THE FUTURE OF SUSTAINABLE FINANCE

THOUGHT LEADERS STUDY

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CONSULTING

by
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May 2005

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EXECUTIVE SUMMARY

Corporate Social Responsibility (CSR) is emerging as a significant international business trend, becoming a preoccupation of many business executives worldwide.[1] In an effort to understand how this trend is playing out in the financial services sector, 10 Canadian financial co-operatives funded a study to assess international best practices, standards and trends in CSR or sustainable finance. They hired Strandberg Consulting to conduct the study, which looked at best practices of 21 financial institutions from the banking, insurance and asset management sectors[2], and 10 international sustainable finance sets of standards, principles and guidelines. Fifty thought leaders in sustainable finance around the world were also interviewed. This paper reports on the third part of this research: interviews with thought leaders around the world for their views on the future of CSR or sustainable finance by 2015.

The results support the business trend that CSR is and will become mainstreamed within the financial services sector, with banks and asset managers in the lead. Leading financial institutions (FIs) are establishing governance and management systems to embed CSR into their operations and will increasingly be reporting on their CSR performance with independent validation. They are developing CSR product suites that integrate social and environmental considerations, are integrating CSR into their risk management systems and are developing methods for screening their investments against CSR criteria. They will continue to develop strategic CSR policies and programs across a range of social and environmental areas to reduce or offset their negative, and boost their positive, direct and indirect impacts. Today and in the future, CSR-oriented FIs will have robust stakeholder engagement programs to solve complex sustainability challenges, provide input into business strategy, and keep abreast of stakeholder concerns. While they recognize the court of public opinion has not ruled on the degree to which FIs have a responsibility to advance sustainability, nonetheless best practice CSR financial institutions are, and will be, playing a lead role to promote sustainable practices within their operations, to their consumers and the public at large.

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[1] See "Future of Corporate Social Responsibility", by Coro Strandberg, for a list of CSR trends predicted for the decade. http://www.corostrandberg.com/pdfs/Future_of_CSR.pdf

[2] See "Best Practices in Sustainable Finance", by Coro Strandberg. www.corostrandberg.com

Ethical consumers, governments and sustainable purchasing policies of other businesses will modestly drive the CSR FI agenda in the future, while niche sustainability financial institutions will keep raising the CSR performance bar, building upon their rich innovation cultures. Employees and NGOs are expected to play a key role in keeping CSR on the agenda of all companies, including financial institutions. Indeed, many of the trends predicted for FIs are common to other industry sectors. Many industries, including finance, are treating CSR as a business strategy and opportunity – not as an add-on, feel-good charitable endeavour, but how can we create long-term value for our company through a strategic approach to CSR? Given this trend, CSR is moving into the boardroom of financial institutions where targets are being set for overall CSR performance. Boards and management are and will be engaged in the widespread debate over the boundaries of their responsibility for sustainability – does it include indirect as well as direct impacts? While this debate rages, many leading CSR FIs will emerge from the pack to differentiate themselves on CSR criteria, following a close second to the leading mission-based CSR finance firms who have explicit objectives to advance social and environmental quality of life.

Nonetheless, FIs are expected to adopt baseline CSR as an industry norm, using the international standards that have been developed for the industry through various international fora. This will happen while public expectations grow for the finance industry to take a more proactive approach to sustainability, driven by increased information on corporate sustainability performance and social and environmental shocks expected over the coming decade. Indeed, climate change and financial access and literacy issues will dominate the CSR scene for financial institutions (FIs) with many FIs setting carbon-neutral targets for their operations and developing micro-finance and financial literacy solutions to the growing international and domestic poverty gap.

CSR FIs today and in the future will be sorted on the basis of whether they perceive CSR to contribute to long-term shareholder value (mostly public companies) or whether their mission and business model are built upon sustainability values (mostly non-public companies). Both will be innovating in the CSR space, through strong internal CSR cultures and NGO and multi-stakeholder partnerships. And there are and will be those FIs whose approach is neither mission-driven, nor shareholder value-driven, but is based on a fundamental commitment to using their resources to contribute to social and environmental progress.

The study also identifies a minority who believe CSR in finance will not amount to much, but not enough to drown out the majority claim that financial institutions will increasingly embrace CSR as a business essential. Whether or not it is referred to as CSR a decade from now, increasingly financial institutions will be taking social and environmental considerations and the views of stakeholders into account in their business decisions.

INTRODUCTION

Corporate social responsibility (CSR) is racing up the business agenda. By all accounts it is one of the leading business trends, as evidenced by the Globe and Mail's March 2005 CSR ranking of over 100 brand companies on human rights, the environment, community and society relations among other sustainability issues. It has its critics, too, such as The Economist, which in a January 2005 issue provided a 14-page spread offering a "skeptical look at corporate social responsibility". There are those who believe CSR will be a driving force for business in this century and those who don't. However, many industry groups are joining networks to better understand the trends and learn from the best practice examples to inform their own strategic planning. This study is a product of such a collaboration. In January 2005, a group of Canadian financial co-operatives, including five credit unions (Coast Capital, First Calgary, Vancity, Meridian and Assiniboine), The Co-operators, CUMIS, Ethical Funds Inc., Concentra Financial and Credit Union Central of British Columbia, with support from Credit Union Central of Canada, joined forces to fund an international scan of best practices, standards and trends in CSR or sustainable finance. They hired Strandberg Consulting, a sustainability consultancy with a background in the co-operative financial services sector and corporate social responsibility, to conduct the 3-month research project.

The premise of the study is that financial markets and the financial services industry are key to sustainability as they raise, allocate and price capital, and provide risk coverage, influencing access to financing and risk protection and determining which government, business or individual activities get financed or protected against risks. Non-governmental organizations (NGOs), such as BankTrack[3] are emerging to hold the finance industry accountable to the public at large and press financial institutions (FIs) to ensure their operations contribute to creating healthy and just societies and preserve the ecological well-being of the planet.

Against this backdrop, industry groups such as the World Business Council for Sustainable Development[4] have developed the business case for sustainability in the finance sector, including:

- By taking into account social and environmental aspects, investors minimize risk, further improving the bottom line and creating long term value.
- Growing demand for more responsible corporate behaviour creates business opportunities.
- Responsible business conduct is a good means of maintaining reputation and license to operate.

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[3] BankTrack is a network of civil society organizations tracking the operations of the private financial sector and its effect on people and the environment. www.banktrack.org

[4] The World Business Council for Sustainable Development (WBCSD) is a coalition of 175 international companies committed to sustainable development via the three pillars of economic growth, ecological balance and social progress. www.wbcds.ch

- Integrating environmental and social issues into business evaluation processes may lead to fresh business opportunities.
- Integrating sustainable development into overall policies improves morale and provides a strong and confident long-term relationship with stakeholders.
- Internal transparency improves external dialogue and internal communications, and helps companies overcome cultural barriers and achieve workplace diversity.[5]

While there is no one universal definition, CSR or sustainable finance can be defined as the provision of financial capital and risk management products and services in ways that promote or do not harm economic prosperity, ecological well-being and community well-being. As this study demonstrates, a growing number of financial institutions are and will be investing time and resources to fulfill these aims as CSR goes mainstream within the financial sector.

The following is a survey of the views of 50 international CSR finance thought leaders on the future of CSR in finance. They commented on a range of issues from CSR products and ethical consumers, to disclosure and management systems, to the role of governments and other stakeholders in moving the finance sector toward sustainability.

METHODOLOGY

From January to March 2005, 50 international CSR finance thought leaders were interviewed for their views of the future of CSR/sustainability in finance a decade from now (see the Appendix for a list of interviewees). Interviewees were selected for their reputations as thought leaders in sustainability finance, and/or because they have executive responsibility for sustainability in a leading CSR financial institution. Sixteen interviewees were from the US, 12 from Canada, 10 from UK, 8 from Europe, 3 from Australia and 1 from Hong Kong. Their affiliations included 11 niche sustainability financial institutions; 9 mainstream financial institutions pursuing sustainability; 10 sustainability think tanks/consultancies; 8 representing industry associations, primarily social investment organizations; 4 asset managers; 2 insurance companies; 5 NGO representatives and 1 academic institution. In all, over half (26) work directly in the financial industry.

It should be noted that the terms CSR and sustainability were used interchangeably by the interviewer and interviewees with no attempt made to distinguish the two concepts.

The first question put to each respondent was designed to canvass their top-of-mind thoughts on the future of CSR/sustainability in finance. Subsequent questions were designed to probe specific potential trends. Not every question was addressed by every interviewee and most of the questions and responses were geared to western and domestic markets, though not exclusively.

[5] From: http://www.wbcsd.ch/templates/TemplateWBCSD1/layout.asp?type=p&MenuId=MTUx

A number of interviewees conditioned their responses on the future of CSR/sustainability in finance 10 years from now by commenting that global forces such as the emergence of China and India as economic powerhouses will have a significant bearing on CSR trend lines. Additionally, a number of respondents predict that the term "corporate social responsibility" will wane over the decade, likely to be replaced by the term "corporate responsibility".

The following summarizes the general themes, areas of agreement and areas of disagreement between the 50 sustainable finance thought leaders.

1. THE FUTURE OF SUSTAINABILITY/CSR IN FINANCE 10 YEARS FROM NOW

The following are some general high-level trends identified by the interviewees in answer to the question: what is the future of CSR/sustainability in finance a decade from now? Subsequent sections delve further into many of the themes below.

Mainstream

Sustainability will become more integrated throughout the financial sector over the coming decade, according to a significant majority. It will move from the periphery into mainstream business operations. Whereas most of the sector is expected to be reactive to market opportunities created by sustainability considerations, there will be tremendous opportunity for innovators in this field. For some FIs it will become a competitive advantage as they align corporate strategy with sustainability issues.

Competitive opportunities

Many see the FI sector continuing to operate as a homogenous herd as it moves forward on sustainability with a wide group of FIs committed to making headway in CSR. However, leaders are expected to emerge from the pack and niche social finance banks will be strong competitors in the CSR space.

Increased understanding

It is expected that there will be increased understanding of baseline CSR in finance. There will be more streamlined dos and don'ts. FIs will understand the ecological and social footprints of their portfolios and business operations. There will be general agreement between stakeholders and the FI sector on attribution, boundaries and scope of FI responsibility issues.

There will be a higher level awareness of sustainability beyond environment issues. Social issues such as human rights and the business case for serving the poor will be better understood.

Business case

FIs, as with other sectors, will come to understand the business case for sustainability. They will have managed down the risks and will be managing up the opportunities. They will discover that CSR is not about giving money away or volunteering in the community, that it is not an add-on but a way of enriching the business process. They will find that filling social and environmental capital gaps need not be a charity exercise. They will be diversifying their brand presence in emerging markets and will be using their CSR track record to explain how what they do has a broader benefit. This will help them to differentiate with regulators and communities in target markets.

Management systems

There will be a tapering off of CSR issue identification as FIs move to full implementation of company-wide management systems that identify and manage CSR risks and opportunities. As CSR IT solutions improve and reporting becomes formalized, FIs will embrace CSR more quickly. FIs will be managing their direct impacts on society and the environment.

Transparency

Global trends in transparency will affect CSR in finance. There will be an increase in transparency requirements on social and environmental dimensions. Some FIs will use CSR transparency as a differentiator.

Stakeholders

Public pressure and advocacy on the financial sector have come together over the last 2 to 3 years and this will continue to grow. The industry should expect an increase in attention as interest groups organize to ensure CSR in finance is not simple window-dressing. Those with a retail presence, particularly, will face reputational risks. FIs can expect the emergence of legal and financial liability issues as campaigners become increasingly sophisticated and better informed. CSR will continue its momentum in part because of this stakeholder power.

Collaborations

In 10 years' time, there will be partnerships with FIs, NGOs and public institutions collaborating to advance a better world. There will be different types of partnerships blending incentives and instruments to achieve sustainability outcomes in infrastructure, urban development, climate change, poverty, small business development, etc.

Regulation

Some expect there will be more regulation on certain CSR issues, such as international statutory regulations around social and environmental project finance criteria. There will be more industry standards for self-regulation in certain areas as well.

Products and consumers

There will be more effort to integrate CSR into business lines. FIs will be offering sustainability-oriented retail products for the ethical consumer. There is expected to be only modest growth of the ethical consumer market but they will demand more CSR products in future. 'Fringe' sustainability products offered by ethical niche banks will be adopted by mainstream FIs. The sector will start to invest in markets that don't have short-term windows such as community development finance, "clean tech" and alternative energy sectors.

Issues

Some of the key CSR issues for the sector ahead:

- Climate change will outdistance all the CSR issues.
- Major focus will be on equity and justice issues whether in home markets, overseas operations or behaviour generally e.g. tax avoidance.
- Integrity will increasingly become a key competency in banking, beyond adhering to regulatory frameworks, but addressing moral questions that go beyond CSR standards.
- Demographic challenges of an aging population and a predicted pension deficit will have to be faced. The FI sector is expected to have a big role to play in this, alongside government.
- Access (can you get it) and quality (does it do what it says on the tin) are going to be key CSR issues for the finance sector.
- The growing gap between the rich and poor along with the privatization of the social security system, will result in the emergence of groups of people with fewer financial and personal resources. FIs will be financing these gap areas, providing products and services to poor communities and urban areas with older populations who have limited savings and services.

Regions

There will be cross-pollination of CSR competencies between North America and Europe, with North America bringing its community development tradition to Europe and Europe migrating its environmental and sustainable development capacities through North American subsidiaries.

The following predictions were attributed to the following finance pillars:

Banks

- Mainstream banks will be integrating CSR into their entire credit portfolio and looking at their sustainability risks. The focus will be on commercial and corporate customers, and project finance. While most commercial financial products will have a sustainability component, the retail side will be less evolved until the data becomes easily available. Currently, the cost per transaction is too high to conduct social and environmental due diligence on the retail portfolio.
- There will be increasing transparency of the sustainability impacts of banks' commercial portfolios. Due to privacy considerations they will be scaling up gross data for reporting.
- Over time, SME customers will be expected to report on how they measure the sustainability impacts of their customer base. Banks will turn down loan proposals where the social and environmental risks are not well-managed, for fear this malpractice will attach to the bank.
- Social finance and specialty niche banks will grow and become more international.
- There will be a more visible and thoughtful outreach to supporting community development, with greater engagement of banks not previously active in this field. Small and micro-business credit and affordable home ownership will expand. Banks will find non-traditional ways of making loans to low-income communities to provide services to the disadvantaged.

Insurance

The insurance industry is seen as a CSR sleeper at present, well behind the rest of the FI industry on the sustainability curve. It is expected to close the gap over the decade, affected by the following:

- catastrophic weather events, genetic pollution, GMOs, POPs and other big environmental risk questions such as environmental health and cancer will prompt insurers to lead the internalization of these and other environmental costs.
- the insurance industry will likely be subject to a similar set of Equator Principles as are the banks in project finance lending.
- insurance will increasingly be brought within the scope of public policy designed to encourage or penalize aspects of individual behaviour change in the areas of crime, health, sustainable development, etc.
- the industry will gradually integrate sustainability principles throughout its operations, believing this will be important for value protection and creation.

No first movers can be identified in the insurance industry. This is partly a function of the fact that diversified financial service providers typically look at insurance and investment banking later in the process of CSR integration.

Asset management

- 10 years from now, 'sustainability investing' will grow dramatically. This is an approach to investment that looks at factors that are neglected or are increasingly driving competitiveness. In a decade this special style of investing which identifies and uses environmental, social and governance factors as proxies for financial performance and competitiveness will have reached a high water mark. This values-free approach is expected to grow from being a niche activity to being the leading edge of mainstream investing, becoming as routine as price to earnings analysis. Mainstream investors will become more cognizant of undisclosed value in particular stocks that have potential upside because they stand to benefit from social and environmental developments.
- Institutional investors such as insurance and reinsurance companies, pension funds and asset management firms as well as the brokerage community are expected to move towards this sustainability approach.
- The niche SRI sector will be a powerful force, with possibly a doubling and tripling of assets under SRI over the next decade. As foundations, endowments and retail consumers realize SRI doesn't necessitate sacrificed returns, the pace will pick up.
- In future, SRI research teams will be "de-ghettoized". There will be incentive structures to facilitate sustainability investing and change old entrenched cultures of financial analysts. Asset managers will hire analysts with expertise in this field, moving beyond the current bolt-on mentality to believing sustainability to be extremely important in analyzing company performance.

Just as a few believe SRI will neither contract nor expand significantly with little growth or upside expected, a few interviewees are generally skeptical that there will be any real progress on the integration of sustainability into finance over the decade. According to this view, mainstream banks will not have changed much at all; while some leading actors will be active in CSR, there will be no market transformation. CSR in finance will reach its limit over the decade without changing structures in the playing field toward meaningful sustainability.

As will be noted below, there is a small but consistent view that CSR in finance will not progress over the next 10 years. However, most believe that the sustainable finance bar will be continuously raised over the coming decade, driving continuous sustainability improvement.

2. ETHICAL CONSUMERS

The ethical consumer retail market in the financial services industry is expected to grow in future whether incrementally, or significantly, according to the majority of interviewees. A significant group, however, remain skeptical of this trend.

Many of the positivists were bullish in their views on the size and scale of this predicted growth: over the decade, goes one prediction, ethical consumerism will increase 10-fold, as clients and markets realize they don't have to sacrifice price, quality or convenience when selecting ethical financial service providers and products. This trend will be helped along by conclusive proof that fund performance of SRI funds can be enhanced through integration of social and environmental considerations.

The degree to which this trend grows, of course, is predicated on there being alternative products and services available to the ethical consumer. If alternative products are available and well-marketed to help consumers understand their socially responsible product options, then this trend line is more likely.

The ethical consumer market can be divided into 3 categories, all of which are expected to experience some growth: the active ethical consumer, who looks for niche banks or services; the passive ethical consumer who wants assurance that the basics of ethics are handled but doesn't want to engage in depth; and the everyday consumer for whom ethical issues, which arise with increasing frequency, influence their attachment or relationship with service provider brands.

New consumer niches are expected to emerge in future that are attracted to products and providers with social and environmental values. For example, new ethical consumers will come from the simplicity movement, from those who are concerned about their social and environmental impacts and quality of life. Those looking for a high "joy to stuff" ratio in life will be looking for financial institutions that reflect these values and can help them achieve these goals.

Drivers of the ethical financial consumer market are expected to include:

- A general societal trend towards increased expectation of companies to improve their social and environmental performance. Financial institutions are no less affected by the growing consumer demand for more ethical behaviour of companies. With increasing disclosure and transparency of companies in general and financial institutions in particular, increased awareness of an FI's social and environmental performance will result in market differentiation. Ethical consumerism is predicted to go hand in hand with the availability of more and better information about the CSR performance of financial institutions.
- Demographics. The worldview values of the X and Y generations, the Woodstock generation in their 40s to 60s, and the aging population are expected to drive generational shifts in ethically motivated purchasing. Cultural creatives, found across these generations, are expected to be a significant contributor to the ethical consumer movement going forward.
- Increased awareness of ethical options. This will be the hallmark of the next decade, driven by the technological revolution, general CSR trends and social marketing and product development efforts of CSR branded FIs. CSR is believed by some to be a race among enlightened competitors to attract and capture a market that is underserved, including both the unbanked and ethical sectors. For example, some financial institutions are piloting community oriented advertising and will be evaluating the degree to which this influences consumer behaviour.

Over the decade, it is expected they will be able to measure the attributes and consumer population their social marketing affects. Many believe that consumer interest in values-based purchasing and investing increases once explained. It is expected that over the next 10 years consumers will become more engaged and aware and increasingly identify themselves as ethical consumers. It is further expected that these CSR branded FIs will not only market their differentiation, but they will be developing products to help appeal to the CSR consumer market. The awareness of options and choices will thus help increase ethical consumer take-up in future.

- Consumers themselves. Demand will be further driven by the consumers themselves, beyond the demographic shifts predicted above. Increasingly, consumers will be dictating products and services that please them and play to their values. With increased financial literacy consumers who currently lack sophistication about their investments and savings even at a general level will come to understand their savings can influence the direction of society. Over the coming decade people will come to understand they can vote consumer choices to create change. Further, as prices come down on social and environmental products and services, consumers will be further attracted to these choices. Some ethical choices will be a proxy for consumers to find an FI that they can trust, given their confidence has been rocked with so many financial scandals. FIs with a strong CSR brand can help bridge this trust gap.
- Increasing social and environmental deterioration. This is expected by some to reinforce the gravity of the global situation with consumers. Social and environmental shocks over the coming decade are expected to gradually focus minds. Consumers and society in general will come to understand that the marketplace currently undervalues some key elements inherent in the environment or bonds of social capital and we will get better at valuing them.

Those who held the moderate view on the increase in, and impact of, ethical financial consumerism speculated the following:

- FIs will be able to attract a socially minded consumer, but just on the margins as the ethical bank consumer is more reactionary in public opinion research than at the counter. Ethical consumerism will grow in the sense that people will develop minimum expectations for behaviour standards – CSR will be the *extra* factor not the *key* factor.
- The ethical consumer market will grow but will be a minority compared to the volume of transactions in the market; it will be an important niche but it will not be mainstream.
- Price sensitivity will continue to constrain the ethical consumer. There will always be a small niche market for people willing to accept a lower return for lower product quality. The ethical consumer market that puts ethical factors ahead of financial considerations is 1 to 3%. There is a lot of latent interest on the part of general consumers who, if you can demonstrate no diminution in product, quality and price, they will make the sustainability choice provided it is offered. If FIs can bring prices

down through volume they may be able to attract this market. Consumers want ethical products but at a fair price.

- Strong CSR FI companies are expected to be delivering a better client-value proposition overall. Consumers will be attracted to these FIs on the basis of this high client value, not ethical considerations per se.
- The ethical retail consumer will be affected by what happens to the planet and how it affects humans. If people see the world changing, and not in a way that is in their best interests, they will be motivated to consider broader issues.
- The future growth in the ethical consumer market is highly dependent on Chinese consumers because they are the future consumers, given the immense size of their population.

Generally, the moderates don't expect consumers to lead ethical consumption in finance. People will like having more sustainable product options available, but will not pay a premium for sustainability. When these products hit the shelves, consumers will buy them but they won't be the drivers of sustainability change for the financial sector.

Those who predicted no growth in the ethical consumer market believe that while there might be an increase in ethical awareness, this will not translate necessarily into an increase in ethical consumption of financial products. Consumers are elusive on ethical matters. They say they care about CSR and want companies to go beyond their narrow focus on profitability. However, when it comes to their purchases, they are price-motivated. This is compounded by a general lack of awareness of products and options. It is very difficult to switch banks, which mitigates against ethical consumerism. More likely, consumers will be pressuring their own FI to change its practices than to switch to other FIs demonstrating better values alignment. For this group, the flat trend of the past is expected to continue into the future with nothing on the horizon to change this trajectory. Only if consumers connect general social and environmental deterioration to their personal quality of life and then to their personal economic choices will the ethical consumer market for FIs and other companies grow.

The optimists and the pessimists differ in the degree to which they believe the barriers in awareness, product differentiation and price will be overcome over the coming decade. Indeed, the optimists outnumber the pessimists by a two-to-one margin, in their view that the weak signals in CSR finance we are seeing now will reach a tipping point within 10 years.

Largely because we all want safe water and food for families, safe communities for our children, and education, investment and jobs for our children and grandchildren, at a core common sense level there is a lot of common ground on what society wants for the future. As differentiated products come available, showing consumers how they can advance these outcomes through their financial service provider and product choices, they will gravitate in this direction.

Over the next 10 years, it is also possible, as one interviewee noted, that growth in ethical consumerism in FI products won't come through more ethics, but from demand for consumer products concerned about the long term. According to this view, it is this long-term perspective that brings social and environmental issues into consideration in product and brand choices.

3. REPORTING, DISCLOSURE, ACCOUNTABILITY AND TRANSPARENCY

FIs will increasingly be reporting on their sustainability performance as part of a growing international trend towards increased corporate transparency, according to most of the interviewees. The debate is held over how meaningful the reporting is expected to be over the next decade and to what degree it will be mandated by government or remain largely a voluntary activity.

Key predictions include:

Drivers for increased transparency and reporting will continue to be both internal and external. Internal drivers include the desire by FIs to differentiate themselves in the marketplace through their reporting leadership. Not only will these FIs follow the basic gold standards set for reporting, as members of an elite group of FI reporters, but they will be pushing the boundaries of transparency in their efforts to differentiate themselves. Reporting for this group will be part of their brand development.

A second internal driver is a desire to more effectively measure their sustainability performance and to nurture positive relations with stakeholders. External drivers are found amongst the stakeholders agitating for increased disclosure, including governments, NGOs, shareholders, customers, suppliers and others. As ecological and social constraints become more pronounced, as many expect will happen, transparency will become more important. Shareholders and other stakeholders will be calling on FIs to demonstrate they have adequate systems and policies to address those issues, forcing FIs to report not only on their direct impacts, but on the impacts of their processes and products up and downstream as well. This will result in another generation of measurement and management techniques looking at the sustainability footprint of those with whom they conduct business. Development banks especially are expected to be thinking hard about these issues and to be blazing this trail.

It is a common view that over the next decade the GRI will develop as the international standard for corporate reporting. There will be a core set of general GRI indicators and a set of FI specific indicators. As the only international standard in town, the GRI is expected to be adapted to regions as well as sectors. It will include verification of standards compliance – indeed, verification will be a demand from, as well as a demand for, the financial sector. There will be more evidence and information on how ethical issues are taken into account in financial modeling. There will be different regional trends in FI reporting.

Not all agreed that governments will move in to legislate sustainability reporting standards over this period, though a number noted that disclosure on some elements, such as climate change risk, may well be required by governments. In any case, governments mandating sustainability reporting are not expected to single out the FI industry, but will, if at all, require it of every sector.

There were two views of the substance of reporting. On the one hand was the view that reporting will move from marketing to reporting on hard data measures, resulting in increased quality reporting. Report volumes are not expected to increase, but reporting of material issues and the honesty of material issues is expected to grow along with standards in this area. The alternative view is that the actual practices of FIs will remain opaque and there will be no meaningful disclosure. Legalese will move in to make disclosures only partially informative. Under the veil of client confidentiality, while there might be more disclosure it won't be better disclosure. The standardized reporting requirements will not lead to better insights as much will end up as simple box ticking. Key CSR measures relating to internal structures, systems and pay structures will remain hidden.

Regardless of the materiality debate, more transparency is predicted on the institutional side, including product transparency and voting records. It is predicted that a mix of mandatory reporting and the threat of legislation will create momentum for pension fund transparency.

While there was some dispute regarding the meaningfulness of reporting in future, most agreed that reporting trends are on the increase, and that this trend is not unique to the financial sector. However, the FI sector has a unique role to play in the reporting game, given its need for metrics in the financing process. It may well be the sector to drive reporting developments in future.

Finally, as one interviewee commented, the financial sector could become a transparency leader, as banking is about trust and trust requires transparency. Transparency in turn, requires humility and a set of open ears. Transparency from this perspective serves as a societal antennae, helping financial institutions identify critical social and environmental issues that beg reconciliation, many of which are themselves dilemmas. In this way are CSR and transparency linked, with the identification and reconciliation of profound sustainability dilemmas, helping society to move forward.

4. SUSTAINABILITY MANAGEMENT SYSTEMS AND STANDARDS

Financial institutions are predicted to be integrating processes and systems to internalize sustainability considerations with greater or lesser zeal over the next decade driven either from a risk management or a values-based paradigm. International voluntary standards, such as the Equator Principles – project finance guidelines that establish social and environmental standards adopted by nearly 30 global financial institutions to date – are expected to increase in number to address various business lines and emergent issues. While there was a strong sentiment that the institutionalization of CSR through standards and systems will continue apace, a minority expressed doubt about the meaningfulness of this trend over time.

In 10 years, many believe, CSR will be driven down to the line level where every account manager will be thinking about sustainability with every business transaction. Every major developed FI in the world is expected to have internal systems in place, including banks with their systems to review credit risk, insurance firms that will have built social and environmental considerations into their underwriting models and asset managers who will be involved in shareholder action on sustainability matters and taking a long term view on their investments. Software management programs will be developed to help FIs manage sustainability throughout their organizations. Risk management will be a key driver of many of these trends and is predicted to be a powerful force for progress towards sustainability goals.

We will see the integration of standards and systems throughout FIs where currently the norm is to have parallel business and sustainability strategies, financial and sustainability reports, etc. These two dimensions will be integrated and merged in future, so they will no longer exist in parallel worlds: board level, strategy, planning, management and auditing, etc., systems will be fully integrated.

In 10 years, FIs that have developed robust environmental management systems will be implementing sustainability management systems, to incorporate the social dimensions. Sustainability policies and procedures governing transactions will become commonplace, though not necessarily resulting in on or off screens for bad performance. More likely the outcome will be some “no-go” investment scenarios.

Particularly, FIs that have made public commitments to sustainability targets (e.g. to be carbon-neutral) will be establishing systems to measure performance on these targets. FIs will be developing systems particularly in areas where business decisions have been made. It is thought that these targeted efforts might well have spin-off effects for other areas of sustainability performance. Consider the carbon-neutral example. FIs making this commitment will be measuring the carbon footprint of their portfolio. Once the methodology is found to accurately track the carbon footprint, it could well migrate to other footprint measurements.

Many believe the social aspect of sustainability systems will be slower to evolve. The development of social measurement and management systems won’t move at the same speed due to the current lack of agreement on measurement. However, one view was expressed that while there is less data on social impacts, not only will this data gap be closed over the coming decade, but FIs will come to understand the bottom line benefits of social investments. Three examples were offered to make this point:

- Investments in K – 12 Education: Literate individuals will have the potential to earn and spend more than illiterate people and will thus require more banking services;
- Investments in Health and Safety: Healthy people are productive members of society; if FIs reduce employee sick days they can dramatically increase productivity;

- Investments in Community: When financing is invested in the community at a micro-level, assuming the business is successful, there is a significant local economic multiplier effect, resulting in the opportunity to finance a number of spin-off businesses. A strong community in this way becomes a business benefit to the financial institution, etc.

Human resource systems, as well, are expected to undergo a sustainability revolution. Incentive systems are expected to reward sustainability performance of employees. Today's early steps in CSR recruitment, training and performance objectives and measures are expected to be common in future. FIs are expected to be conducting internal CSR staff training in future.

It is anticipated that CSR at FIs will be driven both from the top and the bottom. Employees of CSR-branded FIs will want to ensure their promotions and pay are consistent with the company's CSR policies. Organizations endeavouring to align their internal practices with their external profile will have a set of common metrics for benchmarking and measuring performance.

CEOs will be looking for high rankings with sustainability standards such as SAM, CERES, FTSE4Good, etc., not just Standard and Poor's. With other FIs active in CSR, CEOs will be aiming for targets set higher than international goals in efforts to distinguish their firms.

And there will be differences:

- Organizations will differ in terms of whether they are centralizing their CSR operations versus embedding and cascading CSR throughout the organization;
- Companies will be defining their own moral fabric within global standards; local tailoring will be common.

Many commented upon the Equator Principles, believing that the spirit of these principles could be applied in future to other engagements such as regular credit; stock market offerings, convertible debt, etc. As well, new standards are predicted to emerge which focus on other problems. Most believe there will be a number of different industry-led standards, not one "uber" approach. The insurance industry is expected to have a similar set of principles for some of its investments in future.

The cynical view was also expressed: While all kinds of FIs will be implementing sustainability-oriented management systems, after a period they will be integrated with more normal measurement systems, limiting their impact. Additionally, it was thought that while sustainability management systems will be widespread, helping FIs to anticipate and manage social and environmental risks and opportunities, there will be major denial over some critical and difficult issues facing the sector.

For the most part, however, interviewees believed that while FIs will be at different spots on the learning curve, most will be moving in the direction of integrating CSR into their management systems. Indeed, one interviewee commented, these systems will be a source of competitive advantage for leaders wishing to differentiate themselves.

5. FUTURE ROLE AND IMPACT OF STAKEHOLDERS

Interviewees were united in their views that stakeholder influence will increase over the next 10 years, becoming a strong driver of sustainability through the FI sector. They differed modestly as to whether the most influential were shareholders, customers, employees or NGOs – but these were the most commonly identified key stakeholders, with some mention of government regulators and media. The bulk of their predictions was deemed equally applicable to other industry sectors; the ability of stakeholders to influence corporate sustainability performance is expected to grow worldwide.

Some interviewees predicted a significant increase in oppositional activity alongside an increase in genuine co-operation on sustainability issues. Some believed the role of NGOs will transition from opponent to partner in sustainability.

Those FIs that come to realize effective stakeholder engagement can positively impact the bottom line will be institutionalizing their stakeholder relationships. They will be interacting regularly with priority constituencies in future, increasing their stakeholder engagement fora, including surveys, focus groups, advisory groups, etc. As a result, stakeholders are expected to play a much greater role in the strategic direction of the FI sector over the decade.

Interviewees commented that stakeholders will become more professional and better organized in future, using media to tell their story while increasing their efforts to quantify the financial costs of ignoring sustainability issues. They are beginning to understand the tools in their toolbox (for example, class action lawsuits) and are discovering their ability to enter the boardroom; tactics they will be using over the decade with increasing frequency.

New partnerships will predominate, with increased collaboration between NGOs and FIs on common agendas. New initiatives, analyses and solutions to sustainability challenges are predicted as a result of these new alliances and collaborations. There will be an amalgam of new partnerships, including NGOs, governments, other businesses, client groups, FIs and others, as the sectors realize they can't solve sustainability problems alone. Some predict that enormous commercial opportunities await FIs that understand the benefits of these collaborations and joint problem solving venues. Indeed, some see a future in which the 3 main sectors of government, business and NGOs will become highly porous, with inter-sectoral movement of staff, increasing their collective ability to negotiate partnerships.

Community-level engagement will also be common, where FI collaborations with community leaders will be identifying win-win opportunities and their leverage potential. Sometimes these engagements will be advice-seeking, other times partnership-oriented, with the intent of working together to achieve better outcomes. Through these channels

FIs will be using their core skills to generate new business opportunities, good will and loyalty.

Some of the main drivers of these stakeholder trends include:

- growing transparency of the financial sector;
- the internet as a major communication tool;
- quality of stakeholder engagement becoming an attribute of interest to financial analysts assessing management quality; and
- the growth of sustainability issues in the public domain, with growing public concern around these issues fueling the efforts of campaigning stakeholders.

Some predicted stakeholder specific trends include the following:

Employees

- Employees will be most attracted to FIs with a strong CSR brand. As such, FIs will be incorporating CSR into their recruitment ads in their competition for talent. Significantly, the new generation of labour market entrants is predicted to have these expectations.
- Employees need to have something to believe in and CSR will be a strong motivator for them. In some instances it is expected there will be a new militancy among employees seeking alignment with their personal values.
- CSR-oriented FIs will be readily differentiated as responsible employers from those that aren't, as demonstrated through a number of human resource practices including diversity, working environment, flexible working conditions, equal pay, value alignment, etc.
- FIs that want to compete in CSR will be hiring people who come from a community of activism.

Most interviewees agreed that FIs that get CSR right will be better able to attract and retain quality staff.

NGOs

- NGOs are expected to shift their attention from resource industries, currently their main targets, to the finance industry in future. NGOs and the media are following the money as a route to influence decision-making.
- NGOs are predicted to spring up around small, localized issues, resulting in a 10-fold increase in issues to be managed for FIs.
- More and more NGOs will be working in collaborations to challenge FIs with a unified voice.
- Simultaneously, as noted previously, NGO-FI partnerships will increase, characterized by dialogue and co-operation on strategically important sustainability issues.
- NGOs are trying to find the next frontier of sustainability progress. Today's early stage conversations over implementation, monitoring, impact, performance and reporting will become more common in the future.

- Affinity marketing, an approach to reaching out to new markets to build and develop trust and help NGO members understand FI products, will be popular.
- The current trend of FIs hiring NGO professionals will continue, helping to blur the "battleground" lines in future.
- FIs will be developing business-related signature sustainability programs with national and international NGOs.

Shareholders

- CSR will continue to race up the shareholder agenda. Shareholder action will increase; engagement will be the norm.
- Shareholder pressure will grow for big insurance companies to report on how they view climate risk.
- Shareholders will be looking for transparency on sustainability targets and performance.
- Investors will in the end look for more sustainable companies who are more profitable. Increasingly, getting CSR right is believed to be a differentiator in long-term shareholder value: well-managed companies that effectively manage CSR, will perform well.

Mainstream customers, for their part, are expected to be concerned about transparency, fair marketing, fair products and competitive pricing.

One discouraged observer commented that the cacophony of competing stakeholder groups will more likely result in companies, including FIs, becoming more defensive and less open to stakeholder engagement and sustainability progress.

However, on the whole, interviewees agreed that the key stakeholders of customers, employees, shareholders and NGOs will have significant influence upon sustainability in the financial sector. They are believed to be the real regulators in as much as they give FIs their license to operate.

6. ROLE OF GOVERNMENT

Governments are not expected to take much of a lead role in influencing sustainability through the financial sector, except possibly through such measures as disclosure requirements, financial incentives and their own procurement programs.

While not all interviewees agreed, most predicted government will introduce mandatory reporting requirements for the financial sector, much as they have started to do with pension funds in some jurisdictions. In this regard, they are expected to legislate for transparency, not end points per se. For those commenting, GRI is likely to be the governments' reporting standard of choice, though most serious CSR companies will be far ahead of low reporting performers, so for many this will not be an issue.

Governments, similarly, are expected to support the Equator Principles for project financing, as well as other voluntary industry-wide measures. Indeed, governments will leave the voluntary role of FIs at the industry level, in which trade groups are expected to lead with sustainability issue secretariats, accountability mechanisms and other efforts. It is expected FIs will stay ahead of government on sustainability; in an effort to forestall further government intervention, the industry will be stepping up to the plate. Some regions are expected to demonstrate stronger government leadership on sustainability, particularly in Europe, while the US is expected to lower its current community reinvestment standards (aka Community Reinvestment Act) going forward.

Interviewees identified a number of issue areas which they expect to be of interest to governments in the future, including:

- Access to banking accounts, insurance and credit: some governments may be looking to the financial sector to provide services to low-income users, including a range of measures such as caps on exorbitant interest rates; guaranteeing the right to home insurance regardless of floodplain habitation; access to affordable credit; driving down doorstep lenders who are driving up interest rates; caps on ATM charges, etc.
- Facilitation of environmental investments such as renewable energy.
- Products to deal with the aging time bomb expected to hit life insurance and pensions.
- Market behaviour issues such as fair information to consumer; enough information for consumer to comparison shop; complaints, etc.

Some states will be taking the lead to stimulate investment in a certain direction. For example, governments could well be creating incentives for third world micro-finance (e.g. subsidized interest rates); tax concession schemes to support best practice investment in sustainability sectors; stimulating outreach of FIs to communities and individuals that are unbanked, etc.

Finally, some interviewees commented that government will be practicing CSR itself and in this regard, government contracts will require sustainability criteria be met, and sustainability will be considered in the assets they own, such as municipal pension funds. These two developments, incentives and procurement performance criteria, are expected to have some impact in driving the sustainability performance of the financial sector over the coming decade.

7. SUPPLY CHAIN IMPACTS ON SUSTAINABILITY

Interviewees had divergent opinions about the degree to which FIs will be impacted by the sustainability purchasing policies of other companies over the decade. While most of them believed the trend of other companies evaluating the sustainability practices of FIs will be a driver for FI sustainability performance in future, a vocal minority had a different view. Others thought that while there is distinct evidence of a supply chain trend, it won’t have a material impact on FI sustainability performance.

Those who predicted the trend will materialize based their views on the fact that action is already happening on this front: FIs are already being subject to supplier questionnaires. They believed that as more and more companies take a principled approach to procurement and business partner selection they will begin to apply this criterion to FIs. Those FIs that have a principled approach to CSR, that have internalized and are managing CSR, will have a competitive advantage with purchasers. One interviewee commented that they are the bank to a majority of state governments as a result of their sustainability performance.

The following reflects the diversity of views on this matter:

- Incremental growth is expected in supply chain influence of FIs.
- There is likely to be a negative screen more than anything else. If found that an FI had significant involvement with undesirable companies and locations, etc., then they are likely to be negatively impacted.
- FIs are not likely to lose business over their relative sustainability performance.
- Sustainable purchasing won't be a driver because FIs won't be differentiated well enough on sustainability criteria.
- Supply chain impacts will happen but in a moderate way because total client friendliness, satisfaction and other criteria will be part of the review process. If FI providers all have same price and quality, purchasers will choose those with CSR records.

Many interviewees also commented that FIs will be managing and auditing their supply chains, too. Sustainable purchasing is a two-way street. With their billions in annual purchasing, FIs will be talking to their top suppliers (branded goods, forest products, energy companies, etc.) to evaluate their CSR practices and encourage improvements. FIs will be working within the industry as well; for example, banks will be engaging their suppliers, such as insurance companies, to encourage them to develop sustainability policies. This effort is expected to be driven in part by financial analysts for whom supply chain risk is moving up the agenda in their analysis of corporate financials.

In the face of these predictions, a significant and determined minority were equally certain that this trend will not develop over the next 10 years. For such a shift to occur would require a fundamental cultural change, which is not thought to be a realistic development.

While the likelihood of supply chain practices affecting FIs in any major way is not thought to be significant, most agreed that sustainable purchasing is a growing trend; those who want to drive value and eliminate risk will be purchasing with sustainability criteria in mind. All industries will be affected to a greater or lesser degree by this practice; the extent to which this will be a business driver for FIs is arguable.

8. TOP CSR ISSUES

Respondents were near unanimous in their view that the top CSR issue to be faced by the financial sector over the decade is climate change, with significant ramifications for the sector's systems, practices, processes and products. Water came a close second on the environmental side; domestic and third world poverty, access to financial services and financial literacy were the prevailing social issues.

Many commented that the CSR issues of the future will create both risks and opportunities for the sector, prompting FIs to consider how to more effectively manage the indirect impacts of their business: what are the social and environmental risks and opportunities of lending and investment, how to quantify them and what does this mean for loan portfolio and stock price valuation? Future credit scoring, for example, is expected to include some of these intangibles. The civil society sector (churches, NGOs, foundations and trade unions) is expected to become increasingly interested in the management of its capital, resulting in significant capital flows in favour of social and environmental issues. It is expected that those FIs in front of these trends will be best able to create competitive advantage for their firms.

There were some who thought that civil society's growing interest in sustainable finance will drive more social issues onto the table; others predicted that environmental issues will take off in the future. All identified a number of social and environmental issues that will be on the FI radar in the years ahead.

Environmental issues:

Climate change was mentioned most frequently by respondents as a critical CSR issue for FIs and named "number 1" most frequently, as follows:

- Climate change will be #1 because it is quantifiable and its cost to the insurance and credit industry is overwhelming; it is also a huge issue for asset managers.
- Climate change is the 800-lb. gorilla because it has the prospect of impacting agriculture, commerce, transport, entire island states, etc. Anyone managing a portfolio of assets has to be concerned about direct and indirect risks to their portfolio.
- Climate change outdistances everything. There are hidden liabilities on the balance sheet. The valuation of equities will need to take into account organizations with a carbon liability. FIs will want to know how their clients are addressing climate change risks.
- FIs will be instrumental in helping companies evaluate and adopt new environmental technologies to retrofit their businesses for a carbon-constrained economy.
- The challenge of a largely conservative financial industry is that it will need to figure out methods for financing alternative energy without the historical basis for growth patterns going forward.

- FIs will be measuring and reducing the carbon footprint of their portfolio. Once they crack this carbon footprint, they could apply this methodology to other issue areas.

One interviewee expressed the view that climate change is unlikely to become a significant issue for FIs because it will quickly become commodified.

Water was another frequent mention: water use world wide, the privatization of water, water scarcity and access to water, environmental risk assessment as it relates to water, etc. It is predicted that the price of water will increase in future, making water a risk management issue. Some predicted residential financial products to encourage conservation, such as water saving devices, rain water tanks, and gray water systems, will become common. FIs are expected to be working with developers to finance the creation of housing developments that take water conservation into account.

Indeed, a number of respondents commented that FIs will be involved in financing green urban developments in future that mitigate their environmental impacts. Waste disposal and toxins also received a few mentions as future environmental issues that will be of concern to the financial sector.

Social Issues:

Financial access was the most frequent mention of the social issues, with many commenting upon the role of FIs to help close the growing gap between the rich and the poor. Depending on the region, this is referred to as financial exclusion/social inclusion; serving the underserved, community development, etc. Some of the specific issues included:

- FIs will be tackling issues of social inclusion, working on strategies to facilitate access by all to home insurance, car insurance, a basic account, pensions, etc. The focus will be on making basic banking universally available.
- FIs will be helping those with no bank account and no credit history who operate in the cash economy and are subject to financial predators.
- Community responsibility will be a key concern for FIs, with a focus on dealing with underserved communities, either rural communities or inner-city neighbourhoods. This will become especially prevalent as FIs merge or seek to merge.
- Community-building efforts will focus on housing (safe and affordable rental housing and home ownership) and job creation (small business lending and support).
- There will be public concern about what the FI industry is doing to increase insurance penetration and financial solutions for poor people in highly exposed

areas including micro-insurance and micro-finance. Bottom of pyramid thinking[6] could become a big issue.
- Understanding and having the ability to finance the growth of the non-profit sector in the coming years will be a focus for the financial sector.
- There are beneficial opportunities to bring community development financing to emerging markets and this will be a future concern.

Many spoke to the huge domestic and international market potential for micro-finance.

Related to the topic of financial access, interviewees identified financial education as a priority CSR issue going forward. FIs will have greater social responsibility for helping to create a financially literate society in order for society to function. FIs will be helping people to move from simple subsistence to basic banking. Issues will be raised about the financial capability of consumers. Governments, the education system and FIs will be concerned about consumers who lack the capacity to make financial decisions. FIs will be tackling basic equity issues generated by predatory lenders, payday loans, money laundering, bribery and corruption, and redlining. Some FIs will move in to provide solutions at these very basic levels of equity, capability and access.

A few interviewees predicted that levels of debt will grow over the 10 year horizon, along with the concern for the sustainability of consumer debt. One respondent predicted that banks will be held responsible for consumers taking on undue levels of debt. A few touched on the issue of hyper consumerism, and believe that joint solutions will emerge in future in which FIs will collaborate with others in addressing the impacts of rising debt levels and unsustainable consumerism.

A significant number of respondents identified third world poverty as a future CSR issue for the financial sector. As the world shrinks, the difference between the haves and have-nots becomes more apparent, giving rise to continued conflict until this divide is addressed: where there is gross inequality and mass poverty, there is social unrest, civil strife and disease. The Millenium Development Goals[7] were a frequent mention, with many believing that FIs will be engaged in financing their progress. The infrastructure needs of developing countries such as transport, utilities and power, will remain critical CSR issues, while the role of FIs in building the entrepreneurial class and financing a growing SME sector will increase.

Additional social issues included:

- Health Issues
    - Health and the development of medicines, including alternative medicines; methods of healing and better treatment of older people

[6] Professor Stuart Hart has popularized the idea of the Bottom of the Pyramid, a concept that addresses how business could profitably serve the needs of the four billion poor in the developing world.
[7] The Millennium Development Goals (MDGs) are internationally agreed upon targets for reducing poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women by 2015.

  - Obesity and healthy eating, and the opportunity for investments in companies innovating in this fields
  - HIV/AIDS, which poses upstream risks to firms and downstream risks to banks and insurance companies involved in lending or underwriting their activities
  - Workplace challenges dealing with work life balance, and the growth in mental illness, and its effect on the workplace
  - FIs could be held under fire for financing unsustainable consumption and lifestyles such as tobacco and obesity
- Demographic Issues. FIs will get involved in "knock on" effects of demographic shifts of aging, migration, disabilities, etc.
  - Aging, age diversity, workplace impacts including employee practices that reflect aging; pension deficits
  - Co-housing, assisted living, new forms of housing arrangements for the elderly
  - Social security, pension plans and other challenges to the FI sector to help society adapt to the changing age structure, including delivering FI services to old people in their homes
  - Huge growth in new immigrant markets and opportunity to import finance innovations from emerging markets

Housing affordability was also mentioned by some, though it did not get significant attention, apart from the issues relating to housing an aging society.

Additional issues included governance and ethics, as trust in the financial system is vital for the smooth functioning of national economies. FIs in future will be investing in legal but reputationally challenging areas, creating ongoing management challenges for FIs.

Coping with new technologies, such as nanotechnologies, GMOs and others, is expected to create issues for the financial sector. FIs involved in financing these new technologies without understanding their global implications are expected to confront downstream risks and class actions.

A few mentioned short-termism and speculative capital flows as a CSR risk in the future. FIs will be challenged to construct financial products that take longer term considerations into account. NGO and consumer activism is expected to drive efforts to defeat financial short-termism. Governments in future will be externalizing the social issues of an aging population, placing greater reliance on a functioning pension system. Incentive structures that reward turbo-charged sales to uninformed pensioners will be under attack; FIs will be reforming their compensation structures to ensure that customers are not buying the wrong investment at the wrong price in the interest of making a fast buck for the firm. FIs that sell with long-term considerations in mind will generate customer loyalty. The focus will be on delivering investment strategies that deliver sustainable livelihoods for the aged.

Additional comments included:

- FIs can expect a lag effect in terms of the CSR issues that will impact them in the future – i.e what hits FIs comes after what hits other companies.
- Rising living standards in China and India will have a significant influence on future CSR issues.
- CSR issues "du jour" such as human rights, oppressive regimes, nuclear power, arms trade, off-shoring and out-sourcing, security and labour conditions will continue to affect FIs over the coming decade.

9. EXPECTATIONS OF THE ROLE OF THE FI SECTOR TO PROMOTE, ADVOCATE AND LEAD SUSTAINABILITY

The financial sector will be expected to play a role in supporting society's shift to sustainability, according to the majority of interviewees. A strong minority, however, don't believe this trend will develop, forecasting that while expectations for sustainability leadership will grow for other sectors, this will be less the case for the financial sector. These interviewees believed the public will expect non-FI companies to self-manage their social and environmental impacts. A few held off on expressing an opinion, believing that it depends on macro-economic conditions, shareholder interests and competitive developments (i.e. emergence of CSR front runners). Some speculated that the public sentiment will be for all sectors to demonstrate socially and environmentally responsible leadership, and the financial sector will not be singled out for attention.

To support their views that public opinion will be in favour of FIs playing a role to support the shift to sustainability, interviewees offered the following comments:

- With increased education and awareness, the public will come to understand that financial institutions can integrate profits and principles. With this understanding the public will demand it more, impacting capital flows.
- FIs won't be able to avoid discussions on their role in the global economy. The public will believe they cannot let an unregulated finance system run the economy and that there is a need for greater national and international regulation and incentives for leading FIs who are moving in a positive direction.
- The public will expect FIs to screen their clients and not to lend without understanding where their money is going.
- In future, banks could be expected to facilitate socially and environmentally responsible lifestyles.
- Increasingly, FIs will be expected to finance sustainable growth and not just financial development, but in 10 years there will be a leadership crisis in this area, with leaders few and far between. Currently the global financial sector is not structured to generate sustainable development, built as it is on a short-term framework for short-term financial gain. There will be tension for FIs to respond to this dichotomy, more prominent in commercial and corporate banking than retail, given the volumes on the commercial side.
- While FIs are expected to become a force for sustainability, they are unlikely to blaze a sustainability path. They will be pushed in this direction, mostly

following expectations, not leading them. There will be some trailblazers, however.

- Alternatively, it was thought that in the future FIs will have a more steering influence driving the industry toward sustainability. While the FI sector might see itself as an enabler of change (i.e. making financing available to polluters to cut down on their emissions) increasingly leadership companies will step away from the pack to become implementers of sustainability. Smaller FI companies, particularly, are expected to be providing innovation and leadership on these questions. These leaders in the FI community will not only get their own house in order, but will be encouraging the industry to improve its level of social responsibility and pushing regulators to level the playing field.
- FIs have a role to play in promoting sustainable development, recognizing economies can't have long-term growth if the means of creating it are being destroyed. FIs will be taking these externalities into account in their financing decisions; they will not want to bank a firm that is not managing its environmental footprint because of risk concerns.
- There will be a feeling that banks should be playing a key role in local economic development, regenerating poor areas and focusing on sectors that are not banked.
- Increasing disclosure will drive this trend toward greater pressure for FIs to lever social and environmental improvement. Once FIs know more about the social and environmental performance of a potential client, they will be pressured to include this information in their decision-making. FIs will be asking what their appropriate role will be in making these decisions; banking will become more complicated.

Overall the majority of interviewees believed FIs will be expected to be involved in facilitating sustainability, if not leading it. The public is expected to start to demand more of the sector in this regard. And once FIs admit responsibility in one area – climate change, for example – their responsibilities will grow.

A small but significant group, however, believed the public will not expect the FI sector to contribute to solving community and environmental problems, but will expect it to manage more traditional FI issues, such as not pricing too high relative to risk. One view was expressed that the growth in sentiment will be primarily that FIs move away from short-termist approaches; consumers will be more interested in their limited savings being managed in a long-term manner than that FIs care for social and environmental issues per se.

While there was a modest debate on the degree to which FIs will be expected to step up to the plate in leading sustainability, most thought there would be tremendous opportunity for innovators in this area to create competitive advantage for their firms.

10. THE FUTURE SOURCE OF CSR INNOVATION

Interviewees had a range of views on the future source of CSR innovation. NGOs and the non-profit sector received a number of mentions, but the more common view was that

CSR innovation would arise from within the financial institutions themselves, depending on the nature and degree of CEO commitment to a CSR business strategy and the internal culture of learning.

The list of potential sources of CSR innovation includes:

Internal forces of innovation:

- Organizational learning culture will be the biggest source of innovation. Those who create conditions that encourage learning, and invest in staff and business development, will be well-positioned to innovate.
- Future hiring criteria will result in a new type of employee being hired who understands these issues in a deeper way and can demonstrate past interest and involvement in sustainability concerns.
- New hires (young people wanting to work for progressive companies so they can align their personal values with their work life) will be a major source of innovation.
- There will be more internal training of staff on CSR.
- Staff will be hired with the mindset and passion to get out and understand stakeholders, who are culturally disposed to engagement and skill-based in this area.
- The degree to which the CEO empowers staff to champion CSR will have a big impact on CSR innovation.

External sources of innovation:

- NGO activism and partnerships. FIs will be hiring NGO activists and community development workers to help develop their sustainability strategies and products and will be developing unique and unusual partnerships with community-based organizations and other stakeholders. In future, it is expected FIs will be hiring non-profit workers and vice versa enabling the two sectors to have more genuine engagement and participation. Stakeholder engagement and NGO collaboration will be engines of innovation.
- Niche banks and smaller FIs are expected to drive innovation, because of their more nimble size and targeted approach.
- Demographic shifts and new markets, including emerging markets, will influence CSR innovation. Experimental efforts to capture new immigrant and cross border markets will force FIs to think beyond their cultural blinders. Reaching out to new markets requires new approaches. These markets previously shunned by FIs will be a source of innovation. Emerging markets also hold a lot of creativity and creative challenges. As large global players dabble in these markets, technology and other developments will impact service in developed countries.
- Local market attachments are expected to drive innovation. FIs that have strong community relationships will be closer to the ground and better able to understand the real problems customers are having. Close relationships with community leaders and ongoing community engagement programs will position FIs to identify and lever opportunities.

- Social venture entrepreneurs and traditional entrepreneurs will be another source of innovation; their business models will create demand for creative financial responses.
- Competition will also drive innovation. As the financial sector becomes more competitive in CSR, FIs will want to differentiate. Those financial institutions that find it profitable to be socially responsible will experiment with models and approaches that move them in this direction.
- As FIs extend their business model to include social and environmental considerations, this in itself will drive innovation. Services will grow, commensurate with the expansion of this definition of need. Some insurance companies, for example, are already looking beyond the perimeter of existing service provision – not only are they there to provide compensation if a property gets flooded, but they are looking upstream to the causes and are becoming more engaged with sustainability issues.
- Dilemmas are another source of innovation, stemming from stakeholder engagement. FIs with an open ear to society will find solutions within the paradox and conflict many sustainability issues generate. Scarcity, for example, is a driver of innovation.
- Customers, too, drive innovation. There will be increased engagement of customers regarding the kinds of service that will satisfy their social and environmental demands.

One unique contribution was the idea that FIs that understand the natural systems will be able to use this as a source of innovation and inspiration. One respondent was engaged in a study of permaculture systems, for example, which was projected to move the FI beyond its usual boundaries towards more holistic and paradigm shift thinking.

Overall, interviewees predicted that future innovation will arise from within learning organizations where the employees are empowered to integrate sustainability into their work and through engagement of stakeholders. The FIs that will be ahead on the innovation curve will be those that can adopt the ideas, information and trends already available and integrate them with staff who have the mindset and the passion to interact with stakeholders on a range of CSR issues and activities.

11. HOW PRODUCTS AND SERVICES WILL CHANGE TO ACCOMMODATE SUSTAINABILITY

Most, but not all, interviewees believed strongly that the CSR product array in future will increase, driven by growing social and environmental concerns, government incentives, business opportunities and competition. A minority don't believe the market opportunities will prove themselves over the decade, beyond very modest niche markets. Some interviewees thought that FIs will be integrating sustainability into their mainstream products while others believed the trend will be more toward "ethical" alternatives for every major product class available. Interviewees identified a number of niche product opportunities, enumerated below, but primarily predict a growth in the number of environmental climate change and community development products.

They had the following comments on the evolution toward a full sustainability product array:

- CSR banks will increasingly provide CSR products while at the same time the ethical consumer market will grow. This will create both a push and a pull for CSR products.
- As the world changes and social and environmental pressures increase, FIs will expand their needs analysis and will be developing sustainability services to improve their offer. Social and environmental criteria will thus start to creep into service provision.
- FIs will position themselves to expand their sustainability service offerings to their small business customers as SMEs look to upstream firms for help with sustainability issues. This will include services such as information, research and technical assistance in environmental management and innovation.
- Core products will be redesigned in a way that influences change.
- Niche banks will be putting sustainability products into the market and proving them profitable. To maintain their position of excellence, CSR-branded banks will follow suit. Stakeholders will be saying they want more than internal ecology programmes, but want sustainable investment opportunities as well.
- Once FIs specialize and focus they can narrow the risk factors of these new products, improving the business case.
- Highly disruptive shifts in technology are expected over the decade, particularly regarding clean energy technology, rapid progress on climate change and in the food and agriculture sector. FIs will be involved in financing this growth.
- It is expected that with pressure from stakeholders, governments will step up on these issues, creating tax credits and other incentives to lever sustainability through the financial sector, e.g. green taxes so investments can be made securely, landfill surcharges, etc. Product packages will exist which pull together, for example, government and FI programs to develop aboriginal enterprises or interest rate subsidies for eco-efficiency infrastructure such as water incentive systems for water efficiency devices, etc. FIs will be proactive in designing and developing these products and services using government incentives and programmes, especially in the environmental area.
- FIs will be tapping into the desire of people to affect change. FIs, for example, will offer those who care about poor women in the third world a micro-finance product. As the awareness and desire of consumers grows into a realization that they can have an impact on social and environmental issues, arbitrage will come to bear. FIs won’t be in a rush to create that demand, but once the demand materializes they will get on the bandwagon. They will have these products on the shelf but won’t push them.
- There will be fora to develop whole new initiatives on eco-developments in residential housing involving property developers, government and FIs engaged in collaborative and joint problem solving. FIs will be implementing high social and environmental benefit initiatives because they see a business opportunity in doing so.

- FIs will be employing teams of people to put together innovative financial arrangements that address sustainability opportunities. Complex specialized financial products will be developed to meet particular environmental needs. Some environmental costs are easier to internalize and FIs will be conducting very high R and D to identify these opportunities, developing products such as specialized risk capital with slower returns. As well, in 10 years there will be considerable growth in financial structures to support ventures that pay for themselves in short-term horizons. Examples are alternative energy and energy efficiency, for which there is lots of untapped demand yet to be figured out. The future will see specialized financial vehicles working with foundations and governments engaged in high-impact investments that initially don't make sense financially.
- FIs will be involved in national coalitions working to promote effective public policy to address complex human and environmental needs and will be providing technical assistance to their customers to build out capacity to provide business solutions for sustainability issues. Through these national coalitions FIs will be assisting sectors to achieve economies of scale and developing pooled financing vehicles for sectors at the national level.
- Lenders will become more creative in lending to borrowers, going beyond the cookie cutter approach to making credit available. If the loan is small and has good character the FI will give small starter loans similar to micro-credit programs, matching and linking saving and borrowing to contribute to consumers' financial stability. FIs will be more responsive to customer convenience in the sector's thrust towards competitiveness, adapting their credit scoring programs to accommodate diverse customer needs.

Interviewees also identified a number of specific sustainability product and service developments for the decade:

Banking

There is considered to be the most scope and potential for innovation in banking products for sustainability. Niche community, social and ethical finance sectors are predicted to drive most of the change. However, mainstream banks are expected to be experimenting with new banking products that feature sustainability benefits.

Leading FIs in this space recognize that there are clear business development opportunities to be exploited, that sustainability financing need not be seen as philanthropy or loss leader marketing. They may start as revenue neutral products, but as the number and scale of these niche products increase, returns can increase as well.

Some of the sustainability products and services mentioned in the scan include:

Social:

- Financing of sustainable producers and social and traditional entrepreneurs, providing rural loans to agricultural producers, credit for female-run businesses, intermediation for fair trade imports, etc.
- Islamic banking
- NGO financing
- Domestic and international micro-finance products
- Local commercial loans tailored to the local business environment
- Financing for basic human needs including community facilities financing of charter schools, child and health care
- Affordable housing finance, including accessory dwelling units to promote smart growth, financing to bring housing up to code, etc.
- Cultural investments particularly in increasingly diverse societies wanting to develop a cultural identity
- The non-public education sector

Environmental:

- Organic and local food alternatives to industrial agriculture. Organic brands won't see as much growth as local, high-quality specialty foods. There will be a dense network of sustainable farming organizations funded by community finance institutions, as by nature this sector cannot be consolidated to create the economies of scale for major FI investment.
- Cleaner energy, in which smaller community finance institutions are expected to play a key role. Cleaner energy investments will be a catalyst for bigger developments, coming in early as risk investments to seed the growth of the sector.
- FIs will be active on issues around urban sprawl control and smart growth, increasing the commercial and real estate investment going to truly rural and densifying urban areas to reinforce rural and urban communities.
- Clean tech private equity.
- Incentives for green, carbon-neutral mortgages and green cars at the retail level with loan pricing designed to encourage better corporate behaviour. Expect to see carbon neutral credit cards and green mortgages or green loans which give points off the interest rate as a consumer incentive. FIs alone or in partnership with governments will be offering product incentives to encourage eco-renovations or eco-efficient housing development.
- Eco-tourism financing.

Insurance

The industry is not expected to be leading the integration of sustainability into its products and services, though there will be an evolutionary trend in this direction, through government and sectoral collaboration.

- The industry can expect more organic growth of existing products and services and gradual integration of sustainability considerations within these. For example, environmental impairment liability insurance is not a new product, but an approach to an existing product.
- Climate change will transform the face of insurance because of its unpredictability. People will want to protect themselves against the impact of climate change.
- Modest innovations can be expected over the decade:
    - Auto insurance will experiment with charging on CO2 emissions, engine size, distance.
    - Digital flood maps will be available to better inform insurance cover for domestic insurance.
    - Insurance with rent for low-income people who typically don't purchase insurance: agreements will be negotiated with governments to include insurance with rent subsidies for low-income tenants.
- There will be pressure on the insurance industry to work with government to help people who fall victim to natural catastrophes. Given the considerable risks of covering the costs of natural disasters, government and industry could be collaborating on risk-sharing pools or governments could cover to a certain level and then the insurance and reinsurance industry could come in, perhaps offloading some of these costs into capital markets through derivatives and catastrophe bonds.
- The claims process with its significant purchasing power could be another driver, affecting sustainability standards for goods and services in the supply chain.

Asset Management

Increased product innovation is expected for this sub-sector on 2 fronts: 1) growing niche funds and 2) the integration of sustainability considerations within mainstream investment.

- Mainstream analysts, influenced by scandals, financial performance of SRI funds, and availability of social and environmental information through index firms and GRI reporting, will be integrating sustainability criteria into their investment decisions.
- There will be a proliferation of market choices in SRI. For every mainstream product there will be an alternative SRI product.
- There will be very strict niche products such as eco-pioneer and developing country funds.
- Affinity funds will be common, lining up asset managers or mutual fund companies with large membership NGOs in which a portion of the fund's return goes to the NGO.
- Asset managers will offer community investment bonds which securitize domestic or international community-based lending, whether affordable housing or small, micro or minority business finance. These will become part of a typical SRI portfolio.

- Considerable innovation will come from sustainable venture capital, real estate or private equity.
- Forestry or bio-diversity bonds are on the radar, where individuals can participate in the purchase of rainforest preservation, e.g. $100 per acre certificates in which the forest creates a cash flow from eco-tourism, bio-pharmaceuticals, foods, etc. The ecosystem is maintained intact and kept as a legal entity.

There was a minority voice that thought there would be no incentive in the financial system to develop sustainability products and services. According to this view, it will not be worth the marketing effort to attract the expected 1 to 3% market share that would be interested in these products. At most, FIs will make these products available as marginal products to satisfy the expected marginal demand. They will combine a limited CSR product offering with mass CSR-brand marketing.

Most, however, believed that FIs, especially the banking sector, will over time ensure that all the products and services they deliver are socially and environmentally sound and will be reporting on their achievements in this regard. Many are more or less certain that sustainability will be integrated over the entire product array, that high sustainability values will be available in a broad suite of niche products and that the early adopters will gain competitive advantage.

12. THE CSR COMPETITIVE LANDSCAPE

There will be CSR leaders and laggards in the future competitive landscape of financial institutions, but for the most part the financial sector is expected to move forward as a pack, a cultural herding instinct common to the sector, according to interviewees. Most expectations were that there will be strong niche players and drivers of innovation in the CSR realm. A small but significant group didn't believe there will be much CSR differentiation amongst FIs and didn't believe niche markets will stand the test of time.

Those who believed that FIs will be competing on social and environmental matters predicted either that product and issue specialization will be the differentiator or that successful embedding of CSR values will be the competitive trump card:

- Products and product features will be the differentiator. FIs will be differentiated by their social and environmental solution-oriented product array. There will be competing products for different market segments, e.g. aboriginal and women's gender-related products
- Differentiation will be evident at the branch level
- There will be competitive positioning issue by issue; those who identify the leading issues will come in first
- FIs won't be competing generically but will carve out CSR niches to gain market share
- Today's innovators will remain innovators; top performers will move into new niches

- Some will win mandates and get business based on strong internalization of CSR values while others who don't internalize CSR will lose their license to operate. Those FIs that have successfully mastered changing the internal value set towards responsibility, one individual at a time, will be leading the industry
- Increasing availability of CSR information to consumers will facilitate consumer comparisons, affecting consumer decisions and defining the competitive landscape
- Some insurance companies are expected to become leaders in new ways of analyzing risks, while others will just raise risk premiums and it will become business as usual.

Those who predict no significant CSR differentiation among financial institutions commented on the following:

- As FIs generally prefer to move forward in packs, the big players certainly will be moving forward together. There will be few niche sectors.
- There will be pressure within the industry to move up the performance of the freeloaders and laggards. With increasing pressure on laggards, CSR differences will become smaller. The industry will have broad programs underway to ramp up the industry's CSR performance and there will be no CSR specialties.
- As CSR behaviours become more and more codified, FIs' CSR will be indistinguishable.
- While there will be a range of performance, the differences won't be that significant.

Some predict a strong niche sector over the decade:

- Mission-driven FIs will lead innovation.
- There will be a number of boutique sustainability FIs. These boutique firms will grow and won't be bought out because of their strong lifestyle choices.
- Big banks will take a stake in the small social banks, which will need capitalization for their growth. More mainstream banks will be invested in the capital structure of social/alternative banks and this will help drive innovation at the mainstream bank.
- Current social banks will increasingly adopt an environmental focus, collaborating with governments and others to finance the transition to a carbon-neutral economy.

The following are some predicted business generation opportunities that niche-oriented FIs might pursue:

- Social and non-profit entrepreneurs and mission-based companies
- Financing intermediation between NGOs, for example, those importing products from fair trade organizations
- Climate change and sustainable energy financing
- Micro-finance and fair trade

- Immigrant markets
- Underserved and underprivileged markets
- Faith-based lending

The environmental niche is expected to be easily packagable for consumers with a direct causal link to environmental improvement. Windfarm or green building financing, for example, can be generated through deposit products, venture capital and other investment options.

Similarly it is predicted that new and inherited wealth might be readily targeted to community investments in small or micro-business financing or affordable housing development, given the "give back" values common to this set.

One view was expressed that ethical, social and alternative banks could be under threat in the future with ethical products increasingly offered by others. Social banks will be pressed to improve the quality, service and cost of their ethical products or their customers will migrate to the mainstream CSR banks. Customer satisfaction is key in this future scenario.

In all, it is expected there will be leaders and laggards in the CSR competitive landscape, with the continuous redefinition of CSR and that FIs will be competing on their CSR brands. CSR leaders will start blazing a trail, making it difficult for others not to follow even if only for reputational risks, but increasingly for employee recruitment and retention gains. Perhaps over the decade, baseline CSR will become common and undifferentiated, with product specialization and boutique niche firms adding diversity to the CSR landscape.

CONCLUSION

Sustainability will increasingly become mainstreamed within the financial sector, including banking, insurance and asset management, over the coming decade, according to most of the 50 thought leader interviews. The sector is not expected to *champion* the sustainability cause, as most FIs will prefer to follow growing expectations rather than to lead them; however, there will be a number of leading CSR FIs both within the mainstream finance industry and within the niche alternative finance sector, which will be blazing the sustainability trail.

Most believe the ethical consumer market will grow, though perhaps modestly, driven by product awareness, pricing, and social and environmental deterioration. Increased information about the sustainability performance of financial institutions driven by greater transparency and disclosure is expected to play a significant role in increasing consumer, regulatory, investor and other stakeholder awareness of FI direct and indirect impacts on society and the environment.

In addition to increased sustainability reporting, FIs are expected to be internalizing sustainability considerations into their management systems to a greater or lesser degree whether driven from a risk management or values-based perspective. This will create competitive advantage for some.

Stakeholders are predicted to be a big driver of sustainability in the financial sector, as with all industries, over the decade, including particularly shareholders, employees and NGOs. Commentators anticipate 2 trend lines – both an increase in oppositional activity and in collaborations and partnerships as NGOs and others work with and against the sector to threaten, cajole and encourage the sector's increased sustainability performance. Governments as one stakeholder are not expected to play a significant role in levering sustainability from the sector, apart from voluntary measures such as incentives and procurement requirements and possibly also disclosure legislation in some regions.

As to whether FIs will be impacted by the supply chain policies of other companies in their selection of financial service provider and products, interviewees were more split on this matter. A trend predicted to hit industry overall, FIs may find this to impact their business on the margins without materializing as a significant driver of internal sustainability measures. Some FIs, however, will be capitalizing on their CSR strengths to make themselves suppliers of choice for sustainability-seeking governments and CSR branded companies.

Climate change will be the CSR preoccupation of the financial sector overall for the decade, followed by water scarcity and quality; on the social side, domestic and third world poverty, universal access to financial services and financial literacy will prevail as the top attention getters according to the thought leaders.

While the significance of public expectations about the role of the financial sector to help lead society toward sustainability was hotly debated, the majority believed FIs will be expected to contribute to sustainability progress beyond managing their own impacts, though perhaps no more so than other industry sectors.

On the topic of CSR innovation, interviewees for the most part believe a strong culture of sustainability learning, leadership and empowerment will be the biggest source of innovation going forward. In other words, CSR innovation will have a significant internal dimension. That said, NGO and multi-stakeholder partnerships where dilemmas and differences can be mined for new thinking, will be important contributors to innovation as well.

This innovation is expected to spawn an increase in the CSR product array, driven by exogenous social and environmental shocks, government consumer incentives, business opportunities and CSR competitive pressures in the FI sector. Some believed that every existing mainstream product will be twinned with a matching CSR value product, while others believed that mainstream products will integrate sustainability into their core features.

Leaders and laggards will be the hallmark of the CSR competitive field over the decade, whether amongst the mainstream players or between niche social/alternative FIs and the mainstream. While the herd-like tendencies of the sector are expected to result in the sector moving forward as a pack on baseline CSR, most believed CSR leaders will be exploiting the market opportunities of sustainability, with some genuine commitment to improving social and environmental conditions.

Among the 50 thought leaders there was a strong minority who were much less optimistic about the role and commitment of the financial sector in advancing sustainability. They predicted variously that the market opportunities won't emerge, the business case will remain dormant, the consumer market won't grow or be a significant force, suppliers won't require sustainability performance, there will be little CSR differentiation, sustainability reporting won't be meaningful, sustainability products will be more for window dressing than substance, and FIs will do as little as possible to maintain their license to operate (nor will the public demand it of the sector). A number of thought leaders also commented that these trends will be influenced by macro-economic developments and the emergence of China and India on the scene, making CSR trends difficult to predict.

While predictions by nature are inconclusive, nonetheless, most thought leaders were confident that sustainability will become increasingly mainstreamed within finance over the decade, given the strength of the trend currently underway. It remains to be seen whether the business case for sustainability in finance will connect with its moral underpinnings throughout the industry over the long term. In any case, the future promises significant ongoing experimentation and innovation in the effort to establish a material connection with leading traditional and niche financial institutions showing the way.

APPENDIX

THOUGHT LEADER INTERVIEWEES

Deb Abbey CEO	Real Assets
Joan Bavaria Founding Chair	CERES
David Berge Chairman	US Social Investment Forum Foundation
Priscilla Boucher Director, Community Leadership Strategy	Vancity Credit Union
Brian Branch CEO	World Council of Credit Unions
Fred Broadwell Director, Sustainable Development Initiative	Self Help Credit Union
Clare Brook Director of SRI	Morley Funds Management
Michelle Chan-Fishel Program Manager Green Investments Project	Friends of Environment US
Frans de Clerk Advisor	Triodos Bank
President	INAISE, International Association of Social Finance Organizations
Joanne de Laurentiis President and CEO	Credit Union Central of Canada
Rowan Dowland Group Manager, Marketing and Development	Mecu Limited
John Elkington Chief Executive	SustainAbility

Eugene Ellman Executive Director	Social Investment Organization
Kaz Flyn Vice-president Government Affairs and CSR	Scotia Bank
John Ganzi President	Environment and Finance Enterprise
Sean Gilbert Associate Director Technical Development	Global Reporting Initiative
Julie Gorte Director of Social Research	Calvert Funds
Ron Grzywinski Chairman	ShoreBank Corporation
Kathy Humber Senior Vice-president Investor Relations	CIBC
Emma Hunt Director	Centre for Sustainable Investment Forum for the Future
Madeline Jacobs Senior Vice-president Head of Group Sustainable Development	ABN AMRO
Marcel Jeucken Head of Institutional Relations Sales Manager	SiRi, Sustainable Investment Research International
Dr. Matthew Kiernan CEO	Innovest Strategic Value Advisors
Ed Mayo Chief Executive	National Consumer Council
Gabrielle McCorkell Sustainable Development Manager	mecu Limited
Ginger McNally	Santa Cruz Credit Union

CEO

Paul Monaghan Head of Sustainable Development	Co-operative Financial Services
Dave Mowat CEO	Vancity Credit Union
Sandra Odendahl Senior Manager, Environmental Risk Management	RBC
Gaby Oetterli Consultant	E2 Management Consulting, Inc.
Dina Palozzi Senior Vice-president and Chief Privacy Officer	BMO Financial Group
Jean Pogge Senior Vice-president, Mission Based Deposits	ShoreBank
Gavin Power Senior Advisor Head of Communications	UN Global Compact
Dr. Noel Purcell Group General Manager, Stakeholder Communications	Westpac Banking Corporation
Vicki Robin Co-founder	New Road Map Foundation
Cliff Rosenthal Executive Director	National Federation of Community Development Credit Unions
Robert Rubinstein Founder and CEO	Brooklyn Bridge, Triple Bottom Line Investing Conference and TBLI Academy.
Anthony Sampson Director, CSR	Aviva
Oliver Schmid-Schoenbein Managing Partner	E2 Management Consulting Inc.

Francis Sullivan Advisor on the Environment	HSBC
Jean-Pierre Sweerts Head, Sustainable Development	Rabobank
Tessa Tennant Executive Director	ASRIA, The Association for Sustainable and Responsible Investment in Asia
Beth Wagner Vice-president	ShoreBank Corporation
Stuart Wallis Chief Executive	New Economics Foundation
Bob Walker Vice President Sustainability	Ethical Funds Inc.
Mark Way Group Sustainability Management	Swiss Re
Dr. David Wheeler Erivam K. Haub Professor of Business and Sustainability	Schulich School of Business, York University
Doug Woodruff Community Development Executive	Bank of America
Steve Young SVP Consumer Banking	Wainwright Bank and Trust Company
Simon Zadek Chief Executive	AccountAbility