industry and meet their banking service needs.

Laws and Regulations

At the end of the 19th century, regularisation of savings banks' activities started. The first regulations allowed savings banks with certain financial strength possibilities to grant subsidies to public welfare purposes. Later on, conditions for the practical use of these possibilities were specified. However, at the beginning of the 20th century already, some restrictions were applied to the trustees' right to grant subsidies, out of consideration for the depositors' interests. Thus, in 1906 the possibility to make grants from surplus was limited to no more than half that surplus, and grants must not be made to objects that should be financed by taxes. In other words, savings banks grants should not compete with government tasks.

During the 1920s and the 1930s, savings banks made increasing use of their right to make grants for public benefit and charity purposes. For instance, of the 1930 profits, which amounted to approximately SEK 18 million, a total of 2.3 million was used for various kinds of subsidies, i.e. more than 12 percent of the total profits. (Malte Oredsson in *Svensk Sparbankstidskrift*, 1964).

The trustees' power to decide on grants from profits was discussed on several occasions during the 1930s. Even savings banks with not very strong funds were allowed to use a small part of their profits to make grants, and some new bills limited the trustees' right to delegate power of decision on such matters to the board of directors.

The Second World War and its effect upon the savings banks' results halted this development, and during the 1940s grants were limited to very modest amounts. Towards the end of the 1950s, grants began to increase again, although hardly returning to previous levels. In 1962, for instance, SEK 1.1 million were used for public welfare out of a total profit of approximately SEK 58 million.

During the 1960s, there was a very slow increase of the amount of grants, and many savings banks showed insignificant interest in this issue. Increasing social security policies, an overall government policy towards the banking sector, and the fact that savings banks began to compete under equal conditions with commercial banks, left less space for public benefit issues.

The savings banks' right to make grants to public benefit purposes has not been an undisputed issue. During their build-up period, savings banks were themselves dependent on cash and unpaid work delivered by socially committed people, and it has therefore been rather natural that a savings bank that has gained a rather comfortable financial position should return part of its surplus to its surrounding community. Then again, there has been a strong opinion that savings banks should be brought to use the resources generated to fulfil its true mission, which is to promote thrift and the well-being of its depositors.

Until 1929, savings banks, particularly those with not very strong funds, were partly exempt from paying taxes. The reason was that savings banks' were looked upon as charitable institutions, and it was later argued that savings banks contributed to enhance depositors' and borrowers' tax-paying capacity.

Naturally, the depositors' benefit could be interpreted in different manners, and discussions within the savings banks association reflected this fact. Several voices advocated a strict banking principle, claiming that the depositors' interests offered no margin for donations to public welfare, and even invoked the "Banking Business Act" from 1911, which stipulated that a banking corporation was not allowed to use its profit for purposes that were clearly irrelevant to its business, except for grants of insignificant size in proportion to the company's standing. According to a more liberal interpretation, the depositors' benefit could also include donations to the surrounding community in various forms that might be long-run contributions to overall well-being and thus to public saving. Most people felt, however, that donations should not be allowed to exceed certain limits so as to avoid damage to the finances of the savings banks concerned.

The authorities of each County examined the donations and subsidies granted by savings banks and would in many cases invalidate the savings banks' decisions. Examples of this were loans without interest to persons who intended to make homes of their own. Such loans were declined by the authorities, which argued that the savings banks' decision would only benefit a limited number of individuals. Grants for lectures on popular science were disallowed by the authorities, since such grants did not mean supporting people of small means.

Other much commented on cases were loans at low interest rates for the enlargement of elementary schools or other local government loans. In those cases, it was argued that a savings bank should be allowed to grant loans at low interest rates or even free of interests, although this must be interpreted in the sense that the law would give savings bank autonomy to grant loans on terms that would result in a loss. According to the basic concepts of the Savings Banks Act, it was assumed that banking business should aim at producing profits. Therefore, the general rule was that interest rates on loans should exceed interest rates on deposits. In other words, low interest rates on loans would result in a donation to the beneficiary, and savings banks were under the obligation to obey the provisions on the right to grant funds to public welfare, which means that they must pay attention to the condition regarding its standing of funds.

At the beginning of the 20th century, savings banks were increasingly requested to make grants. In many cases, savings banks or local authorities would decline a request for grants with relatively obvious arguments.

To improve a road was considered a government task, as was building an extension in a local government building. A fund for building a church or a new church organ was not considered compatible with the spirit of the law. Building poor-houses or hospitals was considered a local government task. In many other cases, savings banks could grant subsidies for most disparate purposes, for instance public baths, mission-halls, bus stations, farming schools etc.

At the savings banks convention in November 1917, the issue of the savings banks' right to make grants was brought to a head. Very large amounts had been used for purposes that were not compatible with the depositors' interests. The board of directors of the savings banks association had then replied that from the depositors' point of view it could not be appropriate to permit local government officials with vested interests to handle the funds. (Axel Dahlander, *Svensk Sparbankstidskrift*, 1918). C D Skogman, one of the savings banks system's founders, had already established that those who really pursued the well-being of the poor classes could do nothing better than to "handle the meagre surplus of their earnings in a way that combined security and profit". Thus, this idea was the basic concept of the savings banks' social mission. Poor people's money should be given as much value as possible. Poor relief institutions would not make things better. A savings bank in a community is the only kind of poor relief with future prospects.

Dahlander regrets the fact that in many cases irrelevant interests have had great influence on the savings banks' management. From 1917 there are several examples of public benefit grants that would have been enough to raise interest rates on deposits by 0.5 percent or more in each bank. In some cases, a savings bank's board has granted support to certain organisations at the depositors' expense and sometimes savings banks have granted subsidies to undertakings that had nothing whatsoever to do with the business of a savings bank. Consequently, it might be justified to make grants to encourage thrift or donate bank books to school children, as did the Stockholm savings bank. Donations should never be an important part of a savings banks administration and to deprive depositors of a 0.5 percent interest or more on their deposits would hardly be fair.

During the First World War, for instance, pressure on savings banks increased, since many public welfare organisations needed cash to mitigate the situation they were in. However, savings banks were entitled to decide upon their own profits, within the framework of law, and therefore grants would differ very much from one savings bank to another.

As a rule, the largest savings banks were guided by profitability principles, but on the other hand many small and medium-sized savings banks had people on their boards that represented different local community interests, and whose primary goal was not the bank's development. Unfortunately, it must be said that many savings banks boards were populated by amateurs who had other things in mind than the well-being of the bank and the depositors.

As grants increased to targets that were sometimes rather irrelevant to the savings banks' aims, and as interests on deposits went down, opposition to grants grew. Certain savings banks rejected most applications for grants even when their standing was excellent. All these problems led to restrictions to the right to make grants in 1905, and from this year and on only 50 percent of the annual profit could be used for distribution of grants in addition to the regulated 10 percent of the depositors' assets.

The 1923 Savings Banks Act established in its first paragraph that the savings banks' object was to "promote thrift", which task was thus sanctioned by law. This Act also establishes that thrift may also be promoted by granting loans. Those "innovations" merely confirmed a practice that was already firmly rooted among savings banks.

The following year, an international savings banks conference was held in Milan, which was attended by three members of the Swedish savings banks association. This conference established, as one of its most important issues, that saving and thrift should be promoted as an essential component of all banking business.

In 1923, it was established by law that a small part of the annual profit could be used for promoting thrift, even when funds did not amount to 10 percent of the depositors' assets. Thus, the new law defined a difference between the savings bank's own aims and other public benefit purposes. Unfortunately, the legislator used a vague term, and the amount allowed to be used to promote saving could not be determined, and this issue was debated during the following years.

For savings banks it was of utmost importance to make grants that enhanced saving. Even banks with not very strong funds were allowed to use part of their profits for this purpose. It was argued that there should be no limit to the use of profits to encourage thrift. By virtue of these principles, an increasing number of savings banks started school saving schemes and broadened their promotion in general.

Within the framework of the savings banks association, a division was created in 1925 to promote and encourage saving, which took over the coordination of this endeavour and later on even the part of the savings banks' grants intended for promoting thrift.

The savings banks supervisory authority delivered their opinion on applications for grants from savings banks, and this opinion was usually decisive. From the profits available in 1929, for instance, grants were allowed for repairs of churches, a cemetery, shooting clubs, as well as for public baths, libraries, a church choir, etc. On the other hand, the savings banks supervisory authority could not approve of grants for repairs on private persons' houses. This was considered a task for the poor relief institutions and this authority also found it inappropriate for a savings bank to grant direct relief to private persons. A grant to a church organ was considered correct, whereas a school organ was a requirement that should be met with tax money.

Provisions varied over the years. Given a certain fund basis, government authorities would decide on different levels of grants in proportion to the annual profits. By the end of the First World War, the limit was set at one third of the profits even when the savings banks' own funds were less than 10 percent of the depositors' assets, which lead to a strong increase of the grants made in the years before 1920.

In the early 1930s, rather large amounts were assigned to relief schemes for poor people who had been affected by the world crisis. In 1930, for instance, savings banks made significant grants to the "Gustav Adolf Fund for the Swedish Cultural Monuments Foundation".

According to the 1938 Savings Banks Act, a small amount could be used to promote saving and no more than 5 percent of the remaining profit for other public welfare purposes, even when reserve funds did not amount to 10 percent of the depositors' balance.

This provision was applied to the 1937 profits in order to give a larger number of savings banks the opportunity to take part in a fund intended to fight certain diseases, created as a gift from the nation to the King on his 80th birthday. 250 savings banks contributed. If on the contrary, reserve funds exceeded 10 percent; up to 50 percent of the profits could be used for various grants under the restriction that such objects could not be of the kind that should be financed with tax money, according to the legislation in force.

One important issue was decisions on funds to be set aside for purposes that would be defined later on. In the early 1930s, it was established that a savings bank was not entitled to set aside funds without a decision being made on their use. On the other hand, there were several cases of approval of foundations whose funds would later on be used for public welfare purposes. (Sommarin II, page 315).

In the 1930s, while savings banks increased their grants, there was also growing criticism against these grants. Depositors had a very hard time understanding why interests were kept at a low level, when savings banks donated large amounts of money every year. If the savings banks' main task was to promote thrift, especially among people of small means, it would be simple and fair to do so by granting bonuses on savings and higher interest rates.

Even the press and the general public paid much attention to the issue of grants. All kinds of demands were made and savings banks often fulfilled expectations. Sometimes it was argued that savings banks that were unable to make grants were not well-managed. However, it could be the other way around. A common cause for a savings bank not to achieve the standing of funds legally required would be that it was growing so fast that funds did not keep the same pace.

Behind all those demands there were of course all kinds of interests that were represented by trustees and responded to an increasingly politicised society. In different parts of the country there were many cases of associations believing that their whole existence depended upon grants from savings banks.

The 1938 Savings Banks Act was declared in force immediately, so as to allow savings banks to take part in the fund-raising for the King's Foundation. This law was preceded by several reports that sought to define the trustees' authority to decide on grants. In some quarters, the trustees' powers were considered to be exceedingly vast, in spite of the fact that their decisions were subject to approval by the County Administrative Board. The phrase "such public benefit or charity targets that are not subject to financing with tax money, according to the legislation in force" would thus have been replaced by a wording with more explicit definitions of the objects to which trustees were entitled to make grants. In this respect, however, it was argued that it was hardly possible to define such objects and that there was a fully adequate control system and no major changes were made to this law.

In the late 1930s, developments and trends as regards savings banks grants gave rise to much criticism. In its capacity as investor in real estate, a savings bank may have a vested interest in making grants to the local anti-aircraft defence facilities. One savings bank could hardly refuse to follow the example of the other savings banks and there were endless needs of public welfare in the community. Opponents argued that grants should not be made in order to avoid local government expenditure and that savings banks could not meet all needs. According to the daily press, even political party interests could be seen to interfere in order to influence decisions on grants. (*Svensk Sparbankstidskrift* 1939, page 356).

During the Second World War grants were also made that were directly related to that situation. The Lund savings bank had granted a large amount of money, through a foundation, to the embellishment of the city. This way, in order to protect previous schemes the savings bank granted funds for the purchase of anti-aircraft defence.

In the meantime, much work was done to help Finland's children. Many Swedish homes took in children from Finland, and many savings banks granted subsidies for their transportation and maintenance.

Towards the end of the Second World War the child savers' movement grew. For a long time, savings banks were promoters and financiers. For many savings banks, this was a natural pursuit, and they therefore wished to consider deposits in donation books for new-born children as operation costs. The savings banks supervisory authority decided instead that such costs were to be considered as grants, and must not be charged to the cost account.

Deregulation and structural changes

During the post-war period, the credit market was thoroughly regulated. The government as well as the labour movement aimed at controlling Swedish capitals. In the early 1950s, a supervision of all security issues was introduced. This would enable state authorities to determine the use of capitals in society. In addition, liquidity ratios were fixed; interest rates were regulated, etc. Later on even lending was regulated by means of ceilings, and in the early 1960s, compulsory investment for banks was introduced. Naturally, government policy encouraged the creation of new institutions, such as finance companies and housing credit institutions, unaffected by these regulations and mostly owned or controlled by banks, which was a way of evading the system. The situation did not encourage the development of the savings banks' social work.

As a result of new regulations in 1968, a homogeneous lending policy for all credit institutions was shaped. Savings banks and even Farmers banks were able to compete with commercial banks on similar terms. However, this did not lead to a rapid change of the financial structure.

Savings banks concentrated on finding new customers in the business sector in the 1970s and 1980s. Partly because of the higher demands involved, there was a rapid decrease in the number of savings banks. To a certain extent, the savings banks' interest in its traditional customers, such as small firms, households, the public sector etc. suffered a decline as did the interest in the traditional social commitment.

As already mentioned, savings banks' grants to public benefit purposes were scarce during the 1950s. In the early 1960s, only about 50 percent of the country's savings banks made use of this right. In 1961 approximately SEK 1 million were paid to the Swedish Radio fund-raising campaign against diseases, to the Red Cross, the Save The Children Fund, and a number of charity associations. Most grants were prizes and scholarships, grants to associations and sports, shooting associations, Home Guard associations, tourist associations and other rather questionable targets, such as bee-keepers' associations. The King's Foundation and local folklore societies received large amounts of money, and there were also grants for the purchase of various objects for churches, schools, public premises, orchestras etc.

However limited those contributions, it may be established that several grants represented vested interests and some hardly agreed with the wording of the law on such public welfare or charity objects that did not have to be financed with tax money, according to the legislation in force.

During the years following the 1960s, savings banks' profits increased, and grants to public benefit targets shrunk. At the same time, however, there was an increase of all types of saving promotion schemes, which was the savings banks' true aim. For example, savings clubs were started at working places, there were school and home saving schemes, and accompanying instruction. Saving promotion activities grew rapidly at a national level, through the joint company created in 1925 ("Saving Promotion Company"), as well as locally. Thus marketing budgets grew in several savings banks, since such activities were considered a natural part of the banking business.

Until the 80s, nobody had questioned the savings banks' association form i.e. banking institutions with a foundation and non private profit character, and with local and popular roots.

There was a wide gap between the largest and the smallest savings bank. All savings banks were members of the Swedish savings banks association, which was their trade association, owner of a number of firms that provided service to savings banks and their customers. All savings banks also owned Sparbankernas bank, a commercial bank created in 1942 that provided service to savings banks and their costumers, the bank itself or through its companies. Thus, the savings banks movement was a federative organisation, although it had its weak points, such as the above-mentioned lack of balance between its units, indistinct management, since the Association was only entitled to issue recommendations, and weak result requirements, partly as a consequence of the ownership conditions.

For many years, co-operation between savings banks, particularly through the jointly owned companies, had given strength to the savings banks movement. In various fields, savings banks had become market leaders, but then, in the late 80s, a number of savings banks had grown strong and less dependent on service from the central organisations. The savings banks association's role weakened and Sparbankernas bank's traditional central bank function was threatened. These organisations simply felt obliged to make a new report on the future of savings banks, which a short time afterwards resulted in a proposal to transform the major savings banks into limited liability banking companies, and to bring the savings banks system together under a holding company called Sparbanksgruppen (The Savings Bank's Group).

The lending expansion that followed the deregulation was alarmingly rapid, there was no particular control by supervisory authorities, and securities were inadequate. Some voices warned against possible negative consequences. Authorities criticised tax planning by means of loans, but the finance market in particular defended all these operations, reluctant to any interference in the system. Leading economists justified the deregulation and its consequences, and discussions reflected a strong confidence in this form of investment expansion. The lack of competence to handle the situation was obvious. (Rodriguez, 1998)

Following a number of “bank failures”, in September 1992, the government had to take steps to reinforce the financial system. The purpose was to avoid altering the confidence in Sweden’s banking system, since that might lead to a collapse of lending and economy. Government expenditure for securing the banking system amounted to approximately SEK 65 billion. Savings banks largely managed by themselves, through very substantial cuts and structural changes.

Naturally, changes in rules and regulations were one of the principal causes of the crisis, but without the tax system and inflation of that time, which encouraged lending and consumption instead of savings, the crisis probably would have been less significant. Moreover, a speculative economy arose in Sweden that reinforced the other factors. The high inflation pushed up construction costs and real estate prices. In the 1980s, credit appraisal and control weakened. Volume growth became the prime target for certain banks, and naturally for finance companies, which scarcely demanded any securities. In turn, growth created an urgent need of recruiting new banking staff, and there was a decline in competence.

In the 1980s, the larger savings banks’ grants to public benefit purposes were rather insignificant. For several years, the Alfa savings bank, for instance, made grants that amounted to SEK 600,000, which sum can be compared with their profit of more than 80 million. During the same period, the grants made by the Kronan savings bank amounted to 80,000 - 150,000 out of an annual profit of between 40 and 50 million.

Thus, the tendency to transfer part of the grants for saving promotion to the banks’ marketing budgets continues.

Savings Banks and Foundations

The 1980s brought, as mentioned, major changes to the Swedish credit market. The regulations previously governing the credit market were gradually abolished, the boundaries between credit institutes faded, structural changes were prepared or implemented, competition became tougher, etc. The pace of change continued and escalated at the end of the 1980s and into the 1990s to include an even more rapid internationalisation process.

In the light of this scenario, an initiative was taken in the savings bank sector to implement a structural change within the organisation of the savings banks with a view to creating better conditions for coping with the rapidly changing competitive situation. A proposal for a new structure was drawn up, for which support was gained throughout the sector. The proposal required legislation amendments, primarily in the field of association legislation. The proposal involved allowing the conversion of savings banks into limited banking companies. The government participated actively in the process of implementing this legislative change. The new savings bank structure was implemented at the end of 1991.

A necessary legal aspect of this restructuring process was the creation of savings bank foundations designed to become the shareholders of the limited savings bank companies.

The legal-technical procedure for the conversion and the organisational structuring was complicated. It can be briefly described as follows:

The eleven large savings banks which were to be converted into limited banking companies each formed a foundation. Each savings bank concerned further then formed a new limited banking company to which the savings banks’ remaining assets and liabilities were transferred. In compensation the savings bank received all shares in the newly-formed bank. Those shares were then transferred without compensation to the respective foundation. The old savings bank, which consequently no longer had any assets, was wound up.

At a later stage Sparbanken Sverige AB was formed through a merger of the 11 regional Savings banks and the Central bank of savings banks. Following the acquisition of the former Co-operative Farmers’ bank in 1998, FöreningsSparbanken (marketed internationally as Swedbank) was established.

The bank is listed on the stock exchange. The 11 original foundations currently own about 20% of the shares.

A number of additional foundations were subsequently formed by independent savings banks, primarily due to new capital requirements in conjunction with the purchase of branches after the merger in 1998. In some cases Swedbank has become a co-owner, with varying percentages of ownership.

As mentioned above the savings banks foundations were formed in connection with the conversion of savings banks into limited banking companies, and they have a special function in the new organisational structure. Foundations are under supervision of the County Administrations, and the laws and legal principles governing foundations in general also apply to the savings banks foundations.

As in other kinds of foundations the decision-making functions are exercised by the board. The members of the board are ultimately responsible for the operations, and with certain exceptions no one other than the board's members is authorised to make decisions.

In addition to the board a foundation may have trustees. Together they make up the foundation's assembly. It is not required by law, but all existing foundations do have trustees.

The duties of the foundations' boards and trustees include the promotion of savings bank ideology and marketing. In the Foundation Charter it is expressed as follows:

"The foundation shall meet the goal of promoting savings activities in Sweden by acting in its capacity of shareholders of a bank and/or savings bank company to safeguard and develop the fundamental ideas and values of savings bank operations. It shall also endeavour to make banking operations within the savings bank sector into an effective competitive factor in the credit market".

"Besides the goal of promoting savings activities in Sweden, the foundation may also promote trade and industry, research, education, sports or culture within (Savings bank X) 's previous operating area. This goal shall be met through the distribution of cash contributions to physical or legal entities from the return on the foundation's assets".

The primary function of the savings banks foundations is to own shares in FöreningsSparbanken (Swedbank). According to the Foundation Charter, it is the duty of the foundations as owners to support the fundamental ideas and values of the savings banks movement. It should be emphasised that this duty must not be in conflict with the fact that the foundations should, as owners of a large listed company, clearly state their intention to achieve a long-term rise in value of their holding shares in the bank. This means that foundations should not be passive owners but promote the shareholders' interests and through representation on the Board of Swedbank by playing an active part e.g. in decisions concerning the bank's fields of business, control and security, monitoring result trends as well as dividend policy and capitalisation of the bank. Foundations should furthermore try to ensure that the bank has a professional Board of Directors.

The savings banks movement has a deep-rooted long tradition of promoting thrift and spreading knowledge about saving and accumulation of capital in a broad sense. The duty to promote saving is not self-imposed; it is prescribed in the Savings Bank Act. The creation of savings banks was actually based on the founders' desire to actively contribute to providing welfare and security for many people through financial planning. During the past few decades savings banks have proven their will and ability to progressively adjust and develop their operations to the demands of the present time. In many cases savings banks have been pioneers in the field of capitalisation.

It rests upon foundations to continue the savings banks' activities with regard to promoting thrift in Sweden. This can be done through activities managed by the foundations themselves or through financial support to natural or legal persons whose activities the foundations wish to support.

Foundations may make their contributions in a number of different fields within the framework of the Foundation Charter, e.g. the development of trade and industry, research and public education. The aim of these activities could also be described as follows: pursuing activities and taking measures which create welfare for a large group of people. Foundations' activity is one way of spreading the savings banks' fundamental ideas and values. Activities implemented by foundations should, however, not be designed in such a way as to risk interfering with the savings banks' general marketing of products and services.

The trustees will play an important part in the foundations' role as an instrument for public welfare, i.e. to use their contact networks in the community to capture ideas and needs to be developed and fulfilled by foundations.

Table 1: Subdivision of grants August 2004-July 2005

Purpose	Million	%
Research and education	€10.26	39.2
Development of trade and industry, entrepreneurship	€6.37	24.4
Culture	€5.62	21.5
Sport	€2.73	10.4
Other	€1.18	4.5
Total	€26.16	100.0

Savings banks have always wished to play an important role in the community.

In the 19th century, when the first savings banks were established, social conditions made banks focus their business on commitment to the community. Over the years, the framework surrounding savings banks changed and so did the expressions of that commitment. As described above, the savings banks' own outlook on their responsibility towards the community has varied too.

In the last few years, a new balance has arisen within the Swedish savings banks system. There is a clear separation between banking business and social commitment. Banks run a business and responsibility towards the community has been taken over by foundations. The forms of social commitment have been modernised and adapted to present conditions. Nowadays, grants are made to a wider range of beneficiaries that reflect today's need for social support.

The foundations' principals and trustees carry on the tradition of local support, as did their 19th century forerunners.

Thus the intentions of the creators of the Savings Banks Movement will live on, today and in future.

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TRACING A DESTINY

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About the author

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From their very beginnings, with the creation of the Paris savings bank in 1818, right up until 2006 with the plan to set up the investment and project bank **NATIXIS** in association with the Banque Fédérale des Banques Populaires, French savings banks have shown their ability to adapt and evolve in line with their environment.

The origin of the XIXth century savings banks stems from a vision of a “broad and healthy policy” rooted in the progressivism of the Enlightenment.

The two founders, the Duc de la Rochefoucauld-Liancourt and Benjamin Delessert, defined the vocation of the savings bank as being “to help people use money wisely” and “to spread the virtues of saving to all sections of society”.

Philanthropy, education, accessibility to all, and the common good form the bedrock of founding values.

After a flat development that continued until the 1960s, in the 1970s the savings banks began to diversify their products and services, especially in the field of loans to individuals, the deposit account that was only authorised in 1978, and (limited) loans to companies that were authorised in 1987.

Since then the savings banks have made up for lost time and are now able to offer all types of customers a full range of banking services, becoming a universal bank in record time.

The attached chart shows that this dramatic development was accompanied by a drastic regrouping of the savings banks, their numbers falling from almost 600 in 1965 to fewer than 30 today.

Figure 1: Everything has changed in 20 years.

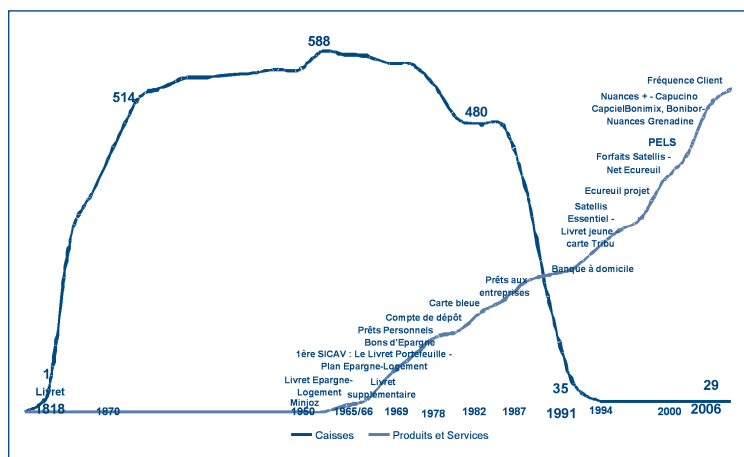
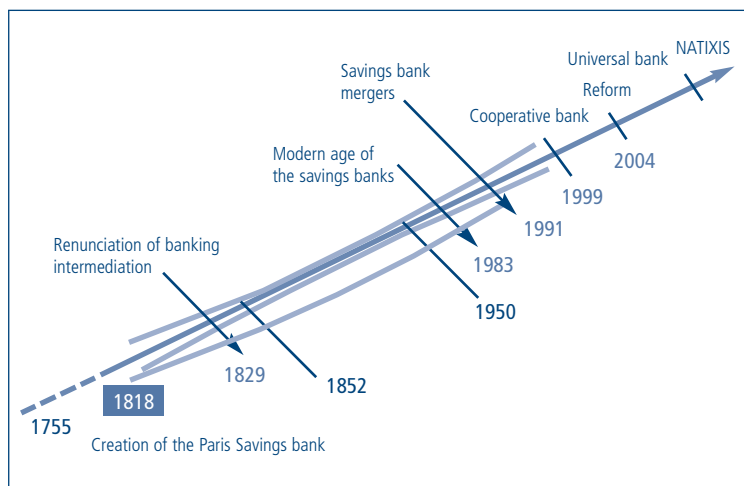


Figure 2: Time line



"Dormant" period

The time line illustrates clearly that following the fanfare caused by their creation, savings banks entered a "dormant" period. In 1829 they ceased banking intermediation by depositing savings funds with the Treasury and then with the CDC (Caisses des Dépôts et Consignations / Consignments and Loans Funds), a system that became compulsory in 1852.

For almost a century the essentials then remained unchanged. The French savings banks remained excluded from the country's economic development by not granting loans to either individuals or businesses.

The reawakening began with the 1950 Minjoz Act that authorised savings banks to participate in loans granted to local authorities. The 1960s and 1970s saw the beginnings of diversification of savings, loans, and banking services in connection with deposit accounts and on the various local bank markets.

However, we owe the dramatic transformation of French savings banks to three successive acts.

The first, which took place in 1983, transformed savings banks into credit establishments, modified the governance by introducing an elective system and entrusted the directors with a social mandate. This act created the SOREFI (sociétés régionales de financement/regional financing companies) responsible for organising financial intermediation in the regions and supporting development. Finally, this act transformed the Union des Caisses d'épargne de France (Union of French savings banks) with its status as association into a Centre National des Caisses d'épargne (National savings banks centre) with GIE (economic interest grouping) status.

The 1991 act supported the regrouping of savings banks by abolishing the SOREFI level that had lost its relevance and by granting the banks full financial responsibility.

Finally, the 1999 act converted the savings banks into limited cooperative companies whose capital is held by local savings companies that belong to the shareholders through the sale of shares. The national level was now represented by a CNCE (Caisse Nationale des Caisses d'épargne/National Savings Banks Fund) which, as network leader, is 65% owned by the savings banks and 35% owned by the CDC and an FNCE (Fédération Nationale des Caisses d'épargne/National Savings Banks Federation), an association representing the savings banks and their cooperative shareholders.

The status of savings banks following the 1999 act enabled the banks to introduce some key changes without further recourse to the law. The 2004 "Reform" leading to the acquisition of the CDC investment bank subsidiaries by the CNCE could proceed on the basis of a contractual agreement between the two institutions

The same was true for the creation of a new investment bank and the NATIS projects between the savings banks and popular banks.

We can therefore appreciate what has been achieved in just a few decades. Until recently regarded as becoming marginalised, French savings banks are now key players on today's French banking market and on tomorrow's European banking market.

Figure 3: The present situation of French savings banks

→

Almost one in two French citizens are a savings bank customer, making 26 million in all

→

47,500 employees

→

4,700 branches (Group)
3rd largest banking network

→

5,300 DAB-GAB (Group) (automatic cash dispensers/automatic banking terminals)
2nd French park

→

3.1 million savings bank shareholders

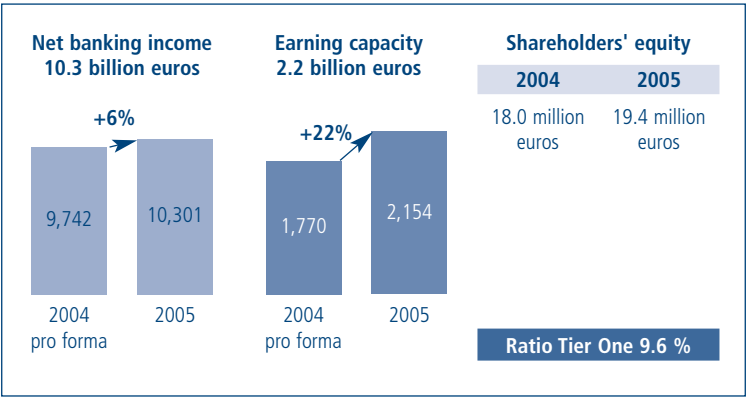
The map of French savings banks includes key figures on clients, shareholders, staff and branches that reflect the importance of savings banks on the market for individuals, which is still the most important market.

Figure 4



The presence of the investment bank around the world shows clearly the changed dimension achieved by the Groupe des Caisses d'Epargne.

Figure 5: 2005 annual results



The group's annual results are in line with forecasts and justify our ambitions.

Figure 6: The hallmarks of our identity



The strong and rapid development of savings banks should not make us forget our roots or our identity.

Four core values were adopted with the group's strategic plan that promotes **Values, Development and Efficiency**.

These four values are: **Confidence**
Openness
Commitment
Ambition

These defining features symbolise our commitment to our roots and our identity as well as our commitment to the present, and our hopes for the future.

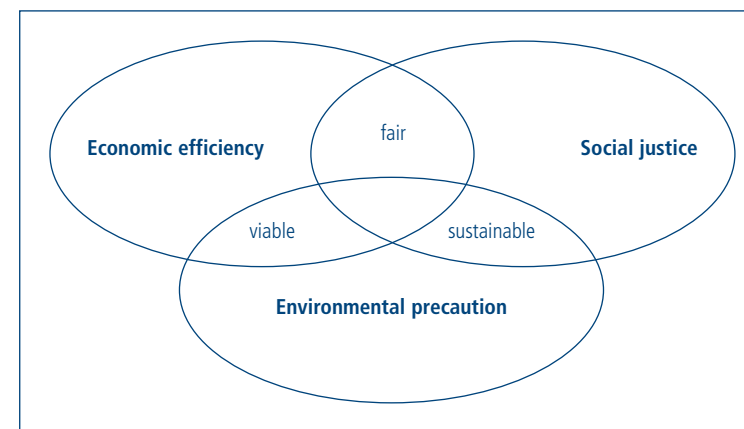
Sustainable development in the French savings banks

This is traditionally based on the coming together of the three principles of economic efficiency, social justice and environmental precaution.

The group's approach

Ours is a pioneering approach, based on that of the Socially Responsible Investment.

Figure 7: An enriched conception of development



The savings banks lie at the origin of the first extra-financial French rating agency, known as ARESE, which was in the framework of VIGEO in 1994. An initial "Employment Insertion" Mutual Fund, created in 1994, enables subscribers to invest up to 10% of shares in solidarity structures.

The generalist SICAV (investment company with variable capital) 1, 2,3 Futur, which started up in 1999, complies with extra-financial ratings.

This approach subsequently became more structured with the creation of a Group Steering Committee in December 2001. This committee launched an auto-diagnostic preliminary study based on the Vigeo method, initially with four savings banks (early 2002) before becoming generalised.

In the summer of 2002 a Sustainable Development Manager was appointed at each savings bank.

The Group has been a member of the CNCE (National Council for Sustainable Development) since 2003. This Council is responsible for submitting opinions to the prime minister on national policy in the field of sustainable development. The Group has been a member of the UN Global Pact since March 2003. At the end of 2003 we signed an exclusive partnership (for our profession) with the WWF.

Our approach is now a part of the Group strategy and is included in the 2004-2007 strategic plan.

The Vigeo rating gave rise to action plans coordinated by the CNCE. All the subsidiaries share the same approach.

The CNCE Management Board set out and disseminated the Group's sustainable development policy in a memorandum issued in July 2005.

The specific system

The specific system for implementing the Group's sustainable development policy consists of:

- *The Steering Committee*
This committee consists of a member of the CNCE Management Board, the chairmen of the savings banks management board, CNCE operational managers, a member of the FNCE and of the Sustainable Development and Public Interest Department.
- *The CNCE Sustainable Development and Public Interest Department*
This department, which is represented by a member of the CNCE Management Board, is responsible for managing sustainable development policy by supervising the work of the Steering Committee and overseeing the Sustainable Development Managers as well as various external partnerships.
- *The Sustainable Development Managers*
Each savings bank and subsidiary has appointed a sustainable development manager charged with managing the sustainable development action plan as a whole, with a national manager to ensure that Good Practices in particular are respected.

The reporting tools

We have put into place a reporting tool known as the 3D that incorporates around 150 sustainable development indicators that can then be integrated at central level.

The **Sustainable Development Newsletter** is a twice-yearly internal publication that reports on and compares the sustainable development performances of the various group companies.

The **Club Métier** serves to pool information.

The **Sustainable Development Report**, which is obligatory in France for listed companies (and thus not compulsory for us), reports on the economic, environmental and social impact of our activities.



Some concrete achievements

Our concrete achievements include:


- The inclusion of sustainable development criteria for supplier evaluation;
- The publication of the Sustainable Development Report since 2003, which remains optional;
- The launch of **Cordé**, a sustainable development auto-diagnostic tool intended for SMEs;
- Production of Carbon Inventories at various Group entities;
- Creation and management of a European Carbon Exchanges Fund;
- Creation of a fund for the financing of renewable energies;
- Integration of the environment in the criteria for actions in the public interest;
- Awareness-boosting actions in the context of the WWF partnership.

Figure 8

- In 2006, the Groupe Caisse d'Epargne was the privileged partner in a major national competition intended for schools, sponsored by the National Education Ministry:
- Object of the competition: for each class to produce a poster on the subject of water solidarity. Prize: national poster campaign
- Visual presence of the savings bank logo on all instruction books and leaflets explaining the competition
- Participation in the Social Economy market: mailings to client/prospect schools offering them instruction books
- GCE participation on the jury headed by Yann Arthus Bertrand
- 6 June: awarding of prizes to the 30 winning schools: participation and awarding of a prizeise by a GCE representative in the 30 schools in the regions. Event widely reported in the regional press.

L'APPEL DES ENFANTS POUR l'environnement



A distinctive trademark

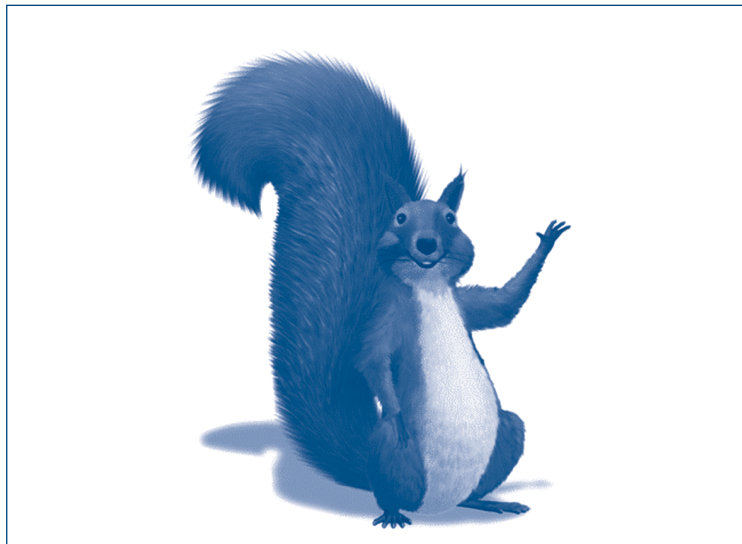
In meeting the challenge of fast and efficient growth, the savings banks have not forgotten their vocation of serving the public interest. With this in mind, they have constructed a policy of differentiation based on three elements:

- The Local and Social Economy Projects which are designed to support local initiatives with a major social impact;
- The Caisses d'Epargne Foundation for Solidarity which is recognised to be of public service in conducting actions to combat dependency and isolation;
- Social Housing by managing a very significant area of around 150,000 social housing units.

This social commitment in the service of the public interest, which is very much the group's trademark, is more generally a part of the Civil Society component of our sustainable development policy. As Charles Milhaud, chairman of the CNCE Management Board, points out:

“Sustainable development is the contemporary interpretation of the historical values of the savings banks”

Figure 9: A distinctive trademark



HOW THE WORLD AND ORGANISATIONS CHANGE EMERGING STRATEGIC ORGANISATIONAL APPROACHES TOWARDS CORPORATE SOCIAL RESPONSIBILITY

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About the author

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¹ Acknowledgement. Putting my name here first identifies me as the only author. This does not hold true. This contribution was and is the work of ongoing collaboration with many people. I'd like to thank five of them in particular; Marco de Witte, David Foster, Michiel Schoemaker, Michel van Pijkeren and André Nijhof. They all have provided me with ideas, concepts and material to make this contribution materialise. Without them, academic and business life wouldn't be such an exciting endeavour. It goes without saying that I am entirely responsible for the present text

A taken for granted balance between the institutions in our society is in need of re-balancing. Actors such as governments, organisations and civil society (represented by e.g. NGOs) are searching for the role and function they have to undertake in this changing societal landscape. This forms the fundamental quest for corporate (social) responsibility (CSR). Organisations are moving from being social factors to becoming social actors - mandatory and voluntary. CSR is perceived as an organisational - institutional phenomenon, a movement supported by many debates trying to address the issues at hand. In essence all these debates, under different headings and performed with different vocabularies, address how to restore the balance between the organisations, and the different contexts in which it operates. This contribution identifies some of the drivers and subsequent transitions that have taken place during recent decades in order to answer the question of "why" CSR has emerged. The major drivers that have been identified are: risk, reputation, responsibility, regulation and results. An attempt is being made to 'strategise' CSR on the basis of ongoing research. So far six strategies have been 'discovered' ranging from 'Philanthropy' to 'Social Innovation'. Each of the strategies will be presented. This contribution ends by making some suggestions as to how the actual CSR-debate could be fuelled by new initiatives in which companies take a leading role.

Introduction²

Our world has changed fundamentally in the decades just past. From being based on the concept of nations with a finite geography it is turning rapidly into a networked society where everything and everybody is (inter)-connected. All things nowadays seem to happen simultaneously, leaving hardly any space for distance or reflection. We also have only recently and rather painfully discovered our vulnerability and interdependence when it comes to societal, ecological and economic issues. Terrorism, new social divides and epidemics with a global impact are just a few of the many examples that illustrate the societal transformation we are in. Instead we become members of networks or particular social groups, propelled by values that try to raise particular issues and sometimes even want to restore the past with violence. As a consequence, social cohesion has risen high on the agenda of nation states and intergovernmental bodies. Amidst this transformation a sense of belonging is becoming scarce. No wonder many people have become footloose and governments around the world are struggling to provide a sense of direction for the future.

² For the sake of readability I have chosen to leave out references to actual sources such as literature, research reports or websites.

At the same time, over the past decades business has become the most powerful group of institutions on the planet. We take the view that dominant institutions in any society need to take responsibility for the whole, not only for specific fields of interest. But business has never developed such a tradition despite many philanthropic and self-enlightened initiatives. This growing and changing responsibility requires a new role, new functions and new knowledge. At present this new role is not always well understood or accepted. Based on the concept of free enterprise, from the beginning of the industrial age the assumption was that the actions of individual companies responding to market forces were moving in a 'progressive' direction guided by an 'invisible hand'. Somehow this would add up to desirable outcomes - for companies and society as a whole. But in the last decades of the previous century it became clear that the 'invisible hand' is faltering and that the idea of 'progress' has lost its meaning as a guiding 'great story'. Moving towards progress was an idea grounded in a broad consensus of overarching meanings and recognised values. This idea has been sent to the 'rubbish heap'. As a result we have entered the 21st century with neither guiding principles nor an overarching vision for the years ahead. Instead, given their power and impact, we turn to organisations. On the one hand this is because they seem to have caused many of the problems that we are now well aware of, and on the other hand because they seem to have the capability to address the many issues at hand not only on a local but also a global scale. Yet, many issues at stake are not purely business driven but focus on the common good domain. If this is the case, organisations now have to develop a new tradition, one they have never had throughout the history of capitalism: to organise with a triple-aim in mind. This means not only sharing responsibility for the economic side of the enterprise but also taking into account social and ecological issues in a wider societal context. It means sharing responsibility for the whole and not just one's own organisation.³

When society and organisations change it is permissible to call this a fundamental transition. One we haven't witnessed before. We take the stance that we are moving from a 'care' society with a closed character in the direction of a 'self-care' society with an open character; a society that is open twenty-four hours a day. Transitions in the societal and business context put pressure on companies to redefine and reorganise existing business models.

³ This part was inspired by and adopted from a text written Willis Harman (The World Business Academy, US). Unfortunately I haven't been able to trace the original source.

When facing these challenges, companies take radically different approaches. Some organisations try not to change and just continue with the same practices. Others identify themselves with issues such as sustainability, health or social cohesion and commit to this based on competencies they possess. Again others regard the societal transformations as opportunities to open up new markets, thus gaining new competitive advantage. This paper argues that all decisions and actions taken in order to adapt the organisation to its changing context are strategic in nature. Choices and decisions directly relate to organisational design - and processes and the relationship with the wider societal context.

Nowadays, in response to all this, corporations tend to make more and more promises, not only financial, but also regarding the way they are being managed (corporate governance), their use of natural resources (ecological) or their contribution to societal issues in general (safety, risk, health). This in turn has led to a transformation and reinforcement of public expectations about the role and responsibility of corporations. Commonly this is called the quest for 'corporate social responsibility' (CSR). This contribution has four aims: (a) to identify the key players in the CSR debate, (b) to identify a number of organisational drivers behind CSR (c) to show how organisations attempt to organise this into strategic choices and (d) finally to make some suggestions as to how the actual debate on CSR could be stimulated by constituencies in order to create new thinking and knowledge. The contribution is based on an international comparative research focusing on how stock-listed companies around the world report their activities and strategies in the field of CSR. This research raises the question of to what extent do these strategies really enable the embedding of CSR into the value-proposition of a company? Are all these new promises really translated into everyday practices? Despite a vigorous debate under the heading of CSR around the globe, we think it still too early to come to this conclusion. Most companies are in the middle of a process of discovery, of trial and error, trying to find out what their new responsibilities are and how to address them. This contribution addresses the issue of the kind of additional knowledge that is needed in order to make the CSR movement progress and expand. It finishes by making some suggestions in that direction.

Locating the debate on CSR

Before moving any further, it might be good to identify which parties are actually involved in driving the contemporary CSR debate. Where is it taking place, who is involved and how is it progressing? We think four parties can be identified: (a) academia, (b) business, (c) governments (especially EU) and finally (d) a variety of multi-national NGOs (MNGOs). We'll describe the role of each of these briefly.

- *Academia*

Over the past decade it can be observed that academia around the world has (re) discovered the subject of corporate responsibility. While a previous upsurge took place in the 1960's, it now can be observed that around the world academics are actively engaged in teaching and research on this subject. In recent years chairs, institutes, electives and mandatory courses have been created. Looking at all this recent movement, the observation can be made that there is now an established yet small international community of academics working in the field. A special feature of this community is the upsurge in recent years of colloquia, conferences and workshops. Although this is a promising development, it can't be said that academia has a strong and focused impact on how the actual CSR debate is developing. Too many times the debate among them revolves around definitional questions, thus questioning the '*raison d'être*' of CSR.

- *Business*

The history of the (contemporary) business enterprise shows that there has always been attention to the wider societal context. Still it appears as if this interest has been fuelled first of all by the interest of the companies themselves in the light of continuity and productivity. Companies like Shell, Philips or Sphinx (just to name a few from the past) have been known for their enlightened approach to issues regarding education, housing and health. This all started to change gradually over the 1970s. It was during that period that the ecological impact of business activities became known and discussed, due to a succession of groundbreaking reports. As a consequence of this, the whole quest for environmental issues emerged and became an established issue for companies. Only at the beginning of the 1990s were social issues then added to the debate. Just 10 years ago the first CSR report appeared - produced by Shell as a consequence of the Brent Spar affair.

Since then companies across the world have discovered CSR. Making a tour around websites of companies, it can be seen that almost all of them are paying attention to issues such as the environment combined with novel attention to social issues while all using similar jargon to express their concern and engagement in these matters. We now can see that companies have started to organise themselves internally, in value chains or in 'interest groups' such as the WBCSD (Switzerland), Econsense (Germany) or EIABIS (Belgium). Through these newly created institutions they are actively engaged in all kind of global debates. Still it remains rather difficult to assess what is actually going on at the heart of companies. Are all these observable movements pure linguistic window-dressing or is it possible to say that progressive companies really have come to grips with their new role and functions in society?

- *Governments*

One could state that governments are by definition institutions created to create and protect the common good. Mainly based on democratic principles and practices, they have been at the service of their national public at large. That at least was the spirit in which the concept of the nation state was created during the 18th and 19th centuries. Could it be that their role has changed and as a consequence the concept of the nation state is being put under pressure? While originally based on unity of geography, population and culture, we must now draw the conclusion that the concept only functions in part. Since its creation, the world has fundamentally changed; becoming more open, more vulnerable, more interconnected. Problems - be it economic, social or ecological - can often no longer be solved within the boundaries of the national territory. Many trans-national (especially in Europe) or global institutions and arrangements are trying to address this transition, sometimes with success, but very often with observable difficulty. When looking across Europe it can be stated that some countries e.g. Finland, Denmark, the UK, or even Holland are relatively active in promoting CSR. At a European level it is remarkable that the EU wants to play an active role in the CSR debate through stakeholder fora, white- and green papers and an active policy regarding the funding of many initiatives. However, many of the policy documents that now can be found promote CSR as a voluntary activity by business.

It looks as if governments, either national or transnational, promote CSR but do not draw the inevitable conclusion that this promotion needs to be supported by juridical, fiscal or other measures. It is clear that the words and intentions of governments are there but that, given the many issues that have grown beyond the scope of the national focus, these do not seem to be supported by active engagement.

- *NGOs*

Non-governmental organisations (NGOs) is a curious label for a hybrid collection of organisations operating between business on the one hand and government on the other. In recent years an exponential growth of these organisations can be observed around the world. From just a few in the 1950s, some say that they have now grown into the hundreds of thousands. This can only have happened since there seems to be a 'market' for NGOs. It should be clear that not all of these are focused on CSR or related issues. Many NGOs focus on one single issue, mostly rather small such as protection of trees in the forest of Canada or organising protests in defence of a school or rare species. In the actual CSR debate NGOs are often named as the 'igniters' of new issues, having the power and courage to knock at the door of companies and governments in order to be heard. We daresay that many NGOs only have a limited scope and life-cycle; once their aim is fulfilled they simply cease to exist. On the other hand we can also observe a new breed: the multi-national NGOs. Often these are highly professionally managed, rather impressive organisations, operating around the world. Typical examples are: Greenpeace, the WWF, Transparency International or Friends of the Earth. Although they certainly have an impact on the debate it remains difficult to assess what that impact actually is. Companies nowadays have all embraced the notion of 'stakeholder dialogue' but it is certainly not clear in what way the practise of dialogue is having any impact on the progress of the debate or the actual practices of organisations themselves. So, are NGOs a factor of importance? We think they are, but for now rather marginal than central. Often they still have to develop themselves into professionally led and focussed institutes developing the competence to have dialogues in different discourses, and establishing credibility, not only in addressing issues at hand, but also helping to resolve them.

Where does this short overview lead? Who is actually leading the contemporary debate on CSR and more importantly, what can be said about the way it is progressing? Despite the many voices and debates in different arenas, what strikes first is that most constituencies are talking about each other, not with each other. Companies organise themselves in value-chains and new associations but are often not engaged in a one-to-one debate with relevant stakeholders. Governments certainly try to address the issue of CSR but their room to manoeuvre seems to be either too small or driven by a lack of vision that helps to guide the way. NGOs have a tendency to 'dictate' the issue they defend towards companies without wanting to engage in a profound dialogue on how to address company-specific matters. Trans-national arrangements and conventions often seem too weak to exercise real impact. Let's also remember that in many of the debates the voluntary nature of CSR seems key. All this leads to a situation where talk about CSR is rather abundant, but the actual practices remain difficult to discern let alone measure. It is in this situation that companies are often taking the lead. They engage proactively, trying to shape a direction that suits their business purposes better. That should come as no surprise if we remember the economic role of the contemporary business enterprise in our society. But wasn't that role in transition?

Organisations

For more than a century the business enterprise has been a successful and widely adopted functional instrument - a deliberate institutional arrangement - for creating and distributing economic and social wealth. However, this wealth generation has come at a high price. Over the past decades the growing power, its non-democratic character, the purpose(s) of corporations and their use of different capital types (human, natural, etc.) have been increasingly questioned and debated. Looking at these debates from a distance it appears as if the entire (global) business system is being challenged. Scandals and natural catastrophes caused by corporations have fuelled an array of debates on corporate governance, modes of management and the hidden costs of wealth creation. The economic function of profit generation is no longer seen as a sufficient focus for private corporations; the use of and contribution to the various forms of capital are slowly being seen as appropriate issues to be addressed. Corporations and society at large have become aware of their growing interdependence. This perceived and growing interaction between global economic growth and global social challenges has gradually led to changes in the behaviour of corporations, be it in words or actions.

In essence this development is questioning the fundamentals of the corporation, giving way to an emerging paradigmatic debate. The accepted dictum of profit maximisation seems to be increasingly scrutinised and is gradually being replaced by profit-optimisation. We believe these evolutionary developments have now gone so far that a fundamental reconceptualisation of the corporation is required, along with a re-examination of the means by which the benefits of corporate activity should be generated and distributed in the 21st century. The approach taken here is that corporations should be judged on the basis of how they create *and* distribute wealth, whether that wealth is tangible or intangible. Of course, the activities of the enterprise can either create or destroy such wealth. Balanced wealth creation for an array of stakeholders thus becomes a key issue in this debate.

Organisations are perceived as institutions that either create or destroy value. The actual business proposition - the fundamental '*raison d'être*' of any organisation - is based on a promise of value creation. If this promise is not delivered, any organisation soon ceases to exist. Many stakeholders do not agree with this assumption and consider the business enterprise as an institution of value-destruction. The actual movement of CSR requires that organisations have to make and deliver a series of new promises, not always directly linked to the business proposition. These promises need to be translated into organisational approaches in order to move from 'talk to walk'. This in turn leads to fundamental organisational challenges. It also leads to a quest for strategic approaches that go beyond conventional economically driven business models. No man is an island, nor can any organisation afford to be at present.

CSR and its drivers

CSR has since the beginning of the 1990s (re)appeared on the agenda of many organisations, in particular multi-national companies across Europe and worldwide. While often seen as a predominantly voluntary initiative - one that can be tackled by philanthropic activities - some companies - but very few - have been able to 'translate' and incorporate what they in their specific business line consider the best of all options. There are quite some lists circulating, providing all kinds of 'benefits' and 'profits' once CSR has been engrained into the core of the company.

Most of these lists contain items on which issue can be taken, such as: cost efficiency, competitiveness, reputation, enhanced share prices, pressure from stakeholders, compliance with and anticipation on regulation, innovation, new market opportunities, motivation of employees, less vulnerability towards hostile communication etc. etc. Although intuitively all this and more might be true, it is often difficult to provide solid proof for any of these claims. Many of them focus on intangible values that make it difficult to assess - let alone measure - them. It should therefore come as no surprise that CSR is regarded by the critics as 'full of promises without substantive proof'. Yet at the same time these benefits are used as drivers to support the case for CSR. Although tempting, we do not want to engage in an additional debate on how the value(s) of a company can be measured. Depending on the line of business a business is in, and its assumed or perceived impact (that can be either high or low), five drivers seem to dominate. These drivers are: (1) risk, (2) reputation, (3) responsibility, (4) regulation and (5) results. Depending on a particular context and aligned with the overall business strategy, the business proposition and affiliated policies and practices, each company has to decide individually what the 'weight' and importance is of each of these factors. There is no 'golden rule' prescribing what should be taken into account and how to contribute different weights to this. Ultimately this leads to a 'drivers' profile' for each individual company. They are able to use such a profile in order to adopt their strategy, or deploy specific activities in one or more domains.

The risk of focussing just on the drivers is that it becomes an 'outside-in' approach where a particular company is trying to adopt its policies and practices reactively to external 'demands'. While positive in a certain sense, this leaves untapped the possibility of adopting an 'inside-out' approach in which the company is developing and debating its 'worldview' with constituencies in the external world. This second approach demands a company to develop a stance on how CSR should be organised. Connecting vision, innovation and pursuing smooth implementation enforces the strategic impact of CSR in an organisation. In order to materialise CSR intentions and efforts, they need to be embedded in the strategic configuration of activities that shape the value proposition. It is through the value proposition that an organisation demonstrates its response to the needs and expectations from the environment. Only through the value proposition does it become clear how an organisation is organising the creation or destruction of value, which stakeholders needs are addressed, to what extent this is based on particular drivers. Conceptualising the organisation of CSR creates the foundation for all of this.

Organising CSR

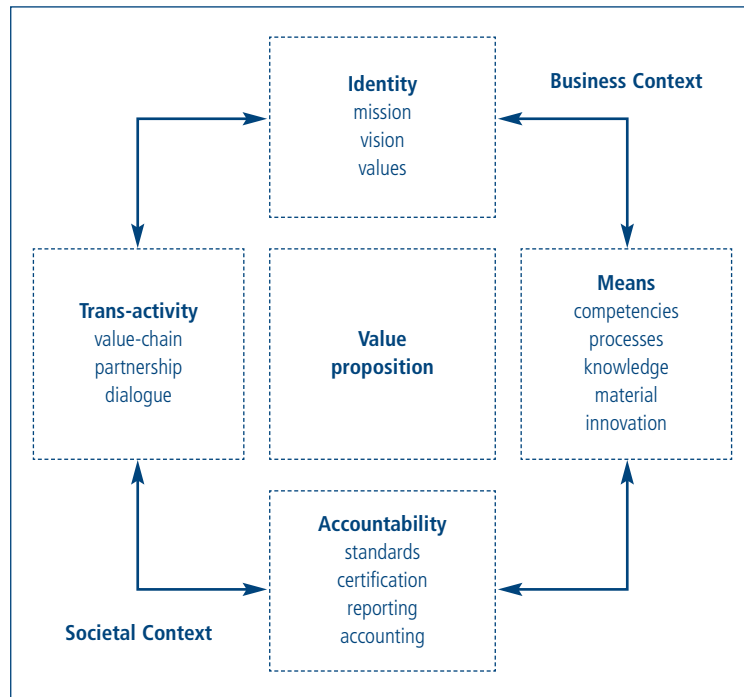
In order to describe how CSR can be organised a management model has been developed (See Figure 1⁴). This model is based upon the assumption that clusters of organisational activities are framed by the process of strategising and implementing CSR. These clusters of activities are grouped into five different elements: identity, means, transactivity, accountability and the value proposition. Most of these elements have already been touched upon previously. The model allows for a 'snapshot' of the organisation by identifying and clustering activities that organisations bring forward under a CSR heading. When applied to specific cases, it illustrates how CSR is organised in the heart of the company, whether or not a deliberate configuration of strategically chosen activities is involved, or what is given specific emphasis. The way activities are clustered clearly shows how CSR is embedded in the value proposition in a specific case. The outcomes of a specific application allow a preliminary insight into the degree of strategic anchorage.

Structure of the model

The model distinguishes between a business and a societal context in which an organisation operates simultaneously. It appears that the business and societal contexts are becoming more and more intertwined, developing into a complex and dynamic arena of contacts and contracts. It is assumed that the values that an organisation creates or destroys in the process of creating entail many aspects. Besides the conventional economic value, organisations also create or destroy social and environmental value. The business context consists of those parties having an economic interest in the organisation, such as customers, competitors, suppliers and potential partners. These actors are recognised as the conventional stakeholders. Within this context the focus of organisational activities is fuelled by customer preference, profit margins and the desire to outperform competitors. The dominant value orientation is based upon the financial rules of the marketplace and the attempt to create economic value.

4 The model emerged out of an research collaboration with Claudia Appels and Lisette van Duijn during 2004. Since then it has provided the basis for various other projects. As a result the model has progressed to its present status. In 2006 two books were published in which the model plays an important role. These are 'Management Models for Corporate Social Responsibility' (Springer Verlag - Germany) and 'The Challenge of Organising and Implementing CSR' (Palgrave - England).

Figure 1: The CSR Management Model



The societal context consists of those actors having broader societal and ecological interests in the organisation, such as non-governmental organisations (NGOs), labour unions and local communities. The organisation is solicited to get involved in diverse issues advocated by actors from this societal context. Interaction and dialogue with this second group of actors is mainly driven by experience, feeling and a different set of values. Numerous cases indicate that an organisation cannot ignore these needs and expectations from a broader societal context. If the organisation disregards these, it will not only miss opportunities but also run the risk of not being attuned, leading to loss in economic value.

The distinction between two kinds of contexts adds value for understanding what kind of needs and expectations are brought forward by different constituencies. It also shows that an organisation is forced to consider different value orientations. Of interest here is how the organisation is embedding demands and requirements in its configuration of organisational activities. It is only when looking at this organisational 'translation' that it becomes apparent to what extent the organisation is translating needs and expectations into a deliberate strategic approach. We call this the process of strategising CSR. The way this is done should become observable through a final customised model as it appears in an individual case.

Elements of the model

The first element of the model is *transactivity*. Transactivity is used to describe the dynamic connection between the organisation and its contexts. It entails those activities that are employed for the purpose of organising the interface between the organisation and its contexts. Transactivity is used as a design parameter in order to organise and manage the value-chain, to have an ongoing dialogue with relevant stakeholders and to create partnerships. Consciously organising and managing transactivity generates a flow of information and knowledge about the environment. It aims at the competence of building relations with those partners that help the organisation to innovate and to adjust its current value proposition. These innovations and adjustments are made in such a way that enables the organisation to stay attuned to the environmental requirements. Through organising its transactivity, the organisation can proactively communicate an image of its identity to different groups of stakeholders. At present a whole generation of new management systems such as AA1000, SA8000 or QRES is emerging to enable the proper management of transactivity.

The second element of the model *means*, points to the organisational means employed to create value. It identifies how CSR is translated in the 'hardware' and 'mind-ware' of the organisation. As such it represents the human, ecological and intellectual capital an organisation possesses to carry out what it promises. The element describes the tools, structure and systems that are used to integrate CSR into the core-processes of the organisation. It entails how CSR materialises in the way concepts and processes are designed, and structured in management systems.

This becomes obvious in the use of environmental systems such as ISO 14001 and the forthcoming ISO 26000, or the more conventional ISO 9000. It also materialises in the way issues like talents and competence development are approached. Ideally, in order to foster innovation, a tight relationship between the information gathered through transactivity and the various means should be established.

The element *accountability* entails the way an organisation accounts for its value-creating and -distributing activities. Within the element generally, a distinction is made between standards, certification, (voluntary) reporting and accounting. Standards can be considered as behavioural sets of normative prescriptions. Standards originally have an industrial background (e.g. DIN, ISO or SAS) but have expanded into all walks of organisational life. Certification entails independent auditing and certification of organisational processes, according to pre-defined standards that cover various issues. Examples are voluntary initiatives such as the Fair Labour Association (FLA) or Clean Clothes Campaign but also SA8000, AA 1000 or the forthcoming ISO 26000. Reporting focuses on the way organisations voluntarily report on their performance in what they consider to be issues under the umbrella of CSR. These reports are increasingly structured on frameworks such as the GRI or the UN Global Compact. Accounting concerns the way the organisation reports on its financial performance. Increasingly this is done on the basis of agreements and standards within the industry led by institutes such as the Institute of Chartered Accountants (ICC). Organising accountability in an encompassing way leads to improving 'transparency'.

The fourth element of the model is *identity*. It entails the central perception an organisation has of itself and the way this is being cultivated. Identity is grounded in the values of an organisation. These values are the 'guidelines' for the day-to-day actions and decisions of employees. Values are often 'translated' into codes that guide this behaviour. At present we are witnessing a whole new generation of codes either at company level, value-chain level or sector level (e.g. chemicals, water, oil, tobacco). Values are core-artefacts of culture and shape behaviour connect necessary talents to the organisation and provide the groundwork for the desired identity. Identity helps people to identify themselves with the organisation and everything it stands for. Furthermore it shapes the way an organisation presents itself to external parties. Identity becomes traceable in principles or codes often 'translated' or used to formulate a mission statement and vision. Statements are the basis for, or enforcement of the strategic direction and value proposition. Organisational identity is increasingly becoming the binding factor for organisations, especially where hierarchical structures are substituted by horizontal networks.

We assume that the four elements of the model cover those activities that create the value proposition of an organisation. It is through the actual activities that the value proposition appears. The value proposition itself is a declaration - a set of promises. The central question is if the value proposition is connected and corresponding to current and future stakeholders' needs and expectations. The real test for a strategy is its capability to translate promises into organisational practices in an integrated way. We consider CSR integrated when it can be found in all activities - tangible and intangible - of the organisation.

Strategic approaches

Organisations make different choices in the process of strategising CSR. These choices result in a strategic configuration of organisational elements. Different configurations can be analysed, resulting in a classification of approaches towards CSR. An ongoing research within stock-quoted companies shows that companies employ fundamentally different approaches towards CSR. In general, most CSR-related activities are positioned at the periphery of an organisation and located within a particular department. Examples of activities are community involvement, stakeholder dialogues and CSR-reporting. These results show that integrating CSR into the strategy and value-proposition is not yet common practice. Generally, a more or less coherent set of activities is employed to respond to demands from an influential stakeholder. This response, in terms of specific activities, does not have a noticeable impact on the strategic direction or the value-proposition. Adidas, for example, has implemented a code of conduct forcing its suppliers to adopt certain regulated labour practices. How suppliers live up to this code is audited via independent organisations. The code was implemented due to fierce public protests against the labour practices in the clothing and footwear industry, leading to the threat of consumer boycotts. By implementing this code the labour issue seems to have been dealt with. However, these activities have not impacted on the central value proposition of Adidas. The business model is still based on low cost production, smart logistics and a sophisticated marketing mix. Some business examples, however, do provide evidence that it is possible to link CSR to the strategy and value proposition of an organisation. Although differences between the organisations do exist, they have succeeded in integrating CSR into their value proposition through innovative concepts.

Several researchers participating in the ongoing research project which this contribution is based on have sought to identify strategic CSR approaches based on activities reported by companies. In this section, an overview of the different approaches towards CSR is presented:

- *Risk approach*
CSR is driven by fear of reputation and economic losses. Often, this approach is triggered by some critical incidents that provoke public protest. As a reaction, the company focuses on external communication and securing processes via management systems. Companies with a high-risk profile, such as chemical companies, or with high brand awareness, frequently employ this risk approach.
- *Sponsor and Community approach*
This approach is based on the tradition of charity and community involvement. Many companies are driven by fundamental principles that stress the importance of giving something back to the community and the society from which their success originates. This is done through donations or active employee involvement in community projects. In such a way, a company contributes to societal development without changing its own organisation. This approach typically reflects a 'profit first' orientation towards CSR.
- *Identity approach*
CSR is driven by the ideological stance of owners and management. The values and culture of those organisations are the explicit basis for strategic decisions and the deployment of organisational means. Often these companies serve a niche-market in which consumers are willing to pay a price premium for responsible or ethical products.
- *Differentiation approach*
CSR is attributed to a certain product or service in the wide portfolio of the company. In this way, the company anticipates the specific consumer demand for green or ethical products or services. Mostly, these CSR products make up a marginal part of the realised turnover, but the roots for innovation and new business models are planted here.

- *Innovation approach*
CSR is regarded as an opportunity to establish a distinguishable business model that generates market potential and blended value. Contextual signals are proactively sensed and translated into innovative business concepts that have the potential to adjust the value-proposition. These organisations aim at creating value for a wide range of stakeholders.

These approaches are not as straightforward and demarcated as they appear here. Organisations can expand from one approach to another. From a sponsor's approach, a company can link its donations and involvement to its strategic direction. These relations can develop into full-blown partnerships that in turn can lead to product differentiation and eventually innovation. It appears that many drivers and starting points for a particular CSR approach are traceable. The context and the value proposition of an organisation are important determinants for the choice of starting points. They determine how CSR is approached and the means and methods by which it is configured in concrete activities. This process, in which the organisation gradually makes sense of CSR through concrete activities and results, requires time, determination, patience and, mostly, leadership.

Some reflections

In a more theoretical sense the line of reasoning presented here addresses the broad quest for answers to confront the problem of the relationship(s) between CSR and (business) strategy. The contemporary CSR debate holds the promise of addressing the redefinition and subsequently the reorganisation of the role of business in society. Based on commonly held values such as sustainability, social justice and even democracy, companies are solicited to behave as social actors - either mandatory or voluntarily. It is assumed here that acting upon this solicitation leads to a company-based strategic approach - either intuitively or explicitly. But these implications and assumptions only seem to be true to a limited extent, for many organisations do not deal with CSR at all or - if they claim to do so - only on a superficial level. So far different research projects have identified a number of additional questions that need to be addressed.

What these research projects primarily show is how a limited number of companies successfully deal with CSR. The real research problem emerges when the 'claimed' CSR activities of a broader range of organisations start being observed. Then a rather confusing image appears, of organisations claiming real organisational commitment to CSR while omitting to provide substantive proof, organisations that seem to do nothing with respect to CSR, and organisations claiming to already use CSR in an intuitive way. Given the amorphous nature of the 'concept' of CSR, this is not surprising.

It is assumed here that businesses need to develop a fit with their contexts through organisational development in order to stay in business. Given the variety and changing nature of the contexts, businesses employ different approaches towards CSR to cope either intuitively or deliberately, thus creating a contextual fit. Existing or new models and strategies are continuously being altered and adapted to meet specific expectations of customers, shareholders and other stakeholders. How this fit is actually established through concrete actions - and what the nature, volume, structure and impact of these actions is (although the focus of this research) - can't be sufficiently demonstrated.

The management model actually does not predict how the process of strategy making evolves. It is rather a picture-frame in which an organisation is outlined by clustering its observed organisational activities. The central assumption underlying the model is that the value-proposition becomes obvious in picturing the activities as brought forward by the companies themselves. How these activities are linked to the value proposition in a specific case is the interpretation of the researchers. This leads to subjectivity. This subjectivity is partly addressed by repeating the research across a very large sample of companies. Still, hardly any company in the sample claims to have an identifiable CSR strategy in place.

The primary sources of information used to develop the model and identify the different strategies are CSR Reports and affiliated documents provided by the companies. Despite the strong danger of self-referencing and the incompleteness of these documents, no other direct sources are available on an international scale in which companies account for their deployed activities in the field of CSR. Real in-depth case studies could tackle this methodological issue - but even then it remains questionable whether the validity of the data collected on site really provides a 'true' insight into a specific strategy.

Challenging the future

Despite the critique that has been seeded across the previous pages, the social movement of CSR holds a strong promise for the future. It is the only debate that addresses the role, function and position of the contemporary business enterprise in society. It is the only global public 'debate' in which a variety of constituencies participate. Those are strong points! We should therefore avoid allowing the promise of this debate to be 'hijacked' by one of the constituencies and modified to their own liking. Instead the intensity and scope of what have been debated and practised could be widened in order to better understand what it is that has to be created in terms of knowledge and practices. This is a task not for just one dominant stakeholder but for all those involved. The ongoing attempts at dialogue seem to be a good start in that respect, but mark only the beginning of a process of discovery enabling us to find ways to handle CSR as it should be.

This contribution has demonstrated how CSR could be addressed as an organisational phenomenon, one that is anchored in the core activity of the business enterprise, its business proposition, its policies and practices. Still there are some miles to go before we will have reached a point where the strategic embeddedness of CSR has become part of the daily routine of organisations. Advanced business leaders have long since discovered the importance of a worldview that meets the needs of present and future generations. No need to convince them. But maybe they could play a more prominent role in showing others the way. When trying to assess the importance - the real strengths - of the present CSR debate no other conclusion can be drawn than that it takes place in a 'community' that is dangerously small in size. Let's try to avoid this leading to another new social divide; one in which the happy few of CSR are preaching something that isn't practised.

So, how do we go from here? Do we leave the debate to the 'invisible hand' hoping for somehow desirable outcomes? Or do we see it as our common responsibility to inject the present movement with fresh knowledge and ideas in order to speed up the process of discovery? If CSR is to 'survive' and prosper at least for the short term its connotation should change from a 'cost-factor' to at least something else. This might be innovation, it might be new business propositions (such as the Bottom of the Pyramid) and of course strategies.

If the latter is what we are aiming for we should not leave things only to voluntary initiatives but join forces in order to create volume and focus. There are various ways in which this could be achieved. Some suggestions:

There are thousands of young men and women out there who are more than interested in the subject of CSR, and willing to invest (free) time and valuable creativity. There are also roughly five million companies at least in Europe, of which a substantial part is looking for answers and directions when it comes to CSR. Why not create a new grant scheme at least for Europe through which, on an annual basis, a number of initiatives and questions can be addressed through projects of a short duration (say one year). Such a grant scheme could be called: Young Innovation Talent for CSR. Companies could bring means, energy and funding to this grant scheme. Academia could support this scheme by providing supervision and maybe even create a number of dedicated part-time chairs. NGOs can participate in various ways from providing themes to participating in committees and boards. Governments, either national or trans-national, could help by providing support, funding and of course projects. The results of such a scheme could be presented in the many conferences, colloquia and workshops that are taking place already. Furthermore it could be imagined that around the outputs of this scheme a dedicated annual conference could be organised. In order to make this happen companies that are well underway when it comes to CSR could take a leading role, especially when they operate on a European scale. Would that be something worth pursuing?

SESSION 3: WHAT IS THE CURRENT STATE OF PLAY?

SAVINGS BANKS INCLUSIVE AND INNOVATIVE APPROACH TO CSR

SAVINGS BANKS' INNOVATIVE APPROACH TO CSR

Stefano Marchettini

About the author

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In Italy there is a well known television anchorman who, at the end of his late night show, invariably tells his guest: *please, ask yourself a question and give yourself an answer*. Well, I have the question, but as an answer, I can offer you only a few preliminary thoughts. The question is: taking as granted that savings banks enjoy a competitive advantage in CSR, how can they best promote and increase their superior performance in this field?

One cannot deny that CSR has gone a long way since in 1970 the future Nobel laureate Milton Friedman wrote in the New York Times magazine an article titled *The social responsibility of business is to increase its profits*. According to the last Communication of the European Commission, a common European understanding of what CSR means has emerged on the basis of the Commission definition of CSR as *a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*. The decision of the European Commission to confirm that CSR is based on a voluntary approach can only be welcomed, because it obviously provides a protection against undue extensions of CSR on a compulsory basis. On the other side, as I mentioned yesterday in my introductory remarks when referring to the external dimension of CSR, the European Commission's focus is clearly on the internal dimension of CSR and on the need for companies to carry out business operations in a socially responsible manner. So what about commitment to society and contributions to local communities developed by savings banks which are not directly related to the business activities undertaken by savings banks? Of course, as initiatives led by companies, which benefit citizens and the society at large, we want them to be promoted as part of European savings banks' CSR engagement? In the near future, we will have to make sure, through a dialogue with the European Commission and in partnership with savings banks from the various European markets, that those achievements can also be valued by savings banks as part of their CSR performance.

We are in any case confident that our involvement, through ESBG, in various CSR fora led by the European Commission, on different CSR topics not directly related to retail banking operations - like access to finance, financial education, CSR and SMEs - is a positive indicator of an implicit recognition of our activities by EU institutions.

Like many other issues that at the beginning looked at odds with business practices and were later incorporated into mainstream business, CSR has evolved and has become a widely recognised - if not always applied - practice. Today it is difficult to find somebody who dares speaking against CSR, as Mr. Friedman - or more recently the Economist - did. On the other side, if we scratch under the surface, some arguments used today in favour of CSR, rather than disproving Mr. Friedman's point, sound like a confirmation of it.

Take for instance the claim that CSR is good for business, because the incorporation of social responsibility in the day by day operations reduces risks, produces positive externalities and makes it possible to achieve healthier margins in the long run; these claims are brought forward by the advocates of socially responsible investments, who on these basis argue that the money invested in companies that apply CSR practices, produces higher returns for shareholders. Or think of the process through which some large companies break up their business models, in order to redesign them consistently with the best social responsibilities practices, while at the same time ensuring the maximisation of shareholder value. This reminds me of a managerial technique that was all the rage some 10-15 years ago: core process redesign. An attractive acronym for a new fashionable management tool is readily available: if you think about it, CSR could also read like corporate social redesign and maybe, while I am talking to you, some consultants are already selling the new tool.

To sum up what I've said so far, there seems to be some similarity between the position Mr. Friedman expressed 36 years ago and the arguments brought today forward in favour of CSR. Mr. Friedman stated that companies should not care about social responsibilities but about profits; on the other side, he wrote that *it may well be in the long run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government*. Today the mainstream view is that companies should care about social responsibilities and in doing so they will not harm their profitability, just the opposite.

Don't misunderstand me, I believe that CSR is a wonderful tool and there's a lot of room for companies to improve social impact and profitability at the same time. My question is whether this view of CSR will help the savings banks to promote further and reinforce their competitive advantage in this domain.

But let's not hide behind facts, there is a business case for CSR engagements of savings banks as well! Savings banks are competitive, for-profit organisations. Although CSR activities are part of their identity and of their historical corporate values, a number of the initiatives launched, especially when it comes to the involvement of business lines, need to bring a return to the company, in the long-run.

In order to assess that, it's useful to consider the specificities of the savings banks in the CSR domain:

A sizable amount of the economic value produced by the savings banks goes to activities that are relevant for the society (obras sociales in Spain, banking foundations in Italy, local interest projects in France...); this redistribution of value is clearly beyond the current definition of CSR. Many CSR activities carried out by the savings banks are not integrated in their business operations. Of course, savings banks are also good at applying CSR practices along their business system but, again, the scope of their CSR activities goes beyond that.

The geographic scope of savings banks is often very focused, which make them very strong and credible CSR players, particularly for the SMEs and at a local level. It's worth remembering that the Communication of the Commission recognises that *the collective impact of CSR as practiced by SMEs is critical if the potential of CSR to contribute to growth and jobs and sustainable development in Europe is to be fully harnessed and that a specific approach is needed to foster CSR amongst SMEs.*

I think that the savings banks, being important and credible CSR player at a local level, could have an important role in helping the SMEs to deploy their potential in CSR. Ironically, the credibility of the savings banks as local CSR players and their attractiveness for the SMEs, is also due to activities that would not be covered by the latest definition of CSR.

The words "proximity and pluralism" have been successfully used to describe what the savings banks stand for, in contrast with a tendency to standardise to a single model the organisational structures of the banking industry. I think that "proximity and pluralism" should also apply to the definition of CSR and that the savings banks should make it clear that, while they can be invaluable partners for the dissemination of CSR among SMEs, it's in the interest of nobody to exclude from the definition of their CSR activities many successful initiatives carried out for their local communities.

SAVINGS BANKS AS FORERUNNERS OF CSR

Jon Mancisidor

About the author

Jon Mancisidor is responsible for the Communication and CSR department of BBK savings bank (Spain).

Good morning ladies and gentlemen. First let me thank CECA, the Spanish savings banks association, to which the firm I represent, Bilbao Bizkaia Kutxa, BBK, belongs, for their invitation to participate in this meeting. As you can see from the programme, this is the only conference on savings banks in the whole of Spain, and I would like to take this opportunity to give a brief outline of the characteristics of our institutions as a model and example of good practice in matters of Social Responsibility, the theme under discussion during these days. At the end of my presentation I will enumerate some aspects of my particular organisation that I am sure will be of interest and serve as an example for further development along the lines that have placed us at the forefront of excellence in the European sphere.

A little less than a year ago, more than 2,000 people from government bodies and the management of savings banks held the first conference on the sector, which met under the title "Savings banks as forerunners of Corporate Social Responsibility". Its task was to analyse the current situation and in this context to present the first sector-wide report on CSR. NOT a small matter by any means and, in fact, the savings banks' sector is the first to produce a report of this type.

"A rarity in the system"

The savings banks, along with private banks and credit co-operatives, are one of the three largest groups in the Spanish credit system. Today we represent half of the financial system as a whole.

The savings banks were created more than a century ago based on a model that respects sustainable development, in an age when savings, provision for the future and general well-being were available only to the wealthy classes.

We were born with three freely adopted aims: to combat usury, to promote saving and to return the profits to society, and we continue to subscribe wholeheartedly to those aims today. Aims, furthermore, to which the developed world has committed itself. Fighting poverty, achieving sustainable development and contributing to solving the widespread problems in society are quite simply obligations to which we remain committed and which are now shared by all.

This validation of our role in the economy and in society allows us to claim that savings banks are forerunners in corporate social responsibility.

From our point of view, that social responsibility encompasses four basic areas: in the first place, the Corporate Governance of our organisations; in the second place, the social aspect of our financial activity; after that, the internal and external dimensions of our relations with the interested parties; finally, as a very relevant and unique area, our Social Programmes.

Today savings banks are an example of a different type of business, capable of being efficient and competitive and of producing a financial surplus, which allows them to make a long-term contribution to sustainable development, to create wealth and employment, and to respond to social and environmental needs.

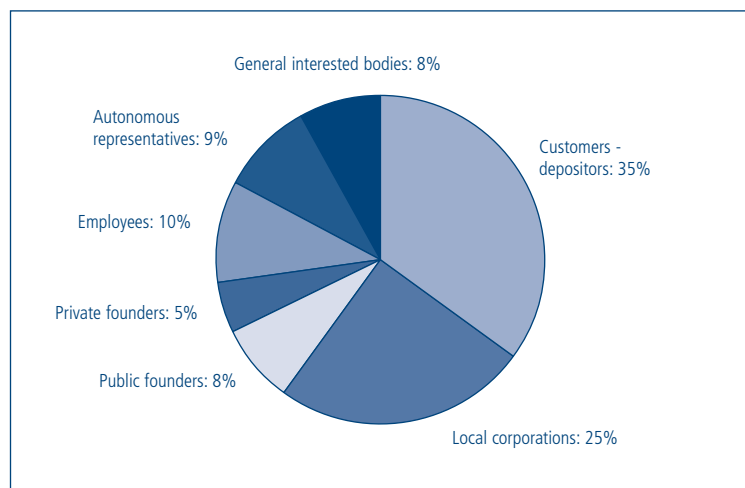
Corporate Governance

The management structure of savings banks incorporates all these values at its core. The banks' governance rests on the concept of "stakeholders" as opposed to that of "shareholders" that are characteristic of the rest of the financial system.

Savings banks are administered and managed by the General Assembly and the Administrative Council, which include the payments and investments commissions as additional elements of control and transparency, the Control Commission itself, independently of the Administrative Council, carrying out the tasks of management analysis, auditing and general supervision of the bank activities.

The following diagram shows the average composition of savings banks today, in which the constituent groups are indicated, along with their mean percentage of representation in the General Assemblies.

Figure 1



Source: Savings banks' Corporate Social Responsibility. 2004 Report (CECA - www.ceca.es)

This composition of the governing bodies guarantees greater levels of information and transparency than the standard for the (financial) system. And these same levels of information and transparency extend to the representation of the workforce in the various bodies.

This principle of pluralism combines with other good practices in corporate governance, which today are also being adopted in other businesses.

Social aspect of the financial activity

Financial activity is an exercise in social responsibility. It matters little what company we are talking about: participating in the redeployment of resources, promoting and enabling saving, and - crucially - contributing to economic development always carries with it a fundamental social dimension. When this is done by a savings bank such as our own this responsibility is even greater because financial activity is what feeds the Social Dividend.

The fight against exclusion

Savings banks have prevented financial exclusion at various levels, such as geographic exclusion, and exclusion suffered by people who cannot access credit. In the whole of Spain, savings banks directly serve 97% of the population and the remaining 3% are served by periodic mobile services.

On 31st December 2004, there were 21,560 savings bank branches, of which 21,502 are branches operating inside Spain. Of these branches, 634 opened during 2004. According to the latest review by the Municipal Census published by INE (National Institute of Statistics), there is a savings bank branch for every 2,000 inhabitants. It is the most extensive functioning network in the country.

- 67% of savings bank branches are in their regions of origin.
- Savings bank branches reach 97% of the population.
- Half of all branches are in towns of under 50,000 inhabitants. 28% of branches are in towns of under 10,000 inhabitants.

Table 1: Distribution of the savings bank network

	2004	Increase on 2003	
		Number	%
Branches	21,560	635	3.0
Operating branches	21,528	636	3.0
In Spain	21,502	634	3.0
Abroad	26	2	8.3

Source: Savings banks' Corporate Social Responsibility. 2004 Report (CECA - www.ceca.es)

Access to essential goods

Likewise, savings banks make it possible for the lowest strata of society to access savings, as well as housing, a basic commodity and one of the most universal needs.

Commitment to local and regional development

This issue is the fruit of the close relationship between the savings banks and economic and institutional people and agents and is based on the funding of small and medium-sized businesses, always under conditions that guarantee the sustainability both of the business project and of the banks themselves. This kind of interaction has led to participation in the capital of businesses with a strategic role in the economic, social and cultural development of the zones in which they operate.

Social financing: it's in our DNA

One of the priorities of our banks is to back the process of social and financial inclusion of the whole population, and above all of the socially excluded sectors.

Every day we hear more voices calling for the United Nations to include the right of access to credit in the Universal Rights that help all the men and women of the world. Credit granted gains in value exponentially because it facilitates the inclusion of poor people in economic life, supports the growth of local markets and extends economic opportunities through new jobs, investments and infrastructure.

Out of this concern were born the microcredit and microfinance activities initiated by some Spanish savings banks.

Table 2: Totals of microcredits 2002-2005 (31 October)

SAVINGS BANK	Finance allocated (millions of euros)	Operations
La Caixa	19.5	1,363
BBK	9.29	785
Caixa Catalunya	8.03	8,219
CAI	4.38	487
Caja Granada	2.33	242
Caixa Galicia	1.71	189
Caja España	1.26	85
Kutxa	1.0	240
Pollença	0.097	6

Source: The White Book on microcredit - CECA (14th December 2005)

The typical profile of a savings bank microcredit user is an immigrant woman about 35 years old, with a definite plan for a small business that is looking for a loan of about 9,000 euros as start-up capital, most probably in the service sector.

Competition guaranteed

This spread of savings banks in their home regions, their continued presence in their own localities and their geographic expansion into other regions in the face of the concentration seen in banking has led to what amounts in practice to a duopoly, resulting inevitably in an increase in competition within the sector that has been in the interests of the consumers, who have benefited from better pricing terms for financial products.

Equally significant is the favourable contribution made by our banks to the stability of the Spanish banking system as a whole, basically because we have helped to increase solvency levels (to higher than the rest of the competition), and due to the virtual absence of crisis situations, which has always been a characteristic of all savings banks.

Relationships with interested parties

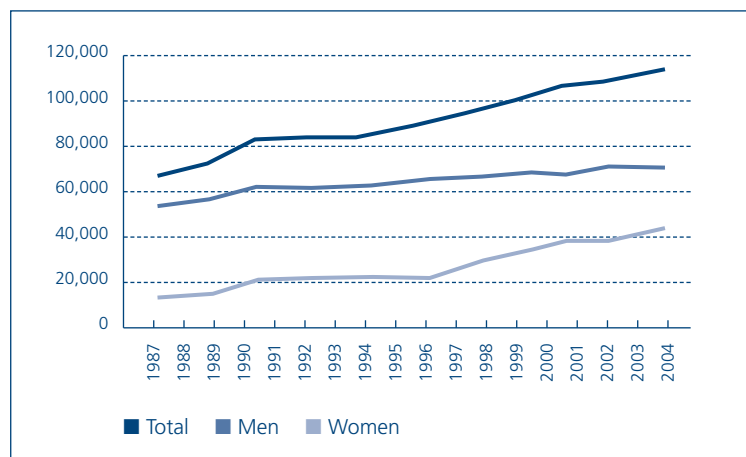
- *Relationships with the workforce*

A primary result of this expansion is the savings banks' contribution to stable employment within the sector. During the last ten years, we have moved from employing 84,552 people to a total of 113,363 employees at the end of 2004, in other words, 28,811 more jobs. This increase forms part of the job creation plans and the active policies that our banks are developing. Further to this, it is pertinent to remember that in the period 2003-2006 we plan to create 5,000 more jobs within the sector.

The overall total of jobs in the sector is close to 1% of the total jobs in the Spanish economy, while the private banks have done nothing but reduce the number of jobs since the beginning of the 80s.

94.61% of posts created are permanent.

Figure 2: Numerical growth in savings banks employees



Source: Savings bankssavings banks' Corporate Social Responsibility, 2004 Report (CECA - www.ceca.es)

Table 3: Workforce employment status

Type of contract	Number of employees	%
Permanent	107,254.56	94.61%
Temporary	4,722.84	4.17%
Others	1,383.03	1.22%
Total	113,363.00	100.00%

While in 2001 35% of our workforce were women, in 2004 this figure rose to 38%, representing an increase in the participation of women of three percentage points in just 3 years. This trend towards equality in our workforce is clearly shown by the figures on recent hires. At the last count, 83% of these new hires were women.

Table 4: Workforce distribution

Sex	Number of employees	%
Women	43,305	38.20
Men	70,058	61.80
Total	113,363	100.00

- *Customer relations*

The savings banks' existence as "local banks" has allowed us to develop a commercial model which combines the most social aspect of this activity with conditions of competitiveness, pricing, and quality of professional service.

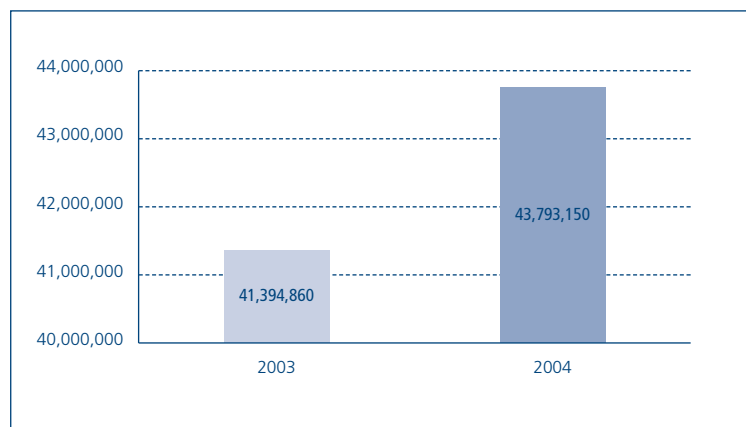
So although it is difficult to define the stereotypical savings bank customer, in the Report on the Sector in which we analyse this question we have presented the following indicators.

Table 5: Type of customer

		Number of customers	%
Individuals	Individuals	26,503,490	60.52
	Young people (<25)	6,288,715	14.36
	Senior citizens (>65 years)	7,329,735	16.74
Businesses	Immigrants	1,689,821	3.86
	Small/medium-sized businesses	1,846,751	4.22
	Big businesses	134,637	0.31
Total		43,793,150	100

In the case of domestic finances, bank loans continue to be the principal source of funds to realise investment and spending plans. Guaranteeing any person or company access to these loans, regardless of their assets, income, size or geographic location, is yet another indicator of our commitment to the essential values of Responsibility.

Figure 3: Customer growth 2003-2004



Source: Savings banks' Corporate Social Responsibility. 2004 Report (CECA - www.ceca.es)

I will now go on to indicate, in outline, some of the most significant features of this emphasis on the needs of the customer.

Predominant involvement in domestic finance, primarily through home loans. Participation in and promotion of officially protected housing. Sector specific promotion of young people's housing (rented or owned). Offering savings and loan products relevant to needs dictated by the homes themselves.

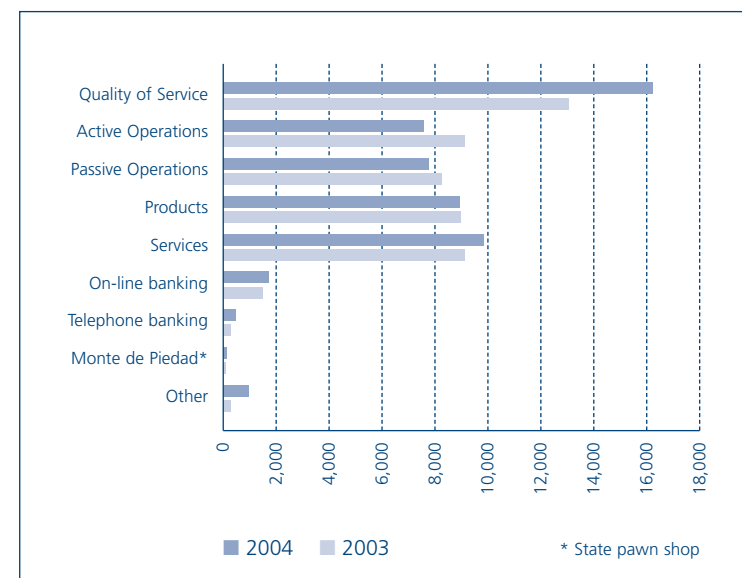
Development of financing policies with a social impact

- Youth: Training and collaboration in agreement with academic and business institutions, specific conditions for training, setting up businesses, facilitating access to housing, free time and service opportunities etc;
- Senior citizens: There are products such as loans with special conditions, granted for home improvements to increase mobility within the home itself, and the possibility of bringing forward pension payments;
- Immigration: Microcredits, sending remittances, international life insurance to pay for repatriation to country of origin, etc;
- Small businesses and services. Structuring of finances and specific financial support, agreements to collaborate with referencing associations, specific products and services, financing agreements with referencing institutions;

- Referentiality in savings with a view to retirement;
- Prevision and pension plans;
- Savings products designed with retirement in mind: credit contributions, variety of plans;
- This social dedication when designing and offering financial products and services is founded on knowledge of the customers and of their needs and expectations.

In some Autonomous Communities it has been compulsory since 2002 to operate a specific service for attending to and directing the concerns of the clientele, but the majority of Spanish savings banks already had departments of this kind more than six years ago. Although it is still optional, something over 40% of savings banks have a Client Protector, whose findings are binding on the bank.

Figure 4: Reasons for claims and complaints



Source: Savings banks' Corporate Social Responsibility. 2004 Report (CECA - www.ceca.es)

Relationships with suppliers

The process of selecting new suppliers tends to be based on criteria that fundamentally guarantee their technical capacity and depends on the type of service or product being offered, its accreditation or official approval, its references and the social and environmental commitment of the supplier.

In respect of the process of evaluating suppliers, the tendency is to consider aspects such as results achieved, respect for employment and fiscal norms, prevention of associated risks and alignment with the business principles of savings banks.

Dealing with suppliers is one of the areas in which savings banks should work to improve, and in fact some of them have already begun to include guidelines on this in their codes of practice in this area and we have seen a pronounced increase in the number of savings banks that are signatories to the United Nations World Treaty.

49% of purchasing is done from local suppliers within the bank's area of business.

Relationships with public institutions

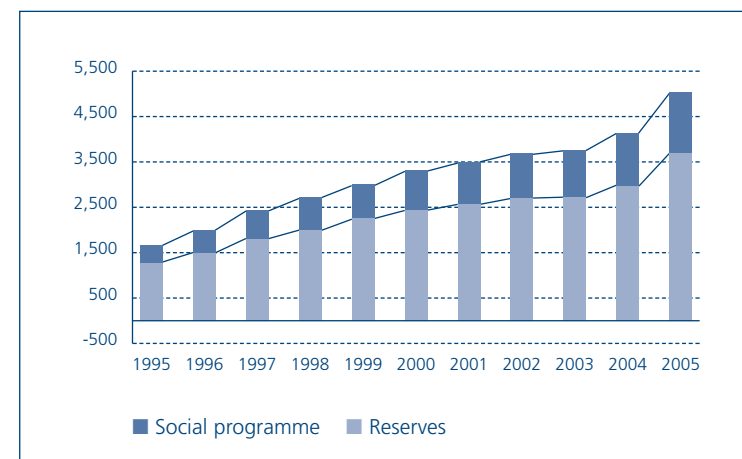
Collaboration with public institutions is in the nature of our relationships with our environment. This ranges from the structure of governing bodies (about which we have already spoken) to collaborative agreements on issues as varied as employment, creating socially beneficial infrastructures, culture and wealth dissemination, as well as specific financing programmes (Official Credit Institute programmes, housing, promoting local business and many others).

In general, we can be sure that this strategic relationship has been key to bringing into being projects and initiatives that would not have been possible without the support offered to public institutions by the savings banks.

The end and the means: Social Programme

Why be profitable? Where do savings banks profits go? There is no obligation to remunerate shareholder participation; the person does not exist who in all other financial concerns receives part of the profit from all operations in the form of the dividend. Once we have submitted to the verdict of the market, and with the resulting surplus, savings banks must meet three obligations: pay taxes, which is to say contribute to the general good by meeting our fiscal obligations; guarantee the sustainability of our own project, strengthening the business by increasing our resources; and finally, the surplus is given back to society, to the stakeholders, in the form of the Social Programme, with a significant share of the contribution going to benefit the business.

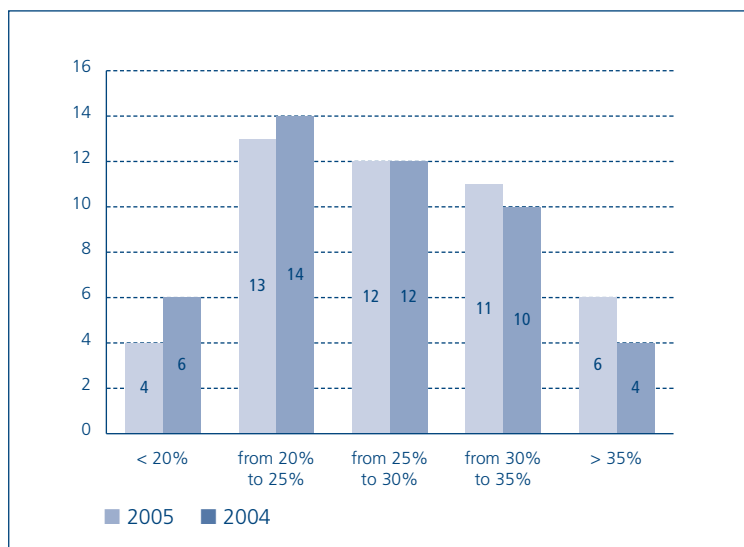
Figure 5: Profit growth and distribution



Source: Social Programme and Institutional Relationships of CECA, 27th February 2006)

At the end of the financial year 2005, after the banks had divided up their net profits, the CECA members approved 1,371 million euros in spending on the Social Programme. This figure is 14.5 per cent higher than in 2004 and represents 27% of savings banks' net profits.

Figure 6: % of profits allocated to Social Programme



Source: Social Programme and Institutional Relationships of CECA, 27th February 2006)

Study of the economic impact

In 2005 the CECA savings banks carried out a study to determine the impact of our efforts in social matters. This was the first study that measured the economic impact of the social activity of a group of private businesses. And the findings clearly demonstrate the importance of our activities.

There is no range of social and cultural services offered by private initiatives with comparable reach to the whole population of a country, neither in Spain nor anywhere else in the world. In 2004 overall reach amounts to 96% of the population.

The savings banks' social Programme identifies social needs in advance and ceases to meet those needs as and when the Administration, primarily the Autonomous Communities and the State, extend their provision.

In 2004 the number of beneficiaries of the joint savings banks' Social Programmes rose to above 123 million people.

The Social Programme has a remarkable capacity for adapting to local needs. For example, in low-income districts the greatest spending on the Social Programme is concentrated on Social Care and Free Time, primarily directed at senior citizens. In the richest districts on the other hand, the greatest spending is on Culture or Science. This focus on local needs is also reflected in the Social Programme's own investment, which in 52% of cases is of a strictly local nature.

In relation to the impact on GNP, the Social Programme added 955 million euros, almost one euro for every euro invested. Added to this, the fact that Social Programme activities include almost no imports makes this ratio one of the highest in all productive sectors.

In 2004 the Social Programme indirectly generated a total of 23,049 jobs, which can be added to the 3,087 which it created directly. The Social Programme generates more employment than the average in the producing sectors, and with two fundamental characteristics: the great diversity of activities in which it is involved (construction, health, NGOs, and service businesses, among others) and the high quality of jobs in terms of qualifications, security and pay.

Overview of a sector

Even though the Social Programme could be seen as the prime example of our Social Responsibility, the savings banks' commitment goes much further than that. Sixteen of the CECA savings banks, a third of the total, recently undertook a comparative study of the sector to determine the extent to which CSR is integrated into our business models¹. The methodology of the study derives from a specific model of EFQM, similar to the model of excellence. On a scale of 1-10, the steps towards excellence in the integration of the Social Programme in the business were examined on the basis of the following studies:

In the initial phase: the organisation meets its legal requirements and begins to implement one or two unconnected issues relating to CSR.

In the growth phase: the organisation maintains a dialogue with its interested groups and is proactive in implementing strategies relating to CSR.

¹ Proyecto de Valoración de la Obra Social. Benchmarking de Responsabilidad Social Corporativa. PriceWaterHouseCoopers (2005)

In the mature phase: the organisation takes account of the expectations of the interested groups, and CSR is integrated in the organisation's policy and strategy as well as in its day to day running.

The sector's CSR status in comparison with other businesses and private companies has also been the subject of a Benchmarking study carried out by the consultancy PriceWaterhouseCoopers.

These studies conclude that the savings banks are in the main in a mature phase, sustained by a wide range of internal and external mechanisms which are already integrated in the practices of our organisations with reference to the social and environmental aspects pertaining to the various interested groups: primarily our own workforce, customers, administrations, suppliers.

The investment in CSR by the savings banks is undeniably higher than that of all other businesses.

According to publicly available information and after totalling the figures that all other companies state that they have invested in all aspects of CSR, the total invested by the companies that took part in the study represents 45% of the amount invested in Social Programmes by all the savings banks in the same period.

If we were to take just the investment in those areas that could be considered comparable to the areas covered by Social Programmes, the investment declared by the companies in the study would represent just 23% of the savings banks' investment.

Given the nature of the policies of the savings bank sector, quantifying its investments in Customers and Human Resources would quite significantly widen the gap between its commitment to CSR compared to other sectors and businesses.

Of course we still have a long way to go. Our position as leader must be seen, furthermore, as a need to maintain, if possible, higher standards than other businesses and organisations. That is why this report proposes a series of measures that will allow us to move forward on the path to excellence; or, if you would prefer, keep moving towards the final goal, of which we must never lose sight: to make an effective contribution to the social and economic well-being of our society.

Both the study to which I am referring and other comparative exercises we have carried out recently have made us conscious of our journey towards improvement, which I will now briefly outline:

It would be useful to develop a unified approach within the sector when it comes to participating in the public debate on CSR in order to strengthen the sector's position.

We are creating departments specifically dedicated to developing CSR, which will further reinforce the Social Programme departments.

Our efforts should continue towards developing a sector model for CSR that allows us to construct a coherent global image that adequately integrates the Social Programme - as a core element - with the other aspects of internal practices.

The BBK model

All these considerations come together in the work that the savings banks are very actively undertaking. And in this context, some savings banks have already begun to develop the CSR model based on EFQM. Among them is BBK, which I represent. With your permission, I would like to round up by enumerating some of the new practices we are developing in my own bank around the application of CSR in the running of the business. We have participated with great interest in these discussions and have learned a great deal from them all.

Logically I should begin by saying that we have already published four Reports on Sustainability, and in fact we were the first savings bank to do so. The process of producing these documents created a laboratory of very valuable ideas and experiences. What is more, the four publications were submitted to external validation and on two occasions were given the classification "in accordance" by the Global Reporting Initiative.

Apart from this evaluation I have mentioned, we have established a phased CSR agenda for the next two years. We see this agenda as a plan of revision and the starting point for internal and external actions, some of which appeared in the revision, and others that came from before, that is to say, which are the result of the logical evolution of our bank, which was already a pioneer in the integration of quality procedures.

In 2002 we were awarded the “Golden Q” which the Fundación Vaca para la Calidad en Euskadi, Euskalit, awards to companies that score more than 500 points on the European standard EFQM system. Previously, in 2001, the network of PYMES offices was awarded the “Silver Q”. And before that, we worked a lot in this field, as evidenced when we obtained ISO 9001 for Integrated Practice Systems, Correspondence with customers, Treasurership and Handling of Assets and Customer Services, and ISO 9002 for Commercial Loans, BBK for telephone banking, cash and multiservice machines and the PYMES offices network.

It has been a journey with many important landmarks in different areas, like the ones I have already mentioned, and others to do with environmental management (EMAS certificate in 2004) and following the United Nations World Pact in this area.

The first consequence of the application of the CSR agenda is the creation at the end of the exercise of a Committee for Corporate Social Responsibility (CSR). The objective of this working group is to develop an organisational structure in which the main managers of each area of the business participate. Specifically, it means putting down the bases for action to initiate and develop BBK's Agenda for Social Responsibility, and for this purpose we have defined the following fundamental parameters.

- See CSR as something practised by the whole company;
- Ensure it is driven by the leaders of the organisation;
- Ensure it is expressed in the activities of all areas;
- The CSR Committee has the following functions:
 - Define and review the vision of sustainability;
 - Review the interested groups and the relationship we would like to maintain with each one of them;
 - Initiate development of improvements in response to the expectations of interested groups;
 - Follow a plan of action using a suitable information and assessment system;
 - Lead the development of the CSR Agenda;
 - Provide relevant information for compiling the Report on Sustainability.

This new organisational model has already borne fruit, in the form of various processes.

On the one hand, all areas of the organisation that are involved have already presented their prioritised objectives for the exercise.

And on the other hand, we have designed a procedural system, to be followed in phases, from the definition of a structural framework to plans of action and follow through systems.

This last tool is especially important. The Control Panel will allow us to follow the level of compliance with the objectives, as well as give rise to a reformulation of the ongoing dialogue with our interested groups. In addition, the monitoring of this tool will be a key issue for the highest governing bodies of the company, which, since it couldn't be any other way, have assumed the leadership in the spreading of good practice in the business.

With this and other measures we hope to respond to the challenges that, as a sector and on a more individual basis, we have identified in the evaluative studies.

Our objective in 2006 is focused on the implementation in our organisation of the System of Business Ethics (SGE 21), in the pursuit of which the CSR Committee will take on the functions of an Ethics Committee with a consultative role, which will be responsible for overseeing the effective implementation of this system, and for reviewing the CSR Management System which up to now has led our work in this area. It will also be responsible for advising management on decisions in this area, and for providing precise information to ensure the previously established level of compliance.

Forerunners and still at the forefront

The reality and daily practicalities of the savings banks' activities leave no room for doubt regarding the viability of these unique institutions. The commercial success and social recognition of the savings banks cannot be questioned; indeed we have recently been witnessing an interesting debate on their role in the context of the Western economy. Social responsibility and sustainable activity are the basic pillars on which, back in their early days, the incipient savings banks rested.

Indeed we have the satisfaction of seeing that time has proved us right, establishing beyond question that what in its time was seen as a "sideline" or "rarity" of the financial system is today the final objective of the excellence in practice of the banks in charge at the beginning of this new century

The social works of our banks are not limited to the direct Social Programme, but form part of all and every one of our actions, including those taken in the financial world. All this work is based on the conviction that to tailor our actions according to social needs is not only an ethical and supportive obligation. The experience of the savings banks shows us that the mere existence of our banks is a guarantee of responsibility on the part of the whole sector. In improving the economic circumstances of a large section of the population, in opening the financial system to traditionally marginalised sections, we have made a definite contribution to the general good and we have financed a competitive system which feeds back into the general quality of life. In other words, into the well-being of our society.

SPARKASSE NÜRNBERG - A VALUE TO THE REGION

Ralf-Peter Beitner

About the author

Ralf Beitner is member of the management board of the Sparkasse Nurnberg. He published several articles on management and reporting.

Social responsibility, sustainable commitment, benefits to the community - all these are current keywords in many public discussions. Are those empty words or do they represent entrepreneurial tasks? For Sparkasse Nürnberg, the latter is the case. Unlike private banks, social commitment is an integral component of Sparkasse Nürnberg's business philosophy since its formation in 1821.

Sparkasse Nürnberg is one of the most committed enterprises within the Nuremberg metropolitan region and, in a couple of years from now, will maintain one of the largest non-profit foundations in Germany. Commitment therefore is not only part of the mission adopted by its founders, it is rather a contribution made voluntarily and deliberately to the benefit of the region. Following the style of the Sparkassen Finance Group's campaign, Sparkasse Nürnberg themes its social responsibility: "Sparkasse Nürnberg; A Value to the Region", including financial allowances to projects through four foundations (Future Foundation, a cultural foundation for Nuremberg, a cultural foundation for the Nuremberg region, a foundation to assist the elderly), donations, sponsoring, and supporting societies.

The question of which support category best fits a request for support is being evaluated thoroughly in the beginning, and the decision *inter alia* depends on the financial order of magnitude, long-term direction, target audience, and the spirit and purpose of the project. These criteria are finally driving the decision whether a support by a foundation, by donations or by sponsoring will be eligible.

In addition to the defined method of selection, the verification of benefits granted versus benefits produced is also an essential factor of sustainable commitment, and therefore the commitment will be subsequently verified for effectiveness using defined measures - for example by a media clipping following a completed project. Sparkasse Nürnberg publishes its social commitment efforts annually in a press conference and also documents the same in brochures in regular intervals.

Introduction

In Nuremberg, a place with a great number of banks, customers are spoiled for choice between private, savings, and cooperative banks. When selecting a certain bank or financial service, objective criteria become more and more become secondary behind emotional aspects. Online banks deliberately bet on a high degree of technology and, thus, on partly lower costs, while Sparkasse Nürnberg lets the "heart" vote for it - i.e. its commitment towards the people in the region and their relevance as employers and trainers, as well as their role as a driving force in the local economy.

Sparkasse Nürnberg is one of the largest German savings banks and already 'per se' distinguishes itself from its local competitors by its public mission. However, this mission is not only an imposition; it is rather a firm and natural part of its corporate identity. To assume and exercise social responsibility therefore is a characteristic of Sparkasse Nürnberg and is of great import to the region, as the bank's trading area (i.e. the city of Nuremberg and the administrative district Nuremberg area) comprises 600,000 habitants and consequentially there are numerous hardships and deserving people, associations and initiatives which are lacking funds to realise their projects.

In many cases the initial call for help will be addressed to Sparkasse Nürnberg, and the decision to say "yes" or "no" is often difficult to make. However, the decision making process in such cases can not only be guided by sentiment, but must also be made subject to objective criteria such as corporate strategy and consistency with the corporate identity.

Sparkasse Nürnberg also assumes responsibility as an employer and professional trainer - a field which will be considered only marginally hereinafter.

Short Description of Sparkasse Nürnberg

- *Second-largest savings bank in Bavaria*

With total assets in excess of 8 billion Euros and a business volume of more than €8.5bn, Sparkasse Nürnberg is the second-largest savings bank in Bavaria and one of the largest savings banks in Germany. Its trading area is located in the centre of the Nuremberg metropolitan region: the city of Nuremberg and the administrative district Nuremberg area, comprising a population of nearly 600,000 people. With its 104 branch offices, 14 centres of competence, and 145 cash machines, Sparkasse Nürnberg ensures money supply and comprehensive financial services for residents on an area-wide basis since its formation 185 years ago.

- *Regional market leader*

Sparkasse Nürnberg has more than 400,000 customers - private clients, medium-sized enterprises and corporations with partly global activities. In the field of private current accounts, Sparkasse Nürnberg leads the market with a share of 40 percent.

Its personal and qualified consulting services are based on the model of lifelong assistance, taking into account the changing needs of its customers and offering practical solutions to meet the same. As a member of the S-Finance Group, Sparkasse Nürnberg can also revert to the offerings and know-how of various associated partners in addition to its own products.

- *Top Employer in Germany*

With its nearly 2,000 employees, Sparkasse Nürnberg is among the largest employers within the region and has been awarded the title of a "Top Employer in Germany" by the Corporate Research Foundation based primarily upon its good working atmosphere.

A family-friendly staff policy featuring flexible part-time employment models ensures the balance between work and life. Nearly 60 percent of our employees are female, with many of them having children.

The rate of professional education contracts is traditionally high. Each year, Sparkasse Nürnberg enables approx. 60 young people to start their professional careers with a sound education.

Table 1: Commercial key figures as of 31 December

Balance sheet figures €m	12/31/2005 €m	12/31/2004 €m	12/31/2003
Business volume	8,529	8,348	8,512
Balance sheet total	8,322	8,099	8,248
Lendings to customers	4,143	4,226	4,385
Customer deposits	6,618	6,416	6,237
Equity	639	616	594
Profit & loss figures			
Revenues	262	248	245
Expenses	179	163	166
Annual surplus (after valuation and taxes)	23	22	13
Other key figures			
Employees	2,193	2,238	2,315
incl. professional trainees	160	162	186
Branch offices	105	105	106
Sparkassen Centers of Competence	14	13	13
Cash machines	145	142	143
Customer accounts	985,000	1,000,000	1,100,000
incl. online banking accounts	82,000	77,000	67,000

Good Reasons for the Public Mission

Social commitment has been one of the essential inducements to establish the former Stadt-sparkasse Nürnberg 185 years ago, the primary purpose having been to enable craftsmen, farmers, and (in the course of industrialisation) also industrial workers threatened by poverty to build up own savings.

Today, this public mission still is a fundamental characteristic of Sparkasse Nürnberg and an essential basis for its activities:

- By its commitment to promote the arts and culture, Sparkasse Nürnberg enhances the quality of life in the region;
- Responsible action reinforces social company and ensures a social balance by promoting social initiatives;

- Government, churches, and public institutions alone are no longer able to cope with the versatile social tasks. Sparkasse Nürnberg therefore supports communities and other initiators in the realisation of projects;
- By making sustained commitments, Sparkasse Nürnberg actively contributes to the future of the city of Nuremberg and the administrative district Nuremberg area.

Sparkasse Nürnberg's Commitment

Already since its formation, Sparkasse Nürnberg contributed and still contributes to the funding of social tasks and makes it possible for generations of people to participate in social and economic life. This effectiveness bases on a long-term strategy and a widely designed commitment.

Value - The Theme

As a response to the intensified discussions around the structure of the German banking market and the privatisation of savings banks, the German Sparkassen Finance Group in April 2004 initiated a campaign entitled "Savings banks, A Value to Germany".

The objective of this informational offensive is to improve the awareness of the broad public of the services that savings banks provide to their clients, small and medium sized enterprises, as well as to local authorities. Furthermore, it aims at motivating political decision makers to advocate the preservation of savings banks in their present form.

At the core of the external communication is a testimonial campaign under which celebrities stick up for savings banks with a dedicated statement. One of these "confessors" has been former Federal Chancellor Helmut Schmidt. In addition thereto the "Value" campaign proceeds in multiple thematic waves: e.g. for the promotion of cultural activities, social commitment, as an economic factor, and as employers and professional trainers. Moreover the importance of savings banks to the respective regions in which they are operating is being emphasised more strongly.

Sparkasse Nürnberg utilised the "Value" activities as an umbrella campaign to unveil its social commitment: by individually adapted advertisements supporting the five thematic waves on the one hand, and by modifying its slogan as follows on the other hand:

Figure 1: Sparkasse Nürnberg's logo for commitment



Sparkasse Nürnberg, a Value to the Region!

This slogan brands all PR activities in the social field, image advertisements, and events since 2004, for example: flying a flag on one of the towers of the Nuremberg city wall during the FIFA World Championship, advertisements in club magazines, theme at press conferences on the subject of commitment, and also as a theme for a charity golf tournament.

Spectrum of Commitment

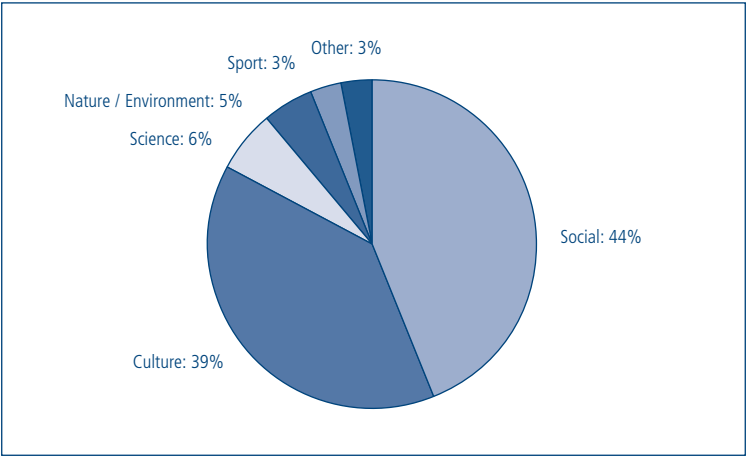
Sparkasse Nürnberg's commitment is distributed into four pillars:

- Foundations (Stadtsparkasse Nürnberg Future Foundation for the City of Nuremberg, Sparkasse Nürnberg Cultural Foundation for the City of Nuremberg, Sparkasse Nürnberg Cultural Foundation for the Administrative District Nuremberg Area, Foundation for Assistance to the Elderly);
- Donations (incl. donations out of the non-profit bonus scheme lottery savings);
- Sponsoring; and
- Supporting societies (Day-care centres supporting society, Nürnberger Ausbildungsplatz-Initiative e.V.).

This spectrum of social commitment allows to support projects and initiatives not only of the most diverse nature, but also of the most diverse social areas.

Sparkasse Nürnberg makes traditionally high contributions to the arts and cultural activities, as well as for social purposes. The breakdown of financial contributions also demonstrates this commitment.

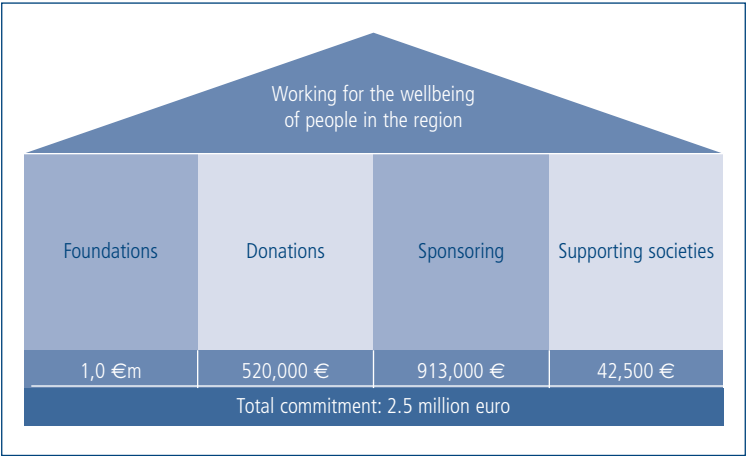
Figure 2: Commitment broken down into social areas



Commitment in Figures

In 2005, Sparkasse Nürnberg through its foundations, donations, sponsoring, and supporting societies provided support to local projects and initiatives in an amount of approximately 2.5 million Euros (net cash contributions).

Figure 3: 2005 commitments broken down into areas



Examples of Sparkasse Nürnberg's Commitment

The four foundations with total assets of €25m constitute the basis of Sparkasse Nürnberg's social commitment. During the previous year alone, they supported more than 30 projects in an aggregate amount in excess of €1m throughout all social areas.

With these activities, Sparkasse Nürnberg is among the top ten "enterprises most engaged in founding activities in Germany" according to a survey of the Federal Association of German Foundations.

Foundations

- *Future Foundation*
Sparkasse Nürnberg is closely connected to the development and tradition of Nuremberg. For this reason, the former Stadtparkasse Nürnberg presented the citizens of Nuremberg with the Stadtparkasse Nürnberg Future Foundation for the City of Nuremberg as a gift on the occasion of the 950th anniversary of the city in 2000. As its name indicates, the foundation is intended to positively contribute to the development of the future of the city and its residents. Up to now, it has already been possible to realise numerous major projects with the financial assistance of the foundation. Pursuant to its by-laws the foundation shall promote selected non-profit projects in Nuremberg for the benefit of all citizens. During the past year, the Future Foundation provided assistance in an aggregate amount of nearly 800,000 Euros to more than 10 projects, including but not being limited to a new building for a children's and youth centre in Nuremberg, the reconstruction of a puppet theater, and also the restoration of a medieval half-timbered house. By 2015, Sparkasse Nürnberg will increase the foundation capital to €83m and will then maintain one of the largest non-profit foundations in Germany. With its Stadtparkasse Nürnberg Future Foundation for the City of Nuremberg the bank therefore assumes a future-oriented responsibility for life in the city.
- *Cultural Foundation for the City of Nuremberg*
Arts and Culture represent important social tasks. They provide identity and reflect on the contemporary era. To promote the arts and culture is a critical mission of Sparkasse Nürnberg.

To do so, the Sparkasse Nürnberg Cultural Foundation for the City of Nuremberg has been founded in 1989.

Since its establishment, the Cultural Foundation provided support to many cultural events, projects, and shows within the urban area and enabled activities to recover famous objects of Nuremberg arts. In addition thereto the foundation engaged in the renovation and maintenance of historical buildings and works of art.

In 2005, the Cultural Foundation spent 900,000 Euros on 12 projects - including a book edition with a catalog of works of Albrecht Dürer.

- *Cultural Foundation for the Administrative District Nuremberg Area*
Within the administrative district Nuremberg area, Sparkasse Nürnberg through its cultural foundation for the district also promotes projects mainly in the fields of arts and culture. Especially the cultural attractiveness of a location has become a critical criterion for its economic prosperity.

Another essential location factor in the Nuremberg area is the natural landscape adjacent to the Franconian Switzerland as well as the various Franconian buildings and monuments. To maintain and preserve these is also part of the foundation's broad spectrum of promotion. Established in 1996 by the former Kreissparkasse, Sparkasse Nürnberg's cultural foundation for the administrative district also widely engages in the protection of nature and the environment, landscape conservation, preservation of monuments and historic buildings, as well as the maintenance of local and traditional customs within the Nuremberg area.

The realisation of a knights' festival and the acquisition of a sand biotope were among the projects supported in 2005, with an aggregate of €500,000 being spent on 60 initiatives.

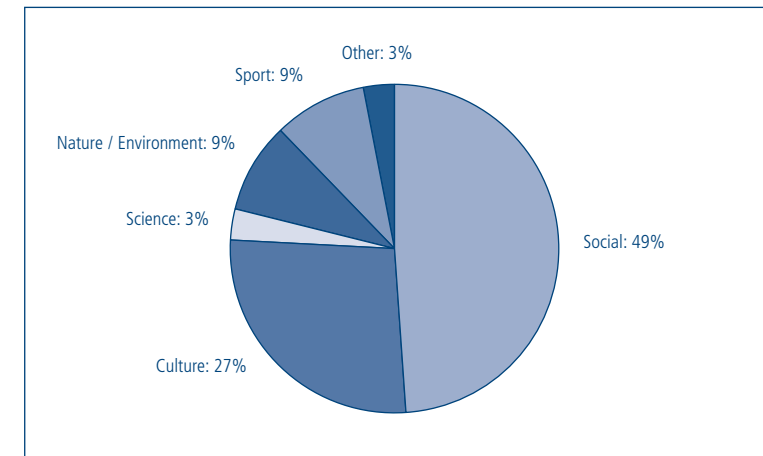
- *Foundation for Assistance to the Elderly*
Through its foundation "Sparkasse Nürnberg Assistance to the Elderly for the City of Nuremberg", Sparkasse Nürnberg is actively involved in providing assistance to elder citizens.

Since its establishment in 1971, this foundation has already invested more than €20m in geriatric care facilities and senior-friendly housing and has created nearly 600 additional geriatric care beds.

Today the activities of the foundation for assistance to the elderly is limited to annual allowances of €200,000 for the administration and maintenance and repair of an own nursing home. The rent income therefrom is used exclusively to enhance the situation of geriatric care within Nuremberg.

Donations

Figure 4: Donations in 2005, broken down by social areas



A region needs a financial framework which also facilitates a multifaceted art and cultural scene, distinct club activities, social initiatives, and projects.

This is exactly where Sparkasse Nürnberg comes into play with its donations for smaller-sized projects in all social areas, ranging from advertisements in club magazines, decorations and gifts for festivities, organisation and support of shows and sports events, to financial assistance to healthcare projects.

Sparkasse Nürnberg donated more than €520,000 in 2005.

Sponsoring

Based upon a mutual "give and take", Sparkasse Nürnberg's sponsoring partners are benefiting from calculable revenues that make it easier for them to realise their ideas and tasks. Many events, concerts, shows, or competitions within the region would not have been feasible without the advertising performed by Sparkasse Nürnberg.

In the field of sponsoring, Sparkasse Nürnberg deliberately focuses on two areas when selecting projects: beaconing cultural projects and the promotion of young talents. Beaconing cultural projects mostly are events in the city of Nuremberg with supra-regional awareness. In the previous year, for example, this included the Europe-wide unique Nuremberg International Organ Week (ION) and the cycle race around the old town of Nuremberg.

Projects for the promotion of young talents supported by Sparkasse Nürnberg include among others the promotion of sports talents at Sellbytel Baskets, Nuremberg's premier league basketball team. The Baskets are working with young talents within the region and make use of the most state-of-the-art techniques already in the youth work. Sparkasse Nürnberg's efforts are intended to help establish the club within the premier league.

In addition to the above there are also partnerships that already last for decades - including without being limited to the summer program of the Nuremberg Symphonics.

Supporting Societies

The Nuremberg metropolitan area's future is determined by the education and training of its children. With their help, Sparkasse Nürnberg intends to provide impetus to the social development in the region and assist government and local authorities in managing this difficult task. Especially projects directed at children and the youth are lacking financial funds, as public institutions often cannot provide the same. This is why Sparkasse Nürnberg has initiated two supporting societies.

- *Förderverein für Kindertagesstätten in Nürnberg e.V.*
Since 1990, the "Förderverein für Kindertagesstätten in Nürnberg e.V." cares for the smallest among the children by supporting the creation of new kindergarten places by non-government institutions as well as projects initiated by the "Children's Network" initiative with donations.
Sparkasse Nürnberg's regular subsidies ensure up to 98 percent of the society's activities, which are proven by an impressive record: since its formation, €2,6m have been invested to create an aggregate of 2,647 new places in kindergartens in the Nuremberg city.

All in all, this made it possible to achieve a nearly 100 percent supply of kindergarten places needed in Nuremberg. The most recent distribution of €42,500 went to a sports kindergarten with a concept unique in Germany.

- *Nürnberger Ausbildungsplatz-Initiative e.V. (NAI)*
Sparkasse Nürnberg's "Nürnberger Ausbildungsplatz-Initiative e.V." (NAI) supporting society supports businesses which offer apprenticeships for the first time. Businesses which are located within the bank's business area can expect to receive an allowance of up to €10,000 out of this scheme.
Now as before, the number of offered apprenticeships is still insufficient for a rising number of graduates in the Nuremberg metropolitan region, and this gap is getting wider as many businesses are still interested in providing professional education but are afraid of the bureaucratic and particularly financial burdens connected therewith. NAI's objective is to facilitate more businesses to provide professional education and therefore distinctively supports only those enterprises which offer apprenticeships for the first time, as this is the only way to create more potential apprenticeships in the long term. Up to 2010, Sparkasse Nürnberg will donate an annual amount of €200,000 to NAI and thereby create 150 new apprenticeships.

Controlling

The effectiveness of any financial or other effort stands or falls with a regularly exercised internal and external verification. By performing such controlling, Sparkasse Nürnberg wants to make sure that its funds get to those who are really lacking finance. At the same time the public shall remain aware of our objective to achieve as much sustainability in our commitment as possible.

Involvement of our customers

If our customers do not place trust in us by choosing and confirming Sparkasse Nürnberg as their financial services provider, we also cannot assume social responsibility ourselves. Therefore our customers shall be aware of the projects into which "their" money is going and, on the other hand, our customers shall also receive added value therefrom.

For this reason Sparkasse Nürnberg also measures its commitment by the perceivable benefit for our customers derived therefrom. This principle can be implemented especially well for sponsoring activities which are being combined with discounts and special events for our customers. For example, Sparkasse Nürnberg this year supported Nuremberg's largest cultural event ("The Blue Night") and at the same time offered discounted tickets for this event to our customers.

Catalogs of Benefits

For foundations and donations, primary internal control mechanisms are catalogs of benefits containing information on projects, project organisations, amount and type of commitment. The Social Responsibility Manager uses this information to compare support applications and to weight grants by diversifying between all social areas. The board of the respective foundation must unanimously approve the implementation proposals.

In the field of sponsoring, the aspects of "performance and consideration" are in the focus when selecting projects for promotion. Sparkasse Nürnberg therefore pays special regard in this field to the publicity of the initiator and the kind of advertising and/or PR activities offered to publish the financial support granted by the bank. The verification is mostly being performed through media clipping.

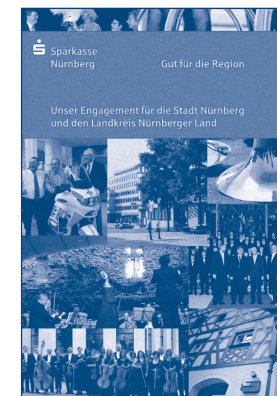
Of course, when it comes to social responsibility, one critical aspect always is to provide assistance quick and in a non-bureaucratic manner. Sparkasse Nürnberg therefore also grants small and midsize donations to support initiatives and projects which are in short term need of funds. These commitments are part of the total CSR balance without conforming to a strategy of long-term sustainability.

Publications and Public Relations

Three years after the merger with the former Kreissparkasse Nürnberg, Sparkasse Nürnberg initially published its balance of performance entitled "2001-2003 Social Balance Sheet". This glossy brochure listed the bank's activities in figures - broken down into "Social Welfare"; "Economic & Structural Support"; and "Consumer Orientation" - together with photographs of supported projects.

Integrated into one handout together with its annual report, Sparkasse Nürnberg attained rank 6 in the ARNO communications competition of S-Finance Group and led the way for many other savings banks.

Figure 5: 2001-2003 Social Balance Sheet cover page.



The social balance sheet was targeted at customers, potential customers, media, employees, regional initiatives and associations, as well as staff and internal bodies. The objective of this publication is to present the social benefits provided and the added value produced by Sparkasse Nürnberg for the region on the one hand, and to inform the public and guarantors.

Since 2005 Sparkasse Nürnberg additionally presents its social commitment in the course of annual press conferences, together with the presentation of certain supported projects selected by example. The awareness received from the media allows not only to provide information on benefits granted, but also to document the same.

Figure 6: Press conference on 2005 commitments with reference to S-Finance Group's "Value" campaign



Outlook

Social responsibility and action provide Sparkasse Nürnberg with a unique image, distinguishing it from various private banks located in Nuremberg. It will be critical for Sparkasse Nürnberg in future to protect and intensify emphasis on this unique position in the public - in particular with a view to the EU Commission's considerations to permit private banks and financial investors to also use the name "Sparkasse" in special circumstances.

"Do good and talk about it" is a saying that is often used, but still has a grain of truth in it. Sparkasse Nürnberg has every reason to be proud of its social achievements, so why should we hide this from the public? The "consequences" connected therewith are more than positive - for the project organisations, citizens, and thus the region as a whole. The majority of our efforts are sustainable, i.e. benefits granted today will also be of advantage to the next generation. By these means, Sparkasse Nürnberg directly influences the development of economic power and quality of life at its location. In addition thereto, Sparkasse Nürnberg provides short-term assistance in cases of emergency.

At the same time the bank also bears such social responsibility internally: Sparkasse Nürnberg is an innovative and provident employer; flexible and variable working time schemes can be combined with different lifetime situations of employees. It does not surprise that 60 percent of the bank's employees are female - many of them having children.

Due to this lived internal and external responsibility, Sparkasse Nürnberg forms an essential part of the Nuremberg metropolitan area and constitutes a reliable partner for initiators from all social spheres. Sparkasse Nürnberg - a value to the region!

DEVELOPING BUSINESS EXCELLENCE – DELIVERING RESPONSIBLE COMPETITIVENESS

John Swannick

About the author

John Swannick is issues management and stakeholder relations specialist at Lloyds TSB.

Lloyds TSB is a major banking and insurance group, predominantly UK-based, but with operations in some 30 countries around the world. At the end of 2005, we were Europe's 14th largest bank, and the 24th largest in the world by market capitalisation.

We have over 70,000 employees worldwide, serving a franchise comprising some 16 million personal and business customers. Our operation in the UK is probably the largest in terms of distribution reach, serving urban and rural communities through a network of 2,000 retail outlets in addition to other mainstream channels such as internet and telephone banking.

Since the merger between Lloyds Bank and TSB Group in 1996 we have doubled profits, built significant market shares in the provision of retail financial services, and our cross-selling ratio of 2.5 products per customer is industry leading. In 2005, our post-tax return on average shareholders equity was 25.6%.

This has been accomplished against the background of a huge amount of change in the UK financial services industry. Competition is intensifying, and the UK financial services market is facing up to the impact of ever increasing regulation and price controls.

But managing a multi-billion pound operation comes from having total focus in what we do:

- Strategies and governance that deliver sustainable business growth - profitable growth - for our shareholders;
- Offering good products at the right price backed by a relentless pursuit of superior service and accessibility for customers;
- Developing a committed and engaged workforce operating at recognised global high performance standards.

Against this backdrop, how exactly does corporate responsibility fit into our business strategy?

Approaches to corporate responsibility

In our view, there are three approaches to corporate responsibility

- A way of doing business, ethically as a good corporate citizen. It's about a value system with an agenda being driven from the top and absorbed throughout the organisation...;
- A disparate collection of policies and practices across different areas of business operation that have been brought together as part of an externally driven agenda to define a business' social responsibilities...;
- Conscious pursuit of a business strategy that recognises that the development of a brand and a reputation which reflects the expectations of all stakeholders will create real business value.

They are not mutually exclusive. They are three points on a continuum, that take us from largely philanthropic organisations at one end of the spectrum, to value-based corporations at the other, where external expectations demand a very hard focus on margin, productivity and investment performance.

That is the value-based approach to Corporate Responsibility: a business strategy that recognises that a brand and reputation which reflects the expectations of all stakeholders will create real business value. Corporate responsibility is no different from any other investment in the strategic assets and capabilities that drive business performance.

Our corporate vision is to make Lloyds TSB the best financial services company, first in the UK then across borders. Our corporate responsibility strategy is to support our corporate vision by helping to build a great place for our people to work, a great place for our customers to do business, and generating great returns for our shareholders. In so doing, we believe we create value for all our stakeholders through:

- more effective risk management;
- enhanced brand perception, consideration and commitment;
- increased employee engagement;
- increased customer satisfaction;
- improved responsiveness to changes in patterns of customer behaviour;
- supporting development of new markets and innovation in existing markets;
- delivering competitive advantage through better corporate responsibility management.

Managing stakeholder expectations - a risk approach

Our business is faced with the increasing external pressures of legal or regulatory obligations and stakeholder expectations.

As bankers, we live by the management of risk - credit risk, operational risk, market risk, environmental risk, and reputational risk. Much is written and argued about the impact of reputational damage on business. What is important to one stakeholder may not be as important to another, and a potentially damaging action by a company rarely creates an homogenous market response e.g. Brent Spar.

An essential part of the business's risk management, where 'getting it right' in itself often has no bottom-line value, but where the cost of 'getting it wrong' is potentially ruinous. There is an increasing reliance on ever more sophisticated risk analysis to meet external standards such as the Association of British Insurers' guidelines, Basel 2, Sarbanes Oxley legislation and now the EU Modernisation and Transparency directive which has supplanted the UK's Operational and Financial Review.

It is an approach which encompasses greater transparency through:

- more rigorous measurement of non-financial performance;
- social and environmental reporting;
- promotion of good practice, case study and dialogue;
- adoption of standards and benchmarks by which companies can measure themselves.

If reputational risks are so nebulous, so difficult to define, how can you ensure that they are recognised by everyone and the appropriate procedures implemented? The fact is that there has to be some common acceptance of a system of values. If an individual is not sure whether something is a risk to the company's reputation or not then there has to be some simple yardsticks for guidance. In Lloyds TSB we have codified these in our Group Code of Business Conduct.

The Code was first published in 1997 as part of the creation of a common organisational ethos after the merger of Lloyds Bank and TSB. The Code signposted clearly those values, existing rules, and stakeholder issues that the Group considered the most relevant and important for staff.

The US Sarbanes-Oxley Act, passed after our Code was published, requires all US-listed companies like Lloyds TSB to have a code of ethics for directors and employees. Changes were made to our Code to meet the requirements of the Act, primarily the reinforcement of some existing commitments.

Our Corporate Responsibility principles are a short form of our Group Code of Business Conduct. They set out a definitive commitment.

We will:

- Respect traditions and cultures and comply with all relevant laws and regulations in every country in which we operate;
- Conduct our business to the highest levels of honesty and integrity;
- Strive to develop products and services that create value for our customers;
- Create a working environment for our employees founded on trust and mutual respect;
- Keep shareholders informed of the financial performance, risk management, governance and future prospects of the organisation;
- Develop long-term relationships with suppliers based on mutual trust;
- Respect and support the local communities in which we operate;
- Act responsibly in relation to environmental issues;
- Report publicly on our progress;
- Communicate openly and actively and encourage dialogue on all issues relevant to these principles.

Enhancing brand value

Traditional accounting has tended to place a value on physical assets. Yet most companies' market value is comprised of intangible assets - typically 50-75% according to studies.

In 2002, Lloyds TSB's Chief Economist calculated the discounted present value of market consensus 5-year future earnings for the Group. With fixed assets, it accounted for 25% of Lloyds TSB's then market capitalisation. That is to say, 75% of Lloyds TSB's 2002 market value was determined by beyond 5-year earnings potential which, from an investment perspective, is probably best termed 'brand value'.

And what constitutes brand value?

We would say that the following are the most significant factors:

- company reputation;
- quality of leadership and management;
- ability to recruit and retain the highest quality people;
- customer loyalty;
- product quality and perceptions of future quality assurance;
- market goodwill - the 'intangible' intangible often termed irrational loyalty.

We believe that a company's corporate responsibility profile will both impact on and be impacted on (by) each of these factors.

Leveraging corporate responsibility for competitive advantage

There is a link between corporate responsibility and Total Shareholder Return (TSR). In our view, corporate responsibility is no different to any other form of investment in the strategic assets and capabilities that drive performance.

TSR is the key measure of value creation at company level and there is a significant body of evidence of the link between the quality of a company's corporate responsibility and its financial performance.

One of the largest investors in Lloyds TSB is also one of the UK's largest socially responsible investment (SRI) fund managers. In recent years, they have tracked-back the performance of the companies that comprise their SRI fund over a period of ten years and found a significant out-performance of those companies against comparable peers in terms of value over that time. That is to say, had their SRI funds comprised the current constituent companies ten years ago, it would have markedly outperformed the market and offered real evidence of the value of corporate responsibility.

Similarly, Lloyds TSB sponsored research by the Institute of Business Ethics which sought to replicate research undertaken by DePaul University in the United States. From 1997-2000, companies expressing a positive ethical and social profile based on a variety of indicators outperformed FTSE peers on a range of standard financial measures such as economic value added (EVA) and market value added (MVA). In terms of return on capital employed (ROCE), the identified companies overtook their peers in the middle of the study period - a very volatile period for global stockmarkets. They also showed much greater price/earnings stability.

It is clear-cut that driving sustainable shareholder value over time comes from building a good management framework, with sound processes, underpinned by sound business strategies which are well executed.

Last year, the results of a research programme by the Centre of Quality Excellence at the University of Leicester, sponsored by the British Quality Foundation and the European Foundation for Quality Management, showed that when the principles of the EFQM Excellence Model are effectively adopted: performance improves in both the short and long term; there is a strong and demonstrable link between effective deployment of the Model and increased sales, business investment and shareholder returns; and increasing employment at a faster rate than comparison companies. These significant financial benefits were seen over time indicating that deployment of the approach has a lasting positive influence.

And that is true regardless of the size of company. A common feature of good management frameworks worldwide is a wider stakeholder perspective. They demonstrate a fundamental commitment to delivering sustainable excellence through addressing the expectations of stakeholders. The idea that businesses can satisfy stakeholders by what they achieve and how they achieve it is age old. It's not about corporate philanthropy, it's about doing better business. And it shows that there is no trade-off between corporate responsibility and profitability.

Indeed, we heard from Nijmegen University's Professor Jonker a definition of corporate responsibility in which companies 'internalised externalities taking into account the 'hidden' cost that make organisations work'. We like this definition - for us, it implies there is no trade-off between corporate responsibility and profit optimisation (as Milton Friedman would describe the applied reality of profit maximisation).

Value chains

Can a causal relationship between good corporate responsibility and financial performance be established?

In Lloyds TSB we have been able to take a value chain of the type propagated by Harvard Business School for Sears-Roebuck and South-West Airlines in the US and add hard co-efficients on relationships between employees, customers and shareholders using:

- employee satisfaction data with 100,000 annual responses over 10 years;
- up to 20,000 customers satisfaction interviews monthly over 6 years;
- 2,000 individual profit centres with tracked financial performance.

The resultant model identifies four key factors influencing employee satisfaction - staffing adequacy, employee turnover, level of overtime and level of employee engagement. We can empirically measure the first three variables. The fourth has been subject to a great deal of analysis. In Lloyds TSB, the six primary determinants of employee engagement have been identified as:

- providing staff with opportunities for training and development;
- giving staff the flexibility and scope to use their abilities and initiative;
- inspiring leadership from top management;
- the extent to which staff believe Lloyds TSB is highly regarded;
- creating a culture where people feel involved and understand how their work contributes to the group's overall success;
- the extent to which the group is seen as being socially and environmentally responsible and ethical in its operations.

The employee satisfaction survey is now calibrated against a quarterly Employee Engagement Index with over 70% average employee response rates since inception in March 2005.

The model predicts bottom-line business results: in essence, a 1% improvement in Employee Engagement Index will reduce staff turnover by 2.8% with a resultant 3.0% increase in sales revenue.

Influencing employee engagement

Our commitment to our employees has been a positive factor at a time of largely adverse media attention for the financial services sector in the UK. We have developed groundbreaking and award-winning programmes around:

- *Training & development*
Our training framework enables employees to develop a clear learning plan that reflects their specific learning and career needs. This is embedded in the annual performance assessment process. The University for Lloyds TSB (UfLTSB), one of the largest corporate universities in Europe, provided over 45,700 training days and nearly 25,000 delegate places in addition to online learning through Group-wide network of 2,000 multimedia personal computers, and 26 dedicated 'cyber-cafes'. The UfLTSB's students can gain recognised qualifications and accreditation. Most of our business units are committed to Investors in People, a standard for ensuring staff have the opportunity to reach their full potential.
- *Personal development*
We recognise that one of the main drivers of employee engagement is the degree to which our people understand where they fit in the organisation and the contribution they make. A performance and development model, based on a common balanced scorecard framework, is designed to meet this key need. Every individual's annual objectives and performance measures are linked to the Group's core strategy. Career Paths and people development planning linked to balanced scorecards are intended to support the self-management of personal progression.
- *Work-life balance*
We encourage employees to develop a balance between their personal and professional lives through our work options policy. This gives staff the opportunity to adopt flexible working practices like job sharing, varied hours, teleworking and reduced hours where it is practicable for our business. By December 2005, over 34% of our workforce were working flexible hours.

- *Diversity*

To create an inclusive working environment we have put initiatives in place to address the specific needs of groups of employees. These include women in management, ethnic minorities, disabled, age diverse; lesbian, gay and bisexual, parents those with other caring responsibilities. We routinely undertake research to identify key issues and build activities into our work programmes. Examples include:

- a comprehensive package of policies to support working parents; guidance packs for pregnant women and their line managers; information booklets to support fathers;
- we participate annually in the Race for Opportunity national benchmarking survey and use the feedback to inform our race work programme for the forthcoming year. We provide a career progression programme for ethnic minority managers and support an employee-led network for ethnic minority staff;
- We work closely with the Employers Forum on disability to help inform and shape our disability work. This includes a personal development programme for disabled staff, a process to make work-place adjustment for disabled staff who need them, accessibility standards as an integral part of all IT developments and we support a employee-led network for disabled staff;
- In 2005 we undertook Group-wide research with our lesbian, gay and bisexual (lgb) employees to help develop a sexual orientation work programme. We are now working with a group of lgb employees and external organisations such as Stonewall, to raise the profile of lgb issues and address the finding the research findings. This includes a new employee-led network and working ensuring we respond as a business and employer to the implications of the Civil Partnership Act.

- *Community involvement*

- Lloyds TSB has one of the largest community investment programmes in the UK valued at just over £37 million in 2005, including £31.2 million which was distributed by the Lloyds TSB Foundations. Since 1997, the four independent Lloyds TSB Foundations - covering England and Wales, Scotland, Northern Ireland and the Channel Islands - have received over £259 million as shareholders in the Lloyds TSB Group. Together they receive one per cent of the Group's pre-tax profits averaged over three years, in lieu of their shareholder dividend.

- Every year in an open ballot our staff select a charity to support for 12 months. A team of Charity Champions leads the fundraising. In addition to their full-time jobs, members of the team volunteer to inspire and motivate their colleagues to organise events, sell pin badges and find new ways to collect money. In 2005, our staff raised over £1.6 million for Marie Curie Cancer Care and the year before £1.2 million for the NSPCC.
- The Foundations operate a Matched Giving Scheme where we encourage our staff to raise money and donate time for charity and the Foundations match the value, to a maximum of £400 per person within an overall annual budget. Thousands of our people volunteer to help in their communities, working in schools, local authorities, community agencies and social enterprises.
- We enable our people to donate to charity using the UK's *Give As You Earn* system that allows them to use the company's payroll to make the donation tax-efficiently and directly to the charity of their choice. In 2005, 9,500 employees donated over £800,000 in this way.

Customer satisfaction

The Value Chain influences are probably replicable, with variations in the influences, for most business to customer businesses but few will have the sophistication of data to measure it. The relationships may not be quite so intrinsic for B2B businesses but there will be common features. But is the indirect impact of corporate responsibility through employee engagement the only influence on customer relationships? What of the contribution of corporate responsibility to customer decision making?

Studies reveal increasing importance of corporate responsibility to customers both in terms of brand perception and consideration. However, the longitudinal evidence from the annual MORI corporate responsibility surveys of UK public opinion is inconclusive. The percentage of respondents who rate a company's corporate responsibility profile as important or very important increased dramatically in the late 1990s but has plateaued or even fallen back over the last six years. Moreover, evidence suggests that 'important' or 'very important' is insufficient to make a company's corporate responsibility profile the determining factor in any purchasing decision for all but a very small percentage of consumers.

However, research by Lloyds TSB's customer research team indicates that there is significant evidence of changing customer attitudes and behaviours which will accelerate the importance of responsibility issues.

The trends of:

- less time but access to more information;
- the search for instant satisfaction yet ever greater demands;
- mass individuality and the growth of consumer 'tribes';
- the importance of brand reputation yet less brand loyalty;
- the contribution of ethical, social, and environmental concerns to brand perception;
- across all ages, all income groups and in all societies;
- will have a major impact on the way businesses deliver their products and services. The increased reliance on trusted advisers will have a particular resonance for financial services businesses and others serving complex consumer markets.

Stakeholder communications

We have a corporate responsibility communications approach, which supports our corporate responsibility strategy by building on our position as one of the top UK corporate responsibility performers. It requires delivery of a sustained internal and external communications campaign to raise awareness, underpin corporate values, demonstrate the logical linkages to the business at all levels, ensuring responsibility is consistently part of the business agenda and enhance the trust and commitment of key stakeholders in the company.

As a consequence we have focused on a much greater segmentation of our corporate responsibility communication by audience. Our Corporate Responsibility Review is a short corporate responsibility profile - with case studies and illustrative examples of policy, programmes and activity - aimed specifically at customers and the public. It supplements a customer leaflet made available in our branches in 2005. The more detailed technical data and results of interest to analysts, commentators and opinion formers is contained in this report.

Both Review and Report are supplemented by additional material on our website at www.lloydstsb.com/corporate_responsibility.

Our employees are a major focus. Both the Review and the Report feature on our comprehensive corporate responsibility Intranet site and be widely accessible in print. We also delivered a specific employee magazine in September 2006. This is in addition to regular corporate responsibility features in all our internal employee communications and over 200 corporate responsibility-oriented stories appearing on our daily Group intranet 'news' service *Upfront News* in 2005.

Development of customer markets

Corporate responsibility also opens up new market opportunities. Regulatory or other external drivers also create a requirement to explore new markets and how best normal financial return norms can be met whilst meeting stakeholder expectations.

Lloyds TSB can identify examples of business development stimulated by corporate responsibility or external stakeholder drivers where normal business value measures have been met by innovation in delivery. Case study examples exist in the areas of:

- *Diversity*
Businesses run by people from ethnic minority communities make a significant contribution to the UK economy and are a very important market for us. Our senior business banking managers are trained to be aware of cultural differences and to encourage diversity. We seek to recruit multi-lingual staff to ensure our workforce reflects the composition of the local community and serve customers whose first language is not English. We sponsor two awards that recognise community and commercial achievements by Asian people across the UK. The Lloyds TSB Asian Jewel Awards seeks out inspirational examples of excellence, while the Asian Women of Achievement Awards recognises the achievements of Asian women. We have a partnership with ICICI bank in India to support our customers of Indian origin to help them transact business more easily between India and the UK.
- *Disability*
People with physical disabilities - such as those with poor eyesight and those using wheelchairs - need additional help to use our services. It is our legal and moral responsibility to ensure we cater for their needs, but commercially, this is also a very important market for us.

Our branch staff are trained to help people with disabilities and a training video, Access included, is part of our standard customer service programme. We offer statements in Braille, most of our cash machines include features recommended by the Royal National Institute for Blind People (RNIB), such as audible tone prompts. We provide large cheque books and templates that make it easier to write cheques and sign credit cards. The Lloyds TSB Group was the first bank or building society to be accredited with the Louder than Words charter mark by the Royal National Institute for the Deaf (RNID). This acknowledges organisations that offer a high quality deaf-aware service to customers and employees who are deaf or hard of hearing.

- *Financial inclusion*

Many people, often the poorest, fail to benefit from financial services because they lack either the knowledge or opportunity to gain access to them. It is estimated that almost 1.5 million UK low-income households use no financial services - such as pensions, loans and bank accounts - even though they could improve their quality of life by doing so.

We have been at the forefront of developing financial services especially tailored for excluded communities. These include basic bank accounts, community credit unions, community finance initiatives, loan and venture capital funds, and support for businesses run by ethnic minorities. While these initiatives are not necessarily commercially profitable for us in the short-term, we believe we have a mutual interest in supporting local enterprise. This leads to a more prosperous local community which, in turn, offers us potentially profitable business opportunities in the long-term.

- *Basic bank accounts*

The government is keen to promote the greater use of bank accounts and encourage the direct payment of social benefits (as opposed to cash payments through the Post Office). We have simplified our Basic bank Account to make it easier for people to open one. By the end of 2005, over 348,000 accounts had been opened.

- *Community finance*

We work in many underserved communities, in partnership with organisations set up in response to local, national and government initiatives. Our involvement ranges from grant aid to preferential loans and bursaries.

Funding has been provided for several community finance initiatives including Financial Inclusion Newcastle, the Wessex Reinvestment Trust, South West Investment Group, PRIME, One London Limited, the Lincolnshire Loan Fund and Portsmouth Area Regeneration Trust (now the South Coast Money Line).

Managing the value approach

There is a coherent business approach which brings together all facets of corporate responsibility - leadership, values, policy and processes, people, customers and society - to deliver added value.

We have been using the EFQM Excellence Model for some ten years during which time several of our business units have won national Quality awards. But the Excellence Model is not about awards - its greatest value to us comes from the framework it provides.

- The Model helps us to ensure we have a clear and constant purpose, it helps us to focus on the delivery of results;
- It helps us to focus on customers and how we can create value by better meeting their needs;
- It helps us to focus by systematically applying processes and fact-based assessments to manage our business and to make our strategic decisions;
- It also helps us to identify what we need to do to develop our people and maximise their potential;
- And it helps us to derive value from meeting our responsibilities to the communities we serve.

We know from the University of Leicester research that companies which adopt and embrace the Excellence Model are more likely to create wealth and shareholder value than those that don't.

Lloyds TSB has been integrally involved in development of the EFQM corporate responsibility Framework. We were represented on the Working Group which devised it and were the first organisation to test it through high-level self-assessment in 2003.

The EFQM corporate responsibility Framework is far more suited to its purpose than other emerging abstract corporate responsibility specific frameworks as it more obviously:

- business driven;
- aligns corporate responsibility with business strategy;
- aligns with balanced scorecard strategic and tactical priorities;
- delivers intrinsic internal and external benchmarking opportunities;
- facilitates stakeholder engagement at all levels of the organisation.

In 2004, the Group's corporate responsibility team undertook a full-company self-assessment against the Framework. In 2005, a number of representatives from key business units contributing to the Group's corporate responsibility profile participated in a more comprehensive self-assessment. We identified areas for improvement which have been built into the balanced scorecard priorities of the corporate responsibility team.

One of those priorities was to formalise a network of senior managers across the business who report into members of the Group's Corporate responsibility steering group of senior executives. In March 2006, based on 2005 performance, 28 of this enablers' network undertook the most in-depth self-assessment yet against the EFQM CSR Framework, validated by CSE Associates, EFQM licensed consultants.

One of the outputs of the self-assessment is Lloyds TSB's current corporate responsibility report. Another is for the areas for improvement, identified in the self-assessment, to be translated into prioritised objectives and the development of key performance indicators to measure performance against these objectives. Working with colleagues across the business, bringing their particular knowledge and expertise to bear on the process, those objectives will inevitably reflect key business unit priorities.

The intention for Lloyds TSB is to deliver corporate responsibility performance that reflects the key strategic priorities of the business and aligns the organisation's corporate responsibility priorities with the business strategy and priorities of individual business units.

THE CAISSES D'EPARGNE FOUNDATION FOR SOCIAL SOLIDARITY

Maryvonne Lyazid

About the author

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The origin and development of the Foundation

Set up by the Caisses d'Epargne et de Prévoyance (Savings and Provident Banks) and the Caisse Nationale des Caisses d'Epargne (National Savings Bank Fund) and officially recognised as acting in the public interest in 2001, the Caisses d'Epargne Foundation for Social Solidarity is active in combating all forms of dependency and social exclusion linked to old age, illness, disability or illiteracy.

The Foundation has developed rapidly since it was founded and is today active nationwide in terms of its network and policy of serving the public interest.

If it continues to develop at the present rate, within a few months it will be the largest foundation recognised as working in the public interest in terms of staff numbers.

The Foundation's missions

The Caisses d'Epargne Foundation for Social Solidarity exercises three principal missions:

- Promoting the autonomy of elderly, sick or disabled people;
- Combating social exclusion, including illiteracy;
- Financing innovative projects in its fields of activity.

In its efforts to support elderly people or people made vulnerable through illness or disability, the Foundation has a network of 72 establishments and home care services across France.

It is thus the leading not-for-profit network for homes for elderly dependent people.

To combat illiteracy, the Foundation and its partners set up the "Savoirs pour réussir" (Knowledge for Success) scheme which enables young people aged between 18 and 25 who are considered to be facing illiteracy to be assisted by voluntary tutors, to regain confidence and to develop a taste for reading, writing and arithmetic with a view, ultimately, to following a training course leading to a qualification and employment (www.savoirspourreussir.fr).

Its action in the field of illiteracy is testimony to its continuous search for innovation in the social field. The Foundation extends and symbolises the social commitment of the Groupe Caisse d'Epargne.

Key figures on the Foundation

In 2006, the Foundation has:

- 72 establishments and services;
- 4850 residents in care establishments;
- 6000 elderly, disabled or sick people being cared for in their own homes;
- 3000 staff.

The development of the key figures between 2002 and 2006 reflects the ambitions of the Foundation in the service of solidarity. It also reflects the dynamism of its founders and the professionalism of its staff who, every day, commit themselves to the service of vulnerable people.

Table 1: Development of the establishment and services network between 2002 and 2006

	2002	2003	2004	2005	2006
Establishments	21	39	44	69	72
Beneficiaries	1,800	2,300	2,800	4,500	4,850

The 72 establishments and services are broken down as follows:

- 66 social healthcare residences with residential places for almost 4,850 elderly people with reduced autonomy. These residences are located throughout France;
- 3 healthcare establishments which treat more than 4,000 people a year;
- 1 remote monitoring centre serving 3 600 subscribers;
- 1 service for helping people return to and remain in their own homes;
- 1 service for home help that assists 850 elderly people living in their own homes.

Five "Savoirs pour réussir" sites are operational in 2006: in Bordeaux, Châlons-en Champagne, Chambéry, Le Havre and Marseille. Five new sites are set to open before the end of the year.

Table 2: Development in the number of Foundation staff between 2002 and 2006

	2002	2003	2004	2005	2006
Staff	985	1 117	1 744	2 500	3 000

Most of the foundation staff work at the establishments as maintenance agents, administrative personnel, social workers, nurses, doctors and establishment directors.

At these “Savoirs pour réussir” centres many volunteers help support the young people in their care. These are usually stakeholders, staff or retired staff of the Caisses d'Epargne.

Table 3: Development of resources between 2002 and 2005 (in millions of euros)

	2002	2003	2004	2005
Resources	46.2	55.6	74.8	126
Including donations	2.5	4	6.2	5.8

The Foundation's resources come from three principal sources:

- the activity of the establishment and services network;
- donations from the savings banks and Group subsidiaries;
- earnings on investments of the Foundation's financial donations.

The Caisses d'Epargne Foundation for Social Solidarity and autonomy Principal achievements

The mission of the Caisses d'Epargne Foundation for Social Solidarity is to assist elderly, sick or disabled people. These people can be cared for by a Foundation establishment irrespective of their resources.

The Caisses d'Epargne Foundation for Social Solidarity is the leading not-for-profit establishment providing accommodation for elderly people in France.

At its various centres, the Foundation welcomes elderly people who for the most part are aged over 80. The Foundation staff are committed to:

- Caring for vulnerable people in the establishments, providing them with day-to-day support and helping them to live well while maintaining the link with the outside world. There are 72 such establishments and services throughout France. In Drôme, there is a residence specializing in caring for people with mental handicap. In Charente-Maritime, and in Isère, two centres are adapted to cater for people suffering from Alzheimer's disease. In 2006 the Foundation laid the first stone of an establishment in Paris dedicated to people suffering from traumatism of the cranium and brain damage.
- Caring for ill or injured people at healthcare establishments and helping them with rehabilitation. At present three centres, in Creuse, Ille-en-Vilaine and Martinique, care for about 4,000 people a year.

In Martinique, the follow-up care centre “La Valériane” devotes part of its activities to nutritional rehabilitation to fight against obesity, a long-term action that is part of public health policy.

The number of residences has tripled in three years and now covers the whole of France.

10 000 places at the establishments in 2010: the challenge is to be able to meet the needs related to an ageing population and the lack of places in the disability and follow-up care sector.

- Supporting people who need assistance in the home and intervening in the case of emergency. This support includes the management of two remote monitoring platforms and a network of homecare nursing auxiliaries. It is also based on the three healthcare establishments that support elderly and disabled people well in advance of their return home so as to help them physically and psychologically to adapt to their new lifestyle. The Foundation also permitted the creation, in the EPHAD (Etablissements d'hébergement pour personnes âgées dépendants - Residential homes for elderly dependent people) of day-care facilities for people suffering from Alzheimer's disease. With a view to improving its action, the Foundation has adopted a “quality” approach that mobilises the teams in all the establishments so as to harmonise practices and pool know-how.

The Caisses d'Epargne Foundation for Social Solidarity and the fight against illiteracy

Principal achievements

A person is considered to be illiterate when he or she is unable without assistance to understand information in written form, after having been schooled in French for at least five years.

The INSEE "Information and daily life" survey estimates that 9% of people aged between 18 and 65 have difficulties understanding written texts.

The Caisses d'Epargne Foundation for Social Solidarity helps combat social exclusion. It is highly committed to fighting illiteracy in partnership with the Agence Nationale de Lutte contre l'Illettrisme (ANLCI - National Agency for the Promotion of Literacy), the Ministries of Defence, of Social Affairs, Employment and Solidarity, of National Education and Research, and of Agriculture, the National Council of Local Missions, the Catholic education network and the Caisses d'Epargne.

Every year young people aged between 18 and 25 participate in the Journées d'Appel et de Préparation à la Défense (JAPD - National Preparation for Defence Days). The tests they take during this day make it possible to identify those who are in a situation of illiteracy.

To assist them, the Caisses d'Epargne Foundation for Social Solidarity and its partners have set up the "Savoirs pour réussir" or "Knowledge for Success" device.

This innovative action aims to enable young people who find themselves in a situation of vulnerability due to their difficulties to resume the lost contact with reading, writing and arithmetic and thereby regain the confidence needed to progress both personally and professionally. The challenge lies in having them discover that writing is a door to freedom and new pathways and opportunities. Registration at the aid centres is on a voluntary basis.

The scheme employs the services of voluntary tutors, including Caisses d'Epargne stakeholders who are trained by the Foundation. The method of working is that of achievement-based education and the notion of the pleasure of learning. The support is personalised, making it possible to take into account the complete person in terms of needs as well as competences and aptitudes.

Launched in 2003, the Marseille pilot site today employs 70 tutors in assisting 123 young people. The highly satisfactory results achieved have encouraged the progressive expansion of the scheme to the country as a whole.

In 2004 and 2005 four new "Savoirs pour réussir" centres opened: in Bordeaux, Châlons-en-Champagne, Chambéry and Le Havre. Six new centres are due to open at the end of 2006, including in Alès, Avignon, Grenoble, Valence, and Valenciennes. Nine further centres are already scheduled to open in 2007.

The Caisses d'Epargne Foundation for Social Solidarity and public interest operations

Innovation in the service of social solidarity

Through its public interest activities, the Caisses d'Epargne Foundation for Social Solidarity is also a centre of research and development in the social field.

The donations it receives - €5.8 million in 2005 - support its action in the field of autonomy for the vulnerable and the fight against illiteracy. It selects and supports projects that are in keeping with the public interest operations it has defined in the two sectors of activities.

6 public interest operations in the field of autonomy:

- The networking of services for promoting new approaches in evaluating the needs of individuals, making recommendations, drawing up aid plans and coordinating the provision of services;
- Adaptation of housing to the loss of autonomy to improve the comfort and security of individuals through a combination of architectural, home automation and robotic solutions;
- Developments in the service provided at establishments to improve the care conditions and services proposed to residents;
- Respect for the rights of individuals in the healthcare system to support people in expressing their rights and expectations, in particular in situations requiring profound ethical reflection, such as in relation to pain, palliative care and suicide;
- Aid to carers, which are family, friends and professionals who support elderly and vulnerable people;
- Various support.

5 public interest operations in the field of social exclusion:

- The "Savoirs pour réussir" (Knowledge for Success) scheme to put into place programmes of support and follow-up permitting the acquisition or reacquisition of basic skills;
- Better reading and better writing for better support to contribute to an identification approach among employees and to initiate actions for the acquisition of basic skills;
- Housing and health;
- Innovation and insertion companies.

The Foundation's principal partners are:

The Fédération Hospitalière de France (FHF), the Commissariat à l'Energie Atomique (CEA), the Confédération de l'Artisanat et des Petites Entreprises du Bâtiment (CAPEB), the Fédération Nationale de la Mutualité Française, the Mouvement PACT-ARIM pour l'amélioration de l'Habitat, the Union Nationale des Associations de Familles de Traumatisés Crâniens (UNAFTC) and France Traumatisme Crânien, the Fédération nationale des Etablissements d'Hospitalisation à Domicile (FNEHAD), the Fédération Nationale des Centres d'Informations et de Conseils sur les Aides Techniques (FENCICAT).

The Caisses d'Epargne Foundation for Social Solidarity as a place for reflection and dialogue.

The Caisses d'Epargne Foundation for Social Solidarity is also a place for reflection and dialogue in the interests of the debate on subjects linked to social exclusion.

- Twice yearly it organises what are known as "Diagonales". These are meetings on subjects connected to social exclusion, such as "Young people and exclusion" in June 2005 and "Housing: between social solidarity and exclusion" in June 2006, and also on topics relating to the social healthcare sector, such as "Dependency, disability, illness, what convergences?" in December 2004 and "Dependency, disability, illness: helping families, friends and professionals" in December 2005;
- Every two months an author, film-maker or artist whose work is related to the Foundation's activities is invited to meetings known as "les Focales";
- The Foundation also participates in the organisation of conferences and seminars attended by experts with the aim of encouraging new practices to facilitate the lives of people in a situation of dependency.

Conventions signed by the Caisses d'Epargne Foundation for Social Solidarity

The Caisses d'Epargne Foundation for Social Solidarity has signed several conventions reflecting its desire to make a deep and lasting commitment in its chosen fields of activity, in cooperation with other players. These include:

- April 2004 - Convention with the Fédération Hospitalière de France (Hospital Federation of France) to found new social healthcare centres close to or in partnership with hospitals. In 2006, in partnership with the Caisse d'Epargne des Pays de la Loire, the Foundation supported a project developed by the Laval hospital to improve rehabilitation and provide the best possible facilities for helping people to learn to walk again after a fall.
Founded in 1924, the Fédération Hospitalière de France is a leading actor in the health sector with more than 1,000 public health establishments (hospitals) and as many social healthcare centres (retirement homes and autonomous specialised care homes).
- January 2005 - Convention with the Fédération Nationale des PACT-ARIM (PACT-ARIM National Federation) to support and finance the start up of projects for the development of home help services and the adaptation of social housing to the needs of people with reduced autonomy in several French regions.
The PACT ARIM (protection, improvement, transformation of housing - Associations for the restoration of real estate) was founded about 50 years ago. Its commitment is based on the belief that housing is an essential link in social integration and personal development.
- April 2005 - Convention with the Fédération de l'Artisanat et des Petites Entreprises du Bâtiment (CAPEB) (Federation of Artisans and Small Construction Companies) to support and finance actions to make the world of artisans more aware of problems of dependency, disability and adaptation to the home.
Founded in 1946, the CAPEB is the professional organisation of construction sector artisans (61% of the sector's activity) whom it defends, promotes and represents. It has 100,000 member businesses.

- May 2005 - Convention with the Commissariat à l'Energie Atomique (CEA) (Nuclear Energy Commission) to support and finance applied research projects in high technology designed to facilitate the rehabilitation and everyday life of seriously disabled people.
Founded in 1945, the CEA is a major player in the field of research, development and innovation. It is involved in the fields of energy, technologies for information and health and defence.
- September 2005 - Convention with the Fédération Nationale des Centres d'Information et de Conseil sur les Aides Techniques (FENCICAT) (National Federation of Information and Advisory Services on Technical Aids) to provide a single source of clear and comprehensive information for disabled people together with practical and technical advice on how to improve their everyday lives.
The Fédération Nationale des Centres d'Information et de Conseil sur les Aides Techniques (FENCICAT) was founded in 1992 and brings together 36 information and advisory centres on technical aids in France with the mission of providing objective information on all technical aid for persons with disability or in a situation of dependency as well as their families and supporting professionals.
- October 2005 - Convention with the Fédération Nationale des Etablissements d'Hospitalisation à Domicile (FNEHAD) (National Federation of Home Hospitalisation Establishments) to promote the practice of keeping patients in their own homes while assuring a good level of care and to meet growing demands on the part of patients and those close to them.
The Fédération Nationale des Etablissements d'Hospitalisation à Domicile (FNEHAD) represents the vast majority of public and private hospitals. Its aim is to promote home hospitalisation services, to help home hospitalisation establishments to develop and to assist the public authorities and various national and international bodies in building hospital policy.
- November 2005 - Convention with the Fédération Nationale des Orthophonistes (FNO) (National Federation of Speech Therapists) to improve information for families, the general public and professionals who support people suffering from Alzheimer's disease.
The Fédération Nationale des Orthophonistes represents speech therapists at national, regional and departmental level as well as at European level. It has 6 200 members and 23 regional and 65 departmental unions.

- December 2005 - Partnership with Handicap International for the launch and inauguration of the "Liberté, égalité, fraternité" exhibition in Paris designed to help change the way people regard disabled people and encourage an approach based on citizenship and social solidarity.
Handicap International, founded in 1982, and its 450 volunteers implements numerous actions in France to increase awareness and mobilise public opinion and to ensure that disabled people are able to regain their dignity and place in the community. It is active in almost 60 countries.
- February 2006 - Convention with the Fédération Nationale de la Mutualité Française (FNMF) (National Federation of French Mutual Insurance Companies) to improve support and care for people with reduced autonomy or disability.
Founded at the beginning of the 20th century, the FNMF represents nearly all the health mutual insurance companies. These non-profit organisations based on the principles of social solidarity provide protection for 38 million people.
- June 2006 - Convention with the Union Nationale des Familles de Traumatisés Crâniens (UNAFTC) (National Union of Families of Traumatism of the Cranium Sufferers) and France Traumatisme Crânien (Traumatism Cranium France) to develop the network of establishments and services and support initiatives in the field of research, development and training.
The Union Nationale des Familles de Traumatisés Crâniens (UNAFTC), founded in 1986, is the umbrella organisation for 48 departmental associations and 25 establishments and services and seeks to answer questions posed by families, sufferers and professionals in the legal, financial, medical and social fields.

The Caisses d'Epargne Foundation for Social Solidarity and Corporate Social Responsibility

Corporate social responsibility (CSR) is the name given to the principles of sustainable development in the corporate context. It essentially means that companies, on their own initiative, contribute to improving society and protecting the environment, alongside the other stakeholders. Companies are increasingly coming to recognise their social responsibilities by putting into place the appropriate devices within their own structures and with their partners.

The Foundation participates in this approach :

- Through a policy of human resources management that integrates disabled people;
- By respecting the specific instruction criteria of supported projects, such as those linked to sustainable development and charitable actions for disabled people;
- By supporting projects designed to facilitate the integration of disabled people;
- by taking into account the 14 HQE (Haute Qualité Environnementale/ High Environmental Quality) principles in the field of the environment and sustainable development for the creation of EHPAD (Etablissements d'hébergement pour personnes âgées dépendantes/Residential homes for elderly dependent people), MAS (Maison d'accueil spécialisées/ Specialist care centres) and FAM (Foyer d'accueil médicalisés/Medical care centres) by supporting innovative projects enabling disabled people to live at home in total safety and comfort (adapted housing, ULS (Housing and Service Units), halfway houses, demonstration apartments, etc.)

CONCLUSIONS

by Chris De Noose

About the author

Chris De Noose is chairman of the ESBG and WSBI management committee. He has published various articles and papers on the financial services sector.

Ladies and Gentlemen, Dear Guests,

We are getting close to the end of our debates, and I would like to address my thanks to all of you for your presence and your active contribution to our discussions. Thank you to CECA, our host and co-organisers of the event. We were honoured to organise this Conference jointly with you, given the Spanish savings banks' advanced policy and major achievements in the various CSR fields.

Thank you also to the members of ESBG History Study Group, who have helped us building this ambitious programme.

My thanks also go to all speakers, from the academic world, from savings banks, from other institutions, who have accepted to share with us their research, thoughts and experience on savings banks' involvement in CSR activities.

Before putting a final end to our meeting, allow me to summarise our discussion, to draw some conclusions from our rich debate and present some views on the way forward.

Yesterday with session 1, we highlighted through examples from Austria, Italy and Spain that social commitment and general interest concerns were deeply rooted in savings banks' identity for decades, all over Europe. Acting on behalf of the public national or local authorities, as complement to the public policy schemes, or based on the personal, philanthropic convictions of their founders and owners, savings banks have fulfilled a number of social needs, especially in the fields of health and welfare, housing and education. They have therefore been playing a key role in the daily life of European citizens of the 19th century, much beyond their collect of savings' primary function. In this regard, they have played a pioneer role in the involvement of companies for the well-being and social inclusion of local populations.

With session 2, we were introduced with the main drivers of European savings banks' evolution, which enlarged their social contributions to progressively integrate other elements in their corporate commitment, namely economic and environmental aspects.

Through examples from Sweden and France, we had an overview of the various driving forces, which triggered European businesses in general, including savings banks, to adjust their positioning towards the communities in which they operate, including external factors - the rise of unemployment, the decline of the welfare state, an increased competitive business environment, the need to deliver sustainable growth - and internal factors -development of ethical business approach, need for increased companies' transparency and governance, greater importance of brand reputation, more engaged workforce etc.

With session 3, the “modern” concept of corporate social responsibility, as applied by savings banks, was illustrated by experiences developed in Spain, in the UK and in Germany and contributions from other key stakeholders, especially the French foundation. We benefited from a large overview of how European savings banks tend to increasingly adopt, each at their own pace and with their own priorities, balanced and comprehensive approaches to socially responsible corporate practices, both for their business activities and towards the communities in which they evolve. By doing so, European savings banks profile themselves as key sustainable development actors.

So what lessons can we learn from this evolution?

First of all, that CSR is part of European savings banks' core identity, although with a different scope and with a different denomination. But, being close to the communities and bringing them a return is part of the savings banks' historical values and business approach. Indeed, this forms the basis of savings banks so-called “stakeholder model”, through which they seek to bring a “dividend” to the whole community of stakeholders which surround them (investors, suppliers, customers, employees and the local communities), and not only to financial markets. This specific status of European savings banks on the EU scene evidences further the need for a pluralistic European retail banking market, built on the diversity of financial services providers.

Second, since they were created, European savings banks proved able to adjust and to innovate, to diversify their socially responsible initiatives to anticipate stakeholders' needs and demands. They “reinvented” themselves without losing their proximity touch and took account of the evolving context and concerns of the society in which they operate.

Third, as proximity banks, savings banks have always supported CSR policies and initiatives with a local scope and a targeted outreach, tailored to the local and regional citizens' needs. The multiplicity of these focused actions create decisive input for local economic dynamism and place savings banks in a unique position to act as a catalyst for local action, which is also to be considered as a key element of responsible and sustainable development.

Fourth, and this will be my last point, let's not forget that European savings banks are competitive, efficient and for-profit financial institutions. Therefore, we need a business case for CSR, to create business value and deliver competitive advantage. Long-term profitability and social responsibility have to be combined as prerequisites for savings banks' successful CSR development strategies.

What about the way forward?

As you know, civil society, opinion leaders, policymakers at local, regional, national, European and international level increasingly put pressure on businesses to strengthen their commitment and deliver on social responsibility and sustainable development.

Moreover, competition is fierce and other financial players do not hesitate to question and to challenge savings banks' model and approach to business.

ESBG is at the forefront of the discussion on these topics, with the European Commission in particular. Its members' CSR achievements are key elements to present savings banks as specific financial institutions, and to support the plurality of banking structures throughout Europe. It profiles European savings banks as genuine, long standing and committed socially responsible financial institutions towards policy makers, opinion leaders and the public at large.

The European Commission has already recognised the leading position of European savings banks' role in the CSR field, by involving us in a number of high-ranking EU debates: financial education, SMEs, access to finance, to name but a few.

I am convinced that we must continue in this direction. The updated CSR Report based on our members' CSR achievements (available for participants to the conference) and the CSR website that we recently launched (accessible from www.savings-banks.com) will help us. I count on your support and your contributions to enrich those initiatives, which will help us further promote and highlight our CSR concrete engagement.

Besides, the Communication on CSR recently adopted by the European Commission gives us a key opportunity to position ourselves at EU level, collectively. We welcomed the definition of CSR policy orientations at EU level to strengthen companies' commitment, in particular the voluntary approach to CSR. We also expressed our support to the European Alliance for CSR presented in the Commission's document, which will seek to build partnerships with market representatives, to make progress in a number of CSR priority fields.

Mr. MARCHETTINI, as Chairman of our CSR Committee, is working on the definition of our joint position paper on the Communication, together with other ESBG members. Your comments would be welcome to enrich and strengthen our messages!

With these remarks, I now close our meeting.

I thank you again for your participation and for your attention. Have a safe trip back home, and see you all again in 2008 for the 10th European Symposium on Savings Banks History.



WSBI – ESBG – The Global Voice of Savings and Retail Banking

WSBI (World Savings Banks Institute) is one of the largest international banking associations and the only global representative of savings and retail banking. Founded in 1924, it represents savings and retail banks and associations thereof in 89 countries of the world (Asia-Pacific, the Americas, Africa and Europe – via ESBG, the European Savings Banks Group). It works closely with international financial institutions and donor agencies and facilitates the provision of access to financial sectors worldwide – be it in developing or developed regions. At the start of 2006, assets of member banks amounted to more than €8,081 billion, with operations through more than 191,000 branches and outlets.

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of €5,215 billion (1 January 2006). It represents the interests of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

WSBI and ESBG members are typically savings and *retail* banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their *region*. WSBI and ESBG member banks have reinvested responsibly in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.



WSBI



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