The Adoption and Reporting of Sustainability in the Egyptian banking sector: An Empirical Study

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Abstract:

The financial industry around the globe is passing through one of the most challenging times in its history. The last financial crisis demonstrated that the financial industry is at the origin of the problem of instability and non-sustainable economies. Sustainable development is one of the key issues in this century. This research describes one of the major challenges of the future which is the sustainable development of the banking sector.

Today, sustainability has become an essential factor that the banking sector can no longer ignore. It is the only way for banks to guarantee a place in the future. As well, the banking sector can reinforce the sustainable development issue. The idea of integrating sustainability concerns into the banking sector is driven by the vision of making it a part of the solution which is a stable financial system serving a sustainable development to mankind on earth.

This research presents a theoretical context for sustainability particularly in the banking sector. Also, it presents a suggested Framework model that commercial banks should refer to achieve sustainable banking in the Egyptian banking sector. Also, the research examines whether there is a gap in sustainability disclosure in the banking sector in Egypt. In addition, the research examines the quality of bank's disclosure in each dimension of sustainability. Moreover, the research examines the effect of listing in the Egyptian stock of exchange, foreign banks, and the characteristics of banks in terms of bank's size and profitability on the quality of sustainability disclosure.

Key words: Sustainability, Suggested frame work, Reporting, Global Reporting Initiative, Content analysis, Banking sector, Egypt.

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تطبيق الاستدامة والافصاح عنها في القطاع المصرفي المصري: دراسة ميدانية

الملخص البحث:

يمر القطاع المصرفي في جميع أنحاء العالم بأحد الأوقات الصعبة في التاريخ حيث أظهرت الأزمة المالية الأخيرة أن القطاع المصرفي سبب رئيسي في مشكلة الاقتصاديات غير المستدامة. وتعتبر التنمية المستدامة واحدة من أهم القضايا الرئيسية في هذا القرن. كذلك فأن التنمية المستدامة في القطاع المصرفي هي أحد أهم التحديات الرئيسية في المستقبل.

في الوقت الحاضر، أصبحت الاستدامة عامل أساسي في القطاع المصرفي ولا يمكن تجاهله. حيث تعتبر هذه هي الطريقة الوحيدة للبنوك لضمان الاستمرار في المستقبل. كذلك، يعمل القطاع المصرفي علي تعزيز ودعم التنمية المستدامة حيث يعتبر الدافع وراء دمج فكر الاستدامة في القطاع المصرفي من جعله جزءا من الحل الذي هو نظام مالي مستقر يخدم التنمية المستدامة للبشرية في جميع أنحاء العالم.

يقدم هذا البحث إطار نظري للاستدامة في القطاع المصرفي. كما يقدم هذا البحث إطار مقترح للبنوك يهدف الي دعم تطبيق الاستدامة في القطاع المصرفي المصري. كذلك يتناول البحث تحديد ما إذا كان هناك فجوة في الافصاح عن الاستدامة بالنسبة للقطاع المصرفي في مصر. بالاضافة الي ذلك، فان البحث يقيم جودة الإفصاح المحاسبي للبنوك في القطاع المصرفي المصري بالنسبة لكل بعد من أبعاد الاستدامة. وأخيرا ، يختبر البحث تأثير البنوك الأجنبية و تأثير إدراج البنك في البورصة المصرية، وتأثير خصائص البنك من حيث حجم البنك و الربحية على جودة الإفصاح المحاسبي عن الاستدامة.

الكلمات المفتاحية: التنمية المستدامة، الإطار المقترح، جودة الافصاح المحاسبي، تحليل المحتوى، القطاع المصرفي المصري.

1- Introduction:

The financial industry around the globe is passing through one of the most challenging times in its history because of the last financial crisis. As a matter of fact, the banking crisis is not a stand-alone phenomenon as crises in other sectors such as energy deficiency, natural resources shortage, climate change, global warming, diminishing oil, gas and other natural deposits, drought and flooding and other natural and human made environmental disasters can cause future negative shocks to the banking sector.

This research emphasizes the importance of sustainability issue and how it is now increasingly recognized as essential to the growth of any nation. The research indicates that the banking sector should contribute to the sustainable development. The banking sector, as one of the corner stone industry, has a significant role to play in our planet’s future sustainability. The idea of integrating sustainability concerns into the banking sector is driven by the vision of making it a part of the solution, which is a stable financial system serving a sustainable development to mankind on earth.

Although the banking sector has been late to respond to the sustainability issue; however the role of banks in contributing toward sustainable development is significant as they can influence the future of our planet's sustainable development. The research illustrates that commercial banks can support the sustainable development in a number of ways on the practical level, and at the same time, banks can get a lot of potential benefits from adopting sustainability as a business strategy in the banking industry.

1.1. Research problems:

Although, there is an increasing global pressure toward adopting sustainability in the banking sector, the adoption and reporting of sustainability in the Egyptian banking sector still at a low level and needs to be improved. Up till now, Egypt does not issue its own sustainable banking principles. In addition only few banks who publish the sustainability reports in the Egyptian banking sector. The problem of this research is to shed the light on one of the most recent topics related to sustainable development, which is the sustainability in the banking sector. It attempts to explore the importance of the banking sector and why it is unique and deserves a separate discussion. In addition to demonstrating the significant role which the banking sector can provide in supporting our planet's the sustainable development, as well as, exploring the potential benefits which sustainable banks can get from adopting for the sustainability issue.

As well, the research problem is to provide a model that commercial banks can refer to achieve sustainable banking in the Egyptian banking sector in order to make this sector strong, reliable, and resistant to financial shocks. Moreover, the problem of this research stems also from the gap in the sustainability disclosure in the banking sector in Egypt. Besides, the problem of this research is to examine the effect of listing in the Egyptian stock of exchange, foreign banks, and the bank’s characteristics in terms of bank’s size and profitability on the quality of sustainability disclosure.

Accordingly, this research attempts to answer the following questions:

1. Why sustainability in the banking sector is unique and deserves a separate discussion?

2. What is the role which the banking sector can provide in supporting our planet's sustainable development?
3. What are the benefits which sustainable banks can get from adopting for the sustainability issue?
4. What is the model that commercial banks can refer to achieve sustainable banking?
5. Is there a gap in the sustainability disclosure in the banking sector in Egypt?
6. To what extent do banks provide sustainability disclosure in each dimension of sustainability in the banking sector in Egypt?
7. Do foreign banks provide a high level of sustainability disclosure in the banking sector in Egypt?
8. Is listing in the Egyptian stock of exchange improve the quality of sustainability disclosures?
9. Does the size of the bank affect the quality of sustainability disclosures in the banking sector in Egypt?
10. Does the profitability of the bank affect the quality of sustainability disclosures in the banking sector in Egypt?

1.2. Research objectives:

This research aims at enriching the accounting literature with an important issue of sustainability in the banking sector, which is characterized by scarcity. This research aims at filling this gap. In addition, the main objective of this research is to illustrate the importance of sustainable banks issue, through reviewing the current literature and designing a framework for sustainable banking that support the application of sustainability in the Egyptian banking sector in order to be able to meet the expectations of their clients, the market, and the society as a whole.

Besides, the objective of this research is to test whether there is a gap in the sustainability disclosures in the banking sector in Egypt. It aims to examine the level and the quality of sustainability disclosures in the banking sector in Egypt. It also aims to examine the effect of listing in the Egyptian stock of exchange, foreign banks, and the bank’s operating characteristics particularly in terms of bank’s size and profitability on the quality of sustainability disclosure.

1.3. Research importance:

The importance of this research stems from addressing one of the most important issues at the current time. The research problem is of considerable attention in recent years on various international levels. Recently, Sustainable development is one of the key issues in this century and at the same time a problem that needs solution as soon as possible. Besides, the importance of this research stems from the importance of the banking sector. In addition, the importance of this research stems from obtaining a frame work for sustainable banking for which the Egyptian banking sector can refer to support the application of sustainability in this sector and this will lead to a better understanding of sustainability for the Egyptian banking sector and will help in developing a new sustainability performance for this sector.

In addition, the importance of this research stems from analyzing the current sustainability disclosure in the banking sector in Egypt to determine whether there is a gap in the existing sustainability disclosures and the quality of the current sustainability disclosures in the banking sector in Egypt. However, the question is why the banking sector is important and why it is chosen for this research? Simply, Why Banks?

Actually the banking sector is considered special. The banking sector provides a unique subject for conducting research on sustainability issue for the following key reasons:

First: After the last financial crisis, the banking industry received more attention than ordinarily would have. It is passing through one of the most challenging times in its history around the globe and needs to change. Second: The banking sector has a significant role to play in our planet's future sustainability. Sustainable banking is considered as one of the key tools of ensuring sustainable development because it is an important driver for all other sectors in the economy. Third: commercial banks play an important role in supporting the sustainable development by supplying the required funds needed to achieve it. This sector is a critical channel through which we can direct capital to more sustainable economic activities. Fourth: there is a current global pressure toward integrating the sustainability concerns into the banking sector. The global vision is to make sustainable banks a part of the solution to enforce the sustainable development. Fifth: The banking sector stability has a large profound effect on the economy as a whole. Thus, governments usually have a particular interest in the stability of the banking sector.

The importance of research stems from:

1. The scarcity of research in the field of sustainable development in general and in bank sustainability in particular.
2. Directing the attention of researchers to the importance of the banking sector and to its role in achieving sustainable development.
3. Providing a framework for sustainable banks that support the application of sustainability in the banking sector.
4. The need to improve the soundness of the Egyptian banking sector and to achieve a strong, reliable, and sustainable banking sector which will be resistant to financial shocks.
5. Analyzing the level and the quality of sustainability disclosures in the banking sector in Egypt.
6. Analyzing the effect of the foreign ownership on the quality of sustainability disclosure.
7. Analyzing the effect of listing on the Egyptian stock of exchange on the quality of sustainability disclosure.
8. Analyzing the effect of the bank's operating characteristics particularly the bank's size and profitability on the quality of sustainability disclosure.

1.4. Research methodology:

This Research reviews the literature related to the sustainability issue particularly in the banking sector. Then, the research concludes the determinants of sustainability in the banking sector and to develop the framework of sustainable banking. As well, the research uses the content analysis for assessing the level, nature, and quality of sustainability reporting disclosures of banks to determine whether there is a gap in the sustainability reporting in the banking Sector in Egypt.

1.5. Research plan:

The rest of this research is organized as follows: ***section two*** presents a background of sustainability in the banking sector. It defines sustainability and sustainable banking. Besides, it illustrates the four stages of banks towards the sustainability issue. ***Section three*** presents the important voluntary sustainable banks guidelines issued by international organizations. ***Section four*** demonstrates the pillars of sustainability and what banks have to do in each dimension to achieve good banking performance. ***Section five*** demonstrates the role of banks in supporting the real economy and the sustainable development. ***Section six*** presents the sustainable banking on the practical level and its associated benefits. ***Section seven*** presents a framework that commercial banks should refer to achieve sustainability in the Egyptian banking sector. ***Section eight*** indicates the sustainability reporting practices in accordance to GRI sustainability indicators. ***Section nine*** presents the design of the empirical study and its results. Finally, ***section ten*** presents the research conclusions and recommendations.

2. Background of sustainability in the banking sector:

This section presents the last financial crisis and how it leads to the urgent demand for sustainable banks. It emphasizes the importance of the sustainability issue and how it currently becomes a major challenge for traditional banks. In addition, it presents a background of sustainability in the banking sector. Besides, it also illustrates the banks' stages towards the sustainability issue.

2.1. The recent financial crisis and the urgent demand for sustainable banks:

The recent financial crisis of 2007–2008, which was known as the Global financial crisis is considered to be the worst financial crisis since the Great Depression of the 1930s. This crisis played a significant role in the failure of many businesses. It also threatened the total collapse of large financial institutions and caused a global recession and downturn in the economic activities during 2008–2012.

At the present time, the financial industry around the globe is passing through one of the most challenging times in its history. There are a lot of troubled banks and some of the world's major financial institutions disappeared from the market over the last few years. In addition, the competition in the financial industry is increasing and, regulators, policy makers, customers and the whole society are demanding more reliable, responsible, and sustainable banking sector(Global sustainable finance network, 2012).

As a matter of fact, the banking crisis is not a stand-alone phenomenon as crisis in other sectors may also have the potential to severely disrupt the banking sector and the economy as a whole. Energy, natural resources shortages, climate change, global warming, depleting oil, gas and other natural deposits, drought and flooding and other natural and human made environmental disasters are resulting in increasingly hard economic and market implications for all the sectors of the economy. In reality, other social and environmental crises have significant ability to cause future negative shocks to the banking sector (Earhart et al., 2009, Courtice et al., 2014).

The last financial crisis shed the light on the unsustainable banking problem. It demonstrated that the financial industry is not only a part of the problem but even at the origin of the problem of instability and unsustainable economies. In reality, banks accepted their share of the blame for the market shock and the global economic downturn that followed. They accepted that there was too much irresponsible lending to businesses and individuals who could not afford to repay their debts. Besides; they also accepted that many banks placed too much focus on risky products that few people and even bankers who traded them really understood. In reality, governments in both North America and Europe have so far committed over $4 trillion to support the banking sector and save the global financial industry (Earhart et al., 2009).

Currently, after emerging from the last financial crisis it is the time when the change is required. Before the crisis, the need to change was less obvious, and during the crisis the focus was on re-stabilizing the financial system and to avoid further damage on the real economy. Now, it is a time when it is clear that the financial system is not fulfilling its main purpose, and there is a need for deeper change. It is essential for the banking industry to regain and build trust that was shaken by the recent global financial crisis (UN, 2010).

As a response, the Basel Committee on Global Banking Supervision learned the lessons and issued Basel III in December 2010. But it causes a lot of argument because the ideas of sustainability and a green economy are not taken explicit attention at this level. Although they should become an integral part of a global response to the financial crisis, in order to prevent its recurrence, while leading towards a sustainable pattern for the financial sector (Basel, 2010).

Sustainability is now increasingly recognized as essential to the growth of any economy. There is a demand for greater social and environmental responsibility as well as a new landscape of business opportunity. The banking sector should contribute to sustainable development and value creation in economic, environmental and social aspects. The idea to integrate sustainability concerns into the banking sector is driven by the vision to make it part of the solution. This solution should be a stable financial system serving a sustainable development to mankind on earth. In other words, the banking sector has to ensure and improve economic efficiency, prosperity, and economic competitiveness both today and in the long-term, while contributing to and protecting the environmental systems, and enhancing the social well-being. However, the question now is how is the banking industry responding to the sustainability challenge?

2.2. The history of sustainable development in the banking industry:

The history of sustainable development in the banking industry can be traced to the modern world. Actually, the banking industry was late to respond to the sustainability issue. The banking sector was slower start than other sectors to acknowledge sustainability as an item on its agenda. Until recently, most commercial banks did not consider environmental and social concerns to be particularly relevant to their operations (Hoijtink, 2005). Basically, this leads us to another important question which is: what are the factors which hinders banks from the achievement of sustainable development? In fact, there are a number of factors or motives which hinders banks from the achievement of sustainable development. These factors are as follows:

First: In reality, the banking sector did not see itself as environmental polluters as other sectors. Bankers generally consider themselves to be a relatively environmentally friendly industry in terms of emissions and pollution. From the first sight sustainable development as a concept might seem strange for financial sector as this sector does not produce something tangible, it only provides services (Hoijtink, 2005).

Second, bankers do not like to interfere in their client's activities. Empirical research from 1990 concluded that banks were not interested in their own environmental situation nor the environmental situation of their clients. A stated reason for this is that such an examination would require interference with their client's activities (Jeucken, 2002).
Third: banks usually wants to maximize their profits and accordingly they look for investments with the highest rate of return, while the investments that take into account the environmental side-effects usually have a lower rate of return. It is therefore the case that sustainable investments are unlikely to find sufficient funding within the current financial markets (Jeucken and Bouma, 1999).
Fourth: banks prefer short-term payback periods, while many investments necessary for achieving sustainability must be long term (Jeucken and Bouma, 1999).
Fifth: The costs and complexity of preparing sustainability reports are huge (Hoijtink, 2005).

However, this situation is now changing. There are important driving forces for banks to integrate sustainability in their day-to-day business policies, but the question is: what are the driving forces for the banking sector to adopt sustainability as a business strategy for banks.

2.3. Driving forces for the banking sector to take action:

There a number of driving forces for banks to integrate sustainability in their day-to-day business and policies. These driving forces are:

The first driving force is the new environmental legislation: There is a growing awareness in the financial sector that environment brings risks and opportunities for banks. The US government initiated the 'Comprehensive Environmental Response, Compensation and Liability Act' (CERCLA) in 1980. According to this act the bank was held responsible for the environmental pollution of its client. Banks could, under CERCLA, be held directly responsible for the environmental pollution of clients and obliged to pay remediation costs. Accordingly, banks are made liable for the environmental pollution of their clients so the risks of customers are also the banks' risks. If the continuity of a customer is threatened by new environmental legislation, the continuity of the bank will also be affected (Bowman, 2010, Jeucken and Bouma, 1999). Some banks even went bankrupt under this scheme. Due to their potential exposure to risk, banks have begun to examine the environmental performance of their clients. American banks became the first to consider their environmental policies, particularly with regard to credit risks. European banks were not exposed to these liabilities and only began to develop policies toward environmental issues during the mid-1990s. Their focus was less on risk assessment and their focus was on the development of new products as the environmentally friendly investment funds (Jeucken, 2002).

In fact, this major shift happened when bankers realized that the poor environmental performance of their clients represented a threat to their business success. Today, commercial banks agree that financiers bear the significant responsibility for the environmental and social impacts of the operations they finance.

The second driving force is the social pressures: Principally, the banking sector’s emerging recognition of the sustainability issue is driven by the social pressures. This pressure is more than regulations and laws in terms of enforcement. It is a pressure from the society to the bank to behave in a manner acceptable to them and to punish those who do not. We account for social pressure, as banks are judged by the market for their actions and can potentially suffer reputational damage; also banks fear to be excluded in the future.

Unfortunately the banking sector, in too many cases, have unfairly benefited at the expense of communities and the environment. In 2000, environmental organizations such as Friends of the Earth (FoE) and the Rainforest Action Network (RAN) challenged the industry with high-profile campaigns that highlighted cases in which commercial banks were “bankrolling disasters”. In 2002, a global coalition of non-governmental organizations came together to promote sustainable finance in the commercial sector. This informal network subsequently evolved into BankTrack, whose vision for a sustainable finance sector was expressed in the Collevecchio Declaration in 2003. Now for more than 200 organizations, the Collevecchio Declaration becomes the benchmark by which civil society will measure the banking sector’s commitment towards the sustainable development (WWF & BankTrack, 2006). Accordingly, the civil society is questioning the banking sector’s accountability and responsibility, and challenging the banking services sector's social license to operate (Kane et al., 2014, PWC, 2012).

Under this general global trend toward sustainable development in the banking sector, this sector can and must play a positive role in advancing environmental and social sustainability. Although the banking sector has been late to respond to the sustainability issue; however banks play a critical role in promoting sustainable development. The role of banks in contributing toward sustainable development is significant because of their intermediary role in an economy. As well, this sector is an important driver for all other sectors in the economy, also it is a critical channel through which we can direct financial capital to more sustainable economic activities and can influence the speed and direction of the economic growth of nations.

2.4. Definition of Sustainable development:

Sustainable development is a concept that for many people means taking care of the environment. However, it actually includes more. The United Nations World Commission on Environment and Development defines sustainable development as the development that meets the needs of the present without affecting the ability of future generations to meet their own needs. It identifies the basic aspects of sustainable development as including economic development, social development, and environmental protection (United Nations, 1987).

Another definition of sustainable development: is a process of development which leaves at least the same amount of capital and natural resources to the future generation as the current generation has access to. This makes it clear that sustainable development is about capital allocation and thus should be at the core of financial markets. Commercial banks provide financial capital with the aim that this capital should be increased or at least should be maintained (Delphi and Ecologic, 1997). However, there is a clear distinction between the financial capital and the comprehensive understanding of capital in sustainable development. Sustainable capital focuses on the financial capital, the natural capital, and the society as a whole.

As noted from the previous definitions decision making should be based on three issues namely; economic, environmental and social values and that the needs of future generations should not be neglected. Nowadays, sustainable development becomes one of the most important topics and it becomes the source of debate over financial markets and the environment. Sustainability is important because all the choices we select and all the actions that we make today will affect everything in the future. Therefore, we need to make sound decisions at the present in order to avoid limiting the choices of the future generations.

Currently, sustainability becomes a necessity for the financial sector. It becomes a challenge for the financial sector. Traditional banks must participate in the trend toward sustainability. The opportunity for banks to contribute to the sustainable development is potentially profound. Besides, sustainability will help them to enhance their reputation, brand name and to regain their lost trust and confidence, as well as to compete in highly competitive banking.

2.5. Definition of Sustainable bank:

The question now is what is meant by sustainable banking? It is a philosophy that support the bank's commercial activities must not only benefit its staff and shareholders, but also its customers and the wider economy, while at the same time preventing, or at least minimizing, any undesired effects on the society and the natural environment. It also requires banks to be proactive and take steps to improve the society and the environment. Sustainability is about ensuring long-term business success while contributing toward economic and social development, a sound environment, and a stable society (International Finance Corporation, 2007).

Basically, sustainability in the financial sector is increasingly understood as the creation of not just an economic value but also long term environmental and social value for a wide range of stakeholders including shareholders, employees, customers, suppliers, communities, and public-sector partners, with particular consideration for the needs of future generations.

A sustainable bank can be defined as a decision by banks to provide its services only to customers who take into consideration the environmental and social impacts of their activities (International Finance Corporation, 2007). A sustainable bank represents a responsible bank which provides a wide range of banking services to support the real economy over the long-term. Basically, it is the bank that concerned with the social and environmental impacts of its investments and at the same time supports the productive economic activities.

A sustainable bank is a part of a societal movement, called "Banktivism," which calls for a move towards more social and environmental responsibility in the financial sector. This movement includes: ethical investment and socially responsible investment. Currently, this movement known as Banktivism, is being taught and supported within university business schools across the world. The most distinctive characteristic that distinguish sustainable banks from other traditional banks is that sustainable banks ensure the transparency , social and environmental goals of the projects they finance. These banks concern with the actions taken by the businesses they lend money to them. This means that presenting sustainability for banks would require inspection and interference in the activities of the banks' clients.

2.6. Banks' Stages towards Sustainability:

To understand the actions that banks are taking towards sustainability, we will identify the following four stages: the defensive, the preventative, the offensive and the sustainable stage (Jeucken and Bouma, 1999). Each bank will normally go through all of these stages. Basically, banks are moving from defensive banking, where management of social and environmental impacts is seen as an additional cost to sustainable banking, and sustainable development is seen as an advantage and an opportunity for growth (International Finance Corporation, 2007).

The first stage is **the defensive banking**. In this stage, a bank is non-active and may even try to delay or oppose new environmental legislation, because it may affect the interests of the bank indirectly through the reduction in the profitability of its customers. Opportunities from cost savings such as energy efficiency are not taken up. At this stage, the environmental management is seen as an avoidable cost (Jeucken and Bouma, 1999).

The second stage is **the preventative banking.** This stage proceeds from the previous stage, because potential environmental cost savings are actively taken place. Preventative banking is in some ways inevitable because the government and the society will put constraints on the activities of banks, through legislation and social pressure. Preventative banks will integrate the potential revenues, costs and risks into their day-to-day business. However, banks at this stage will only consider their internal processes such as environmental management and credit risk assessment (Jeucken and Bouma, 1999).

Banks in the third stage of **offensive banking** consider their external activities in addition to the internal activities. In other words, they are also developing and marketing environmentally friendly products. Examples include the development of environmental investment funds and the financing of sustainable energy. Banks will also report on their environmental activities. The attitude can be named as proactive, creative and innovative. Offensive banks are continuously looking for win–win solutions (Jeucken and Bouma, 1999).

In the fourth stage of **sustainable banking**, win–win solutions are involved, the bank philosophy also fosters projects at a higher risk, lower rate of return and longer payback periods. The bank does not look for the highest financial rate of return, but for the highest sustainable rate of return, while being profitable in the long run. Such banks require their shareholders to have the same vision (Jeucken and Bouma, 1999).

3. Principles of Sustainable Banking:

As long as there are no bank guidelines on sustainability aspects, the bank's lending committee is generally applying the neutrality rule, excluding ethical, social and environmental considerations from the bankers' decision making. In reality however, money is not neutral and it involves responsibilities to do. Currently, the question is no longer whether commercial banks should address the sustainable development aspects of the activities they support, but how they should do it? what substantive standards should they apply? How should they implement and report them? The following are some selected principles of sustainable banking which are the Global Alliance for Banking on Values principles of sustainable banking, the Collevecchio Declaration on financial institutions and sustainability, and the Equator principles. A brief summary of these principles is given below:

3.1. The Global Alliance for Banking on Values (GABV) principles of sustainable banking:

The GABV issued a set of principles of which sustainable banks could be defined and monitored. The GABV believes that these principles should become universally accepted principles of banking which meet the true needs of the society, the economy and communities. A summary of these principles are as follows (GABV, 2012):

1. **Triple bottom line approach at the heart of the business model:** Generating reasonable profit is recognized as an essential requirement of sustainable banking but is not a stand-alone objective. Sustainable banks focus at the same time on people, planet and prosperity. Their services should be developed to meet the needs of people and safeguard the environment as well as generating reasonable profit.
2. **Grounded in communities, serving the real economy and enabling new business to meet their needs:** Banks should serve the communities in which they work. They should meet the financial needs of these communities by financing their sustainable enterprise.
3. **Long-term relationships with clients and a direct understanding of their economic activities and the risks involved:** Sustainable banks establish strong relationships with their clients and are directly involved in understanding and analyzing their economic activities and assisting them to become more sustainable themselves.
4. **Long-term, self-sustaining, and resistant to outside disruptions:** Sustainable banks adopt a long-term perspective to make sure they can maintain their operations and be resistant in the face of external disruptions.
5. **Transparent and inclusive governance:** Banks should maintain a high degree of transparency and inclusiveness in governance and reporting. Inclusiveness means an active relationship with a bank's extended stakeholder community and not only its shareholders.
6. **All of these principles included in the culture of the bank:** Sustainable banks seek to insert these principles in the culture of their banks so that they are routinely used in decision-making at all levels. However, the process of inserting these values requires banks to develop policies that reflect their values-based approach and to have reporting frameworks to demonstrate their financial and non-financial impact.

3.2. The Collevecchio Declaration on Financial Institutions and Sustainability:

In 2003, the Collevecchio Declaration endorsed by over 200 civil society organizations, calls on the financial sector to embrace six commitments, and take immediate steps to implement them as a way for financial institutions to retain their social license to operate. These commitments reflect civil society's expectations of the role and responsibilities of the financial services sector in fostering sustainability. These six commitments are as follows (Friends of the Earth 2003, Gelder, 2006):

1. **Commitment to Sustainability:** The financial services sector must expand their missions from ones that prioritize profit maximization to a vision of social and environmental sustainability.
2. **Commitment to 'Do No Harm':** The financial services sector should commit to do no harm by preventing and minimizing the environmentally and socially harmful impacts of their portfolios and their operations.
3. **Commitment to Responsibility:** The financial sector should bear the full responsibility for the environmental and social impacts of their transactions. The financial sector must also pay their full and fair share of the risks they accept and create.
4. **Commitment to Accountability:** The financial services sector must be accountable to their stakeholders, particularly those that are affected by the companies and activities they finance.
5. **Commitment to Transparency:** The financial sector must be transparent to stakeholders, not only through regular disclosure, but also by being responsive to stakeholder needs for specialized information on their policies, procedures and transactions.
6. **Commitment to Sustainable Markets and Governance:** The financial sector should ensure that markets are more capable of fostering sustainability by actively supporting public policy, regulatory and market mechanisms which facilitate sustainability.

3.3. The Equator Principles – a financial industry benchmark:

In addition, the Equator Principles are a set of voluntary environmental guidelines which provide a framework for banks to evaluate the environmental and social impacts and risks associated with projects they finance with large scale developmental projects which their capital costs of $10 million or more. The Principles are based on the International Finance Corporation's (IFC's) environmental and social safeguard policies. The Equator Principles Financing Institutions will only provide loans to projects that conform to its principles. A summary of these principles is given below (The Equator Principles Association, 2013):

1. **Review and Categorization:** When a project is proposed for financing, the Equator Principles will categorize such project based on the magnitude of its potential impacts in accordance with the environmental and social screening criteria of the International Finance Corporation (IFC). Based on the IFC's screening criteria, the projects are categorized in A (potentially significant adverse impact), B (potentially limited adverse impact), C (minimal adverse impacts).

2. **Environmental and Social Assessment**: For each project assessed as being either Category A or Category B, the borrower will be required to conduct a social and environmental assessment process to address the relevant social and environmental impacts of the proposed project. The Assessment should propose measures to minimize and mitigate adverse impacts of the proposed Project.
3. **Applicable Social and Environmental Standards:** The Assessment process should address compliance with relevant host country laws and documents that pertain to social and environmental matters.
4. **Action Plan and Management System**: For all Category A and B projects, the borrower has to prepare an Action Plan which addresses the relevant findings, and draws on the conclusions of the Assessment. The Action Plan will describe and prioritize the actions needed to implement mitigation measures, corrective actions and monitoring measures necessary to manage the impacts and risks identified in the Assessment.
5. **Stakeholder Engagement:** For category A and B projects, the Equator Principles require the client to demonstrate effective stakeholder engagement in an appropriate manner with Affected Communities. For Projects with potentially significant adverse impacts on affected communities, the client will conduct an Informed Consultation process. The client will adapt its consultation process to: the risks and impacts of the Project; the Project's phase of development; the language preferences of the Affected Communities; their decision-making processes; and the needs of disadvantaged groups.
6. **Grievance Mechanism:** For all Category A and B Projects, the Equator Principles require the client to establish a mechanism designed to receive the complaints about the Project's environmental and social performance.
7. **Independent Review**: For all Category A projects and B projects, an independent expert not directly associated with the borrower will review the Assessment, Action plan and consultation process documentation in order to assess the Equator Principles compliance.
8. **Covenants**: An important strength of the Equator Principles is the incorporation of covenants linked to compliance. For all Projects, the client will covenant in the financing documentation to comply with all relevant host country environmental and social laws in all material respects.
9. **Independent Monitoring and Reporting:** To assess the project compliance with the Equator Principles and ensure ongoing monitoring and reporting over the life of the loan.
10. **Reporting and Transparency:** The following client reporting requirements are: a summary is accessible and available online and a publicly report the emission levels during the operational phase for Projects emitting over 100,000 tons of CO.

4. Banks' Challenges in each Pillar of Sustainability:

This section illustrates the three pillars of sustainability and what banks have to do in each dimension to achieve good banking performance and successes.

From the defintion of sustainability issued by the International Finance Corporation which defines it as ensuring long-term business success while contributing toward economic and social development, a healthy environment, and a stable society, we find that a sustainability issue includes three dimensions which are economic, social and environmental dimensions as demonstrated by figure (1):

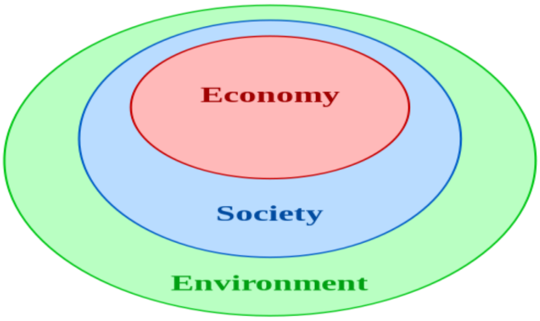


Figure (1): A diagram indicating the relationship between the three pillars of sustainability, in which both economy and society are constrained by environmental limits.

Actually, the challenges are evident for the banking sector in each dimension of sustainability. These challenges have to be met in order to make relevant contributions towards achieving a stable financial sector. The following section presents a brief overview of what banks have to do in each dimension of sustainability to achieve good banking performance and successes:

4.1. The social dimension:

The social dimension relates to the role of the banks in the society. It concerns with the bank's contribution to the society in return for its license to operate in it. Commercial banks rely on social license to operate which is at risk when banks create negative externalities and erode confidence and trust. In fact, banks are blamed for the financial crisis in 2008 and banks have been criticized for their risky lending practices and for their reliance on the government funds for their unethical behavior. In reality, after this crisis and the subsequent loss of confidence, banks need to rebuild its reputation and trust in the society.

Banks can achieve social sustainability in two ways: first; a bank needs to manage the impact of its activities on the society by removing or at least reducing any negative impacts it may have. Second, a bank needs to take positive steps to help communities through improved living standards, poverty reduction, concern for the welfare of communities, respect for key human rights in its employment practices, fund raising and offering charitable giving (Sim and Imeson, 2010).

The first part which is related to managing the negative impact of its activities on the society requires a bank to create a set of ethical lending principles that must be followed to ensure that it is a responsible provider of financial services to customers. That is to say that bank finance customers' activities that do not harm the others (Sim and Imeson, 2010). The second part which concerns with taking positive steps to help their communities involves many things such as employment policies that ensure that the staff come from different backgrounds, in terms of gender, and religion; investing in communities by making donations, providing loans and giving other assistance to charities; extending credit to low income populations in addition to micro-finance (Sim and Imeson, 2010).

In fact, micro-finance is a service related to the social aspect of sustainable finance. Micro-finance is a methodology of banking to help the under banked people who are the people without access to finance. It contributes to poverty alleviation through micro lending for the poor in order to be able to succeed in performing income generating activities (De Clerk, 2010). A significant driver for microfinance was the Nobel Peace Prize for the founder of Grameen Bank Muhammad Yunus. Grameen is a well known microfinance institutions. It operates in Bangladesh and uses financial services like micro-loans to reduce poverty. It tries to serve the part of the people that are under-banked and do not have access to financial services. Microcredit and other products should help borrowers to be able to make their own living and to leave the dependency from charity and donations (Weber, 2013).

4.2. The Environmental Dimension:

This dimension concerns with the impact banks cause on the environment either through the use of non-renewable natural resources as input to their factor of production or through harmful releases in the environment such as water pollution and waste disposal. In reality, commercial banks do not directly depend on natural resources for revenue generation nor does it engage in activities that have a direct impact on the environment. Even the consumption of energy to operate its offices contributes to negative externalities however this issue does not meet materiality for commercial banks (Kane et al., 2014).

Actually, banks can achieve environmental sustainability through two ways: First, banks can achieve environmental sustainability through the preservation of the natural resources. They have recycling programs to reduce waste paper and plastic in offices; energy saving that reduces their buildings' fossil fuel usage and thereby conserving natural resources. Also, banks want to minimize any negative impact their activities may have on the environment and if it is possible they want to ensure that their activities have no negative impact at all. Banks want to become climate-friendly and mitigating the impact of a bank's activities on the climate. This may be done through reducing the pollution through reducing the energy use to minimize carbon emissions and other gases.

Second, banks can achieve environmental sustainability through protecting the environment from the actions of the others. Banks can apply strict lending principles that consider the impact a potential project may have on the environment. Banks can protect the environment by refusing to lend to businesses whose actions cause unacceptable harm to the environment and encouraging lending to and investing in businesses whose actions are appropriate and protect the environment (Delphi international LTD and Ecologic GMBH, 1997). This includes lending to, and investing in: renewable energy and low-carbon energy producers; manufacturers of energy saving equipment and waste and pollution control companies.

4.3. The Economic Dimension:

Earlier, the logic behind the financial sector is only one dimensional which is the economic dimension. Under the traditional banking, the main objective is the maximization of financial profits (Pisano et al., 2012). Especially, the main focus is on the bottom line which refers to either a bank's profit or loss which is recorded at the bottom line on a statement of revenue and expenses. This is related to a very short time frame in which the achievement of short-term profits or immediate gain as close as possible to the present time. Since, it is true that higher risk leads to higher profit, this leads to the possibility that individuals in the financial sector who are interested in larger profits might lose their ability to assess risks. If someone is not a risk averse, he will accept the possibility of losing the investment for a larger return.

Regarding the sustainability concept, it includes a longer term financial dimension. Sustainable banking does not look for the highest financial rate of return but to the highest sustainable rate of return, while being profitable at the end. Generating reasonable profit is recognized as an essential requirement of sustainable banking but is not a stand-alone objective. Looking at the bigger picture, a bank's activities should contribute to overall economic growth and stability, with minimal negative impact on the environment or society. Sustainable banking requires an understanding of the triple bottom line. The triple bottom line adds two more bottom lines which are the social and environmental concerns. According to the triple bottom line the economic achievement alone is not enough, because environmental protection and social stability must also be taken into consideration (Sim and Imeson, 2010).

Sustainable banking aims at balancing the three different sustainable dimensions; the economic prosperity, the environmental protection, and the social justice together. The most important aspect of a bank's sustainability is managing the impact of its services and customer relationships on the financial sector, on the environment, and on the society as a whole. A bank must give customers what they want fairly, responsibly and transparently. At the same time, it must provide good working conditions for staff and deliver profitable growth for shareholders with minimal negative impact on the environment or society. Moreover, sustainable banking contributes to the growth of the real economy as it provides a broad range of banking services to support the real economy over the long-term.

5- The role of banks in supporting the real economy and the sustainable development:

This section illustrates the importance of the banking sector to the real economy and how sustainable banking is a mean to achieve growth in the real economy, as well as, it demonstrates the role of banks in supporting sustainable development and indicates that banks can practically support the sustainable development in a number of ways.

5.1. The role of sustainable banks in supporting the real economy:

Sustainable banking is a mean to achieve growth in the real economy. An efficient financial sector is essential to a well-functioning economy. It serves to improve the efficiency of the economy and to increase its productivity (Pisano et al., 2012). The banking sector is uniquely positioned to further economic growth and development through its lending and investment activities. Actually, the role of the financial sector in the economy is to provide the necessary financing and liquidity for economic activity to flourish not only today but also tomorrow. That is its role is to fund a stable and sustainable economy. The financial sector should avoid the excessive risks that would threaten the stability of the financial system and therefore endanger the stability and sustainability of the economy as a whole.

Although there is a close and mutual relationship between the financial sector and the real economy, the influence of the financial sector on the real economy is indirect and complex. Basically, what distinguishes financial institutions from other firms is the relatively small share of real assets on their balance sheets. Thus, the direct impact of financial institutions on the real economy is relatively minor. However, the indirect impact of financial institutions on the economic performance is extraordinarily important (Klein, 2007).

In fact, the financial system plays a significant role to facilitate and sustain the growth and development in the real economy. Actually, the most important aspect is how the financial sector allocates capital in the real economy. This will help in determining the type of future that we will get. Capital can activate economic growth. Countries with better functioning banks are more likely to accelerate their growth steps as better functioning banks ease and provide the necessary finance for firms and industrial expansions. Sufficient capital is the basic prerequisite for enabling economic processes. Sustainable development is impossible without the availability of adequate capital. Furthermore, the operations of the sustainable banks are devoted to areas providing real economic growth, by financing only those businesses and projects that provide services and products that people need.

Another important role of the financial sector is linked to the risk feature. The most important services that financial markets provide to the real economy are namely managing risks, avoiding high losses, and allowing smoother operations. Sustainable banks adopt sound and effective risk management and avoid excessive risk-taking behavior. Since, it is true that higher risk leads to higher profit. This leads to the possibility that individuals in the financial sector who are interested by larger profits accept high risky projects and accept the possibility of losing the investment for a larger return which will lead to more and more financial crises again. Integrate sustainability considerations into bank's practices leads to better risk management. Sustainable banks adopt sound and effective risk management and avoid excessive risk-taking behavior which leads to managing risks, avoiding high losses, and allowing smoother operations.

Further, sustainable banking can stimulate the economic growth as it delivers positive development impacts on the society whereas protecting the communities and environments, in which it operate as well as it offers several new business opportunities to the bank and enhances banks' innovation and competitiveness. Sustainable banking focuses on driving long-term sustainable growth while focusing on development priorities, safeguarding the environment and the community, and delivering measurable benefits to society and the real economy (The Central bank of Nigeria, 2012).

5.2. The role of banks in supporting sustainable development:

In fact, banks play a significant role in supporting the sustainable development. Banks can support sustainability in two ways: first: A bank can manage the impact of its activities by removing or at least mitigating any negative impacts it may have on their community. However, it is not enough that banks just avoid doing harm but they need to take positive steps to help their communities. In fact, banks can actively use finance to do well. On the practical level, commercial banks interact with the environment in a number of ways:

First, commercial banks play an intermediary role in the economy. Because of this role, the possibility for banks to contribute to sustainable development is potentially profound. Through their intermediary role, banks may be able to support progress toward sustainability for the society as a whole (Jeucken, 2004). Commercial banks can exercise considerable influence over the businesses they finance which could be brought for the benefit of the environment, but how this can happen?

Actually, commercial banks can reinforce sustainability by adopting a 'carrot-and-stick' approach, where commercial banks can financially reward projects with socially and environmentally superior behavior with a lower cost of capital. On contrary, banks can financially penalizing projects with socially and environmentally bad performance through higher cost of capital. This may result, at least in a loss of profitability but certainly doesn't require a loss of continuity (Jeucken and Bouma, 1999). To illustrate, an investment in a factory that legally pollutes heavily and passes the cost burden to the society at large will have a higher rate of return than a factory that has invested in expensive technologies to eliminate that pollution. Banks will often reward the first company with a lower cost of capital or request for collateral. In the long run, an investment in the second factory would have been a better investment for the bank and for the society as a whole. By the time the first factory is opposed by legislation, greatly increased costs and even threats to its license to operate.

Second, commercial banks play an important role in supporting the sustainable development by supplying the funds needed to achieve it. In fact, considerable finance is needed to drive the transition to a green economy. On the practical level, achieving sustainable development will require substantial investment in renewable energy, green building and infrastructure, waste management, organic farming, eco- mobility. For example, the rich countries have committed US$100 billion per a year till 2020 to mobilize for climate change adaptation. The financial system is the means by which we can channel society's financial assets to the desired productive use. Sustainable banks will help in the transition of trillions of dollars of new investment annually, and the reallocation of many trillions of dollars that currently reinforce today's non-sustainable economy to financial assets that support and reinforce sustainable economies (United Nations Environment Program, 2014).

Third, commercial banks can support the sustainable development in their operations by the preservation of the natural resources. They have recycling programs to reduce waste paper and plastic in offices; energy saving that reduces their buildings' fuel usage and thereby conserving natural resources. Also, banks can reduce the pollution through reducing the energy use to minimize carbon emissions (Meena**,** 2013).

Fourth, commercial banks can play an important role in supporting the sustainable development by improving their sustainable behavior through presenting a set of new sustainable financial products and services. Sustainable banks allow customers to contribute to organizations that have positive societal or environmental impacts either in their local society or in developing countries.

6. Sustainable banking on the practical level and its benefits:

This section shows some examples of sustainable banks' products and services. Besides, in order to encourage the banking sector to adopt for sustainability; it mentions a list of several potential benefits which banks can get from adopting sustainability as a business strategy in the banking industry.

6.1. Sustainable banks' products and services:

Banks are trying to improve their sustainable behavior by providing customers with sustainable products and services. The variety of sustainable products and services are divided into two groups; Socially Responsible Investing and other sustainable products and services respectively, as mentioned below (Hoijtink, 2005):

6.1.1. Socially Responsible Investing:

Socially responsible investing is the biggest success for sustainability in the financial sector. It is also known as sustainable, socially conscious, or ethical investing. However, what is meant by it? In the literature socially responsible investing is defined in several ways. The Social Investment Forum in 2001 defines it as an investment process that considers the social and environmental consequences of investments, both positive and negative, within their financial analysis. The Global Impact Investing Network defines it as the investment made to organizations with the intention to generate a measurable, beneficial social or environmental impact along with a financial return. It is any investment strategy which seeks to consider the financial return, the environmental, and the social soundness. It aims to provide good financial returns for investors, while promoting sustainable development.

Socially responsible investing influences how bank managers should invest their portfolios. It encourages banks to finance corporate that its practices promote the environmental protection, consumer protection, and human rights and to avoid financing businesses that harm. Researchers criticize the narrow view of this concept as it sometimes narrowly refers to the practices that seek to avoid harm by screening companies included in an investment portfolio. Some researchers criticized this narrow view of doing only ***negative*** screening and considered it inadequate. However, they emphasized that the term has to be used more broadly to include more proactive practices to have ***a positive*** impact on the environment and on the community as a whole.

6.1.2. Other sustainable products and services:

Moreover, banks could also offer other sustainability products and services. The most expanded business opportunities for banks are in the three fast-growing areas of sustainable energy, cleaner production, and banking services to low-income groups. These products and services could be divided into five groups as follows (Hoijtink, 2005):

1. **Sustainability investments funds**: There are various sustainable investment funds that focus on a specific area, such as environmental funds, ethical funds, green funds, social funds, and innovation funds. Innovation funds are funds that are established to finance pioneering technologies, such as solar, water, and wind energy projects. A few examples of funds that various banks offer are; Wind Fund and Solar Fund, New Energy Basket in which clients can buy shares in projects that deal with renewable energy, e.g. wind, water, or solar.

2. **Micro credit**: Provision of micro credit is another service that many banks are providing during the last few years. Micro credit is described as small loans made to low income individuals to sustain self-employment or to start up very small businesses. Although, in practice such loans are quite small, amounting to a few thousand dollars, however, micro finance could help the poor people to come out of the poverty. In reality, provision of micro credit could solve problems regarding social exclusion. Banks have the ability to include people that are until now excluded from society by providing them with micro-credits. At the same time, those people excluded from the current financial sector may be a large potentially profitable market. Micro finance would give people bigger economic empowerment, increase sustainable incomes and integrate them in the financial market making them less dependent.

3. **Advice**: Banks can provide advice to companies that would like to increase their sustainability attitude level. Moreover, banks include environmental damage or recycling insurances in their offer such as reductions on car insurances for low polluting cars.

4. **Credit cards**: Additionally some banks offer credit cards with a green touch. These credit cards function as normal credit cards, only a percentage of the interest they have to pay will be donated to a charity organization. Examples of such cards are the World Nature Card from the Swedish bank and the WWF Visa Card of Royal Bank of Canada.

5**. Own charity organizations:** Finally many banks have created their own charity organization within the bank. These charity organizations, in many cases help the local community. Examples of such charity organization are the Social Initiatives Group of the Maybank Group Welfare Fund, BNP Paribas Foundation.

As we indicated above, the operations of the sustainable banks are devoted to areas providing real economic growth, by financing only those projects that provide services and products that people need.

6.2. Benefits of sustainable development for the banking industry:

In order to encourage the banking sector to adopt the sustainability as a business strategy for banks, this research presents a number of potential benefits of adopting sustainability in the banking sector. In reality, sustainability can bring many benefits to a bank's overall business performance. Given below is a brief summary of the resulting benefits for banks following a sustainability strategy (Hoijtink, 2005):

1. Sustainability will lead to stronger bank's reputation and better brand name. Being a part of the global environmental movement adds value to the bank's reputation besides the bank will be positively ranked.
2. Sustainability will lead to increase bank's profitability and higher banks' long-term returns as sustainability will help the bank to present new innovated financial solutions and products and generate more profits in new markets with new clients.
3. Sustainability will lead to increase the bank's market share in sustainability-driven sectors. The focus of the bank on increasing its market share on sustainable businesses that deliver social, environmental and cultural benefits.
4. Sustainability will lead to improve the bank's access to international financing; sustainable banks will have better access to capital from international financial organizations.
5. Sustainability will increase the bank's market value. Banks follow a sustainability strategy create long-term value for themselves, their shareholders and their clients.
6. Sustainability will increase the bank's competitive advantage. Banks increase their competitive advantage by following a sustainability strategy as sustainability will lead to a promotion of new innovation within the bank. This happens while the bank is searching for new solutions to integrate sustainable development in its operations and practices. This could result again into increased competitiveness.
7. Sustainability will lead to reduced risks for banks. Integrate sustainability considerations into bank's practices leads to better risk management. Sustainable banks adopt effective risk management and avoid excessive risk-taking behavior which leads to managing risks, avoiding high losses, and allowing smoother operations.
8. Sustainability will offer several new business opportunities to the bank. A growing group of these opportunities includes renewable energy, energy efficiency, cleaner production processes and technologies, and microfinance.
9. Sustainability will help the bank to obtain their consumer loyalty. Sustainable banks can establish strong and long-term relationships with their clients because of their understanding of their economic activities and the risks involved. Accordingly this will result in banks that are able to achieve higher levels of growth in loans and deposits which means higher growth in bank's assets and income.
10. Sustainability will help the bank to achieve cost saving because of paper recycling, reduction in energy usage, and better waste management.
11. Sustainability will help in improving the bank's image in the community, as well as, it will help the bank to improve its community relations.
12. Sustainability will help the bank to hire the best employees as good employees can usually choose between several banks to work for and they will choose for banks that take good care of their employees and their society at large.
13. Sustainability will help the banks to improve their own products and services. In addition, sustainability will help the banks to offer several innovative product and services in new areas related to sustainability. This involves creating financial products and services that support commercial development of products or activities with social and environmental benefits.
14. Sustainability will help the bank to avoid many of the impacts of the financial crisis. Sustainable banks will be resistant to the financial shock and will able to avoid the

worst impact of the crisis and maintain profitability derives from sustainable businesses that deliver explicit social, environmental and cultural benefits.

15. Sustainability will help the bank to improve the quality of the bank's portfolio. Social and environmental risk management improves the quality of a bank's portfolio. Banks can strengthen their portfolio by evaluating these risks in the loan or investment appraisal process. In this way, banks can focus on financing those projects with high environmental, social, and financial performance. Doing this, can help protecting their asset portfolio by decreasing nonperforming loans, thereby increasing financial stability and accordingly protecting their bank's reputation.

In addition, Statistical studies from the Global Alliance for Banking on Values which compared the financial profiles of sustainable banks with other unsustainable banks from 2007 to 2010 demonstrated a positive relation between the application of sustainability principles and the financial performance for the banking sector.

7. Toward a framework for sustainable banking in Egypt:

From the above illustration, we can conclude that sustainability has become something that the banking sector can no longer ignore. In order for the banking sector to remain competitive within the increasing competitive nature of financial market and to be successful, they should achieve sustainability. Sustainability becomes an essential element of competitive advantage as well as it is considered the only way for banks to guarantee a place in the future.

This research presents a suggested framework for sustainable banking in Egypt. This framework consists of nine basics for which the banks have to implement. The main aim of this framework is to be a guide to help the Egyptian banks who intend to improve their performance, try to include the interests of various stakeholders into their decision making, and become more sustainable operating organizations. The suggested Framework that commercial banks should refer to achieve sustainable banking is given below:

1- Redefining the Purpose of Business: Bank should re-define the purpose of their businesses in wider terms than financial objective as maximizing profitability and shareholder returns. The bank's purpose should emphasize environmental aspects such as caring and protecting the environment in addition to the social aspects such as maximizing all stakeholders' satisfaction of sustainability. Banks should consider that profits are an outcome of environmentally and socially sustainable activities.

2-Stakeholder view of the bank: The bank should not meet a shareholder objective at the expense of customers or communities. Stakeholders include shareholders, employees, consumers, competitors, government, environment, and media and so on. They affect the realization of the business goals, and commercial banks should make the maximum effort to balance and put in consideration the stakeholders' interests in aspect of social, cultural political, environmental, economic and technological values of a given society. According to this view the bank should treat the nature as a stakeholder. The banking organization should be managed for the benefit of all stakeholders and not prioritizing shareholders' expectations above other stakeholders. It is actually understood that if the bank help and improve the financial prospects of the communities within which the bank work by default it will enhance their own business in return because without them the bank will not have a business. The bank should know that successful customers, successful communities will create the successful bank by that sequence.

3-Developing a Sustainability Risk Assessment System: Banks should pay close attention to sustainability aspects in setting up the bank's credit and investing agreements. Banks should develop a sustainable credit score system which takes into consideration the sustainability aspects which are environmental and social risks of their clients in their appraisal. Regarding risk assessment; banks should incorporate the sustainability aspects into their lending decisions as well as they should integrate the sustainability considerations in their investment decisions.

4-Development of sustainable products: A bank should offer to its clients a range of bank's products and services related to sustainability. Banks should provide innovated financial products for environmental and social care; such as green home loan, organic agriculture loan, lower interest rate loans for financing fuel efficient and low emission vehicles, and lower interest rate loans for energy efficient plants.

5-Bank internal concerns: Banks attempt to reduce the environmental impact of their internal processes within the banking organization. With respect to the bank's internal environmental care; a formal Environmental Management Systems (EMS) can achieve this. The bank should increase the use of natural gas, reduction in electricity consumption such as lighting stops automatically when there is no movement in the workplace, reduction in paper use, recycling program, and waste management. With respect to the social issues, the bank should provide economic benefits to the bank's employees and society.

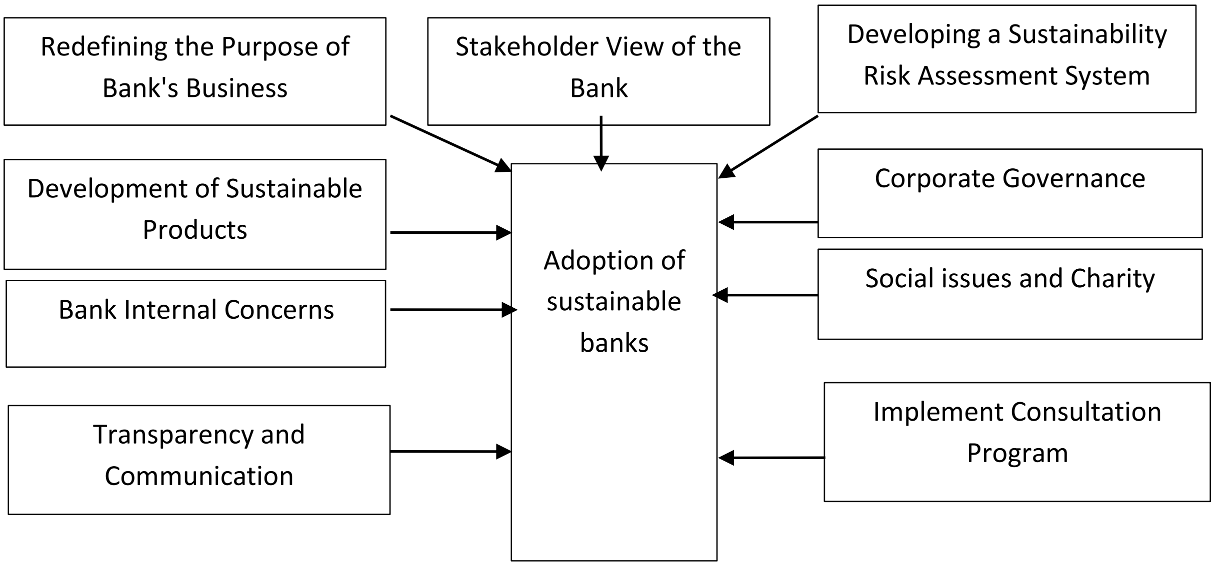
6-Transparency and communication: Communication should be vertical with the bank's stakeholders and horizontal across the bank firms. In fact, transparency is essential for sustainable banks. Banks should take into consideration the internal communication to inform the bank's employee, as well as the external communication through results publishing and dialogue with social associates. Banks should publish a sustainability report that measures environmental and social performance in addition to the financial reporting in its annual report.

7-**Corporate governance**: Sustainable banking requires good governance. Sustainable bank are characterized by adherence to rules, regulation and guidelines. This adherence of rules, regulation gives the bank an advantage in winning stakeholders trust. Accountability, transparence and compliance to corporate governance practices have given the bank an advantage of sustainability.

8-**Social issues and charity:** A bank should offer its own charity organization within the bank. This charity organization is aimed to help the local community. Adding, the bank may donate a percentage of the interest they will get to a charity organization. Besides, the bank should provide micro-credits which offer an economic way out of poverty to people who normally cannot obtain regular bank financing, by supplying them with very small-scale finance.

9-**Implement consultation program**: The bank should implement consultation program, in order to provide advice to the bank's clients that would like to increase their sustainability attitude level.

The suggested Framework model that commercial banks should refer to achieve sustainable banking is summarized in figure (2) below:



8. Bank sustainability reporting practices in accordance to GRI sustainability indicators:

Transparency about the sustainability of banks' activities is of great interest to a wide and diverse range of stakeholders, including business, employees, non-governmental organizations, investors, accountancy, and others. That is why a growing number of banks currently begun to publish different kinds of sustainability reports (KPMG, 2005) throughout the globe. The Global Reporting Initiative is a global non-governmental organization that produces a comprehensive sustainability reporting framework that is widely used around the world. Actually, the GRI's voluntary reporting framework tries to promote sustainability reporting practices to a level equivalent to that of financial reporting. This Sustainability Reporting Framework is considered the world's most widely used standards on sustainability reporting and which enables all organizations to measure and report their sustainability performance and which enables businesses, governments, and civil society to make better decisions based on information that matters (Global Reporting Initiative, 2011).

The GRI 3 framework identified four main dimensions in sustainability reporting. These dimensions are "Strategy and Profile", "Economic", "Environmental", "Social". The Empirical Study will investigate the availability of sustainability reporting as well as banks' disclosures in each dimension of sustainability in comparison with global sustainability reporting indicators outlined in the GRI 3 framework in the banking sector in Egypt. The GRI 3 Sustainability Reporting Checklist is presented in Appendix (3). In addition, the Empirical Study will examine the effect of listing on the Egyptian stock of exchange, the foreign banks, the size of the bank, and the profitability of the bank on the quality of banks' sustainability disclosures.

9. The Design of the Empirical Study:

9.1. Research Hypotheses:

H_1: There is a gap in the sustainability disclosure in the banking sector in Egypt.

H_2: There is a positive relationship between the foreign banks and the quality of sustainability disclosure.

H_3: There is a positive relationship between listed banks in the Egyptian stock of exchange and the quality of sustainability disclosure.

H_4: There is a positive relationship between the bank's size and the quality of sustainability disclosure.

H_5: There is a positive relationship between the bank's profitability and the quality of sustainability disclosure.

9.2. The population of the research:

The population of this research is the banking sector in Egypt which consists of forty banks listed in the Central bank of Egypt. A list of all banks registered in the central bank of Egypt was obtained from the central bank website.

9.3. The sample of the Research:

The sample of this research consists of thirty nine (39) banks listed in the Central bank of Egypt after excluding Piraeus bank because of the acquisition of Ahli Bank of Kuwait (ABK) on 98.5% of Greece's Piraeus Bank- Egypt (see Appendix 1). This sample is used to test the first, the second, and the third hypotheses. However, with respect to the fourth and the fifth hypotheses, a sample consists of 22 banks is used. These banks are listed in the Central bank of Egypt and prepare their financial statements in the local currency (see Appendix 2).

9.4. Data collection method:

With respect to the data sources; the researcher collected data from the banks' annual reports in addition to the banks' websites. The research focused on banks' annual reports, as it is considered a reliable source of information in addition to the information disclosed on the banks' web sites as banks have started to use the web as a way of communication with their stakeholders.

9.5. Statistical methods used in the analysis of data:

The content analysis is used in this research for assessing the level, nature, and quality of sustainability reporting disclosures in the annual reports and websites of banks registered in the Central Bank of Egypt. Krippendorrf described content analysis as a "research technique for making replicable and valid inferences from texts to the contexts of their use" (Krippendorff, 2004). Depending on particular selected criteria, a piece of text is counted, categorized, coded and analyzed. This method helps in structuring basically unstructured documents in order to address matters that many stakeholders cannot deal necessarily with large volumes of data. Therefore, this method has been frequently used as a valid method in accounting research.

In addition, the research uses the the Point- Biserial Correlation which is a correlation coefficient to be used if we have one continuously measured variable X and a dichotomous variable Y. In this case, a biserial correlation would be the more appropriate calculation. The point-biserial correlation is mathematically equivalent to the Pearson correlation, that is, it is a special case of the person correlation coefficient. Accordingly, the researcher uses the person correlation to test the correlation between the different variables. The Pearson correlation coefficient is a very helpful statistical formula that measures the strength between variables. In the field of statistics, in order to determine how strong the relationship between two variables, the Pearson correlation coefficient is used to determine just how strong that relationship is between those two variables.

In addition the researcher uses the regression analysis which is a statistical process used for estimating the relationships among variables. It focuses on the relationship between a dependent variable and one or more independent variables. It helps to understand how the value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed.

The data of this research is undergone for statistical analysis in order to check the validity of the hypotheses. The researcher used the SPSS program to provide the statistical indicators. The decision of accepting or rejecting of these hypotheses depends on the observed level of significance. Data were analyzed on the assumption that the level of significance equal to 0.05 significance level, it is meaning that the maximum acceptance probability of falling into the error is 0.05.

9.6. Research Results:

The researcher can summarize the results of the statistical analysis of each hypothesis as follow:

In order to test the first hypothesis which examines if there is a gap in the sustainability disclosure in the banking sector in Egypt, the availability of the sustainability disclosures in addition to the quality of sustainability disclosure in each sustainability dimension are examined. The annual reports and websites of thirty nine banks listed in the Central Bank of Egypt are collected and analyzed to check the availability and the quality of sustainability disclosures in the banking sector in Egypt.

The results show that out of the 39 banks listed in the Central Bank of Egypt, only 14 banks amounted to a ratio of 36% issued sustainability reports in accordance to the global sustainability reporting indicators outlined in the Global Reporting Initiative "GRI" framework. This means that there is a still a gap in the sustainability disclosure in the banking system which needs to be filled. Accordingly, the first hypothesis is supported. The sustainability disclosure in the banking sector in Egypt is still at a low level and needs to be improved.

With respect to the quality of sustainability disclosure, an assessment of the sustainability reporting disclosures in the annual reports and websites of the banking sector in Egypt with respect to every dimension of sustainability disclosure is carried out.

The results show that the general dimension which includes the organizational profile, the strategy & analysis, the Governance& engagement and the economic performance of the banks are extensively reported, followed by the Society disclosures, followed by the disclosure about Labor practices, then the environmental Dimension. On contrary, the disclosures about product responsibility information, the information for human rights, and the information about the bank's indirect economic impacts are rarely reported in bank's disclosures.

Sustainability *D*imension	**Reports**	
	Number of Banks (out of 39) disclosing under each dimension	**Percentage %**
"General Dimension"		
Strategy & analysis	38	97.4%
Organizational profile	39	100%
Report parameters	14	35.9%

Governance & engagement	38	97.4%
"Economic *Dimension*"	35	89.7%
Economic performance	39	100%
Indirect economic impacts	0	0%
"Environmental Dimension"	16	41%
"Social Dimension"		
Labor	21	53.8%
Human rights	15	38.5%
Society	37	94.9%
Product responsibility	12	30.8%

With respect to the first dimension, the results show that the general dimension which includes the organizational profile, the strategy & analysis, the Governance& engagement is extensively reported. Almost all banks (by a ratio of 98%) disclose the name of the organization, the location of their head quarters, the nature of their ownership, the countries on which they operates and the award they receive. In addition, almost all banks disclose the governance structure of their organizations. Moreover, almost all banks present a letter from the Chairman of the bank as well as, they present their internally developed statements of missions, visions, social performance.

With respect to the Social Dimension, banks also highly disclose their Society commitments by a ratio of 95% followed by labor practices disclosures by a ratio of 54%. On contrary, the disclosures about product responsibility information and the information for human rights are rarely reported in banks' disclosures.

With respect to the Environmental Dimension, 16 banks amounted to 41% of the listed banks in the Central Bank of Egypt is concerned with this dimension. These banks disclose their environmental policy regarding water, electricity, and pollution control. They emphasize on their reduction of resource consumption as well as their support to the environment friendly projects.

With respect to the Economic Dimension, banks extensively disclose their economic performance. Banks disclose their revenues, operating income, operating costs, the profit before taxes, the employee benefits and compensation, the donations to the community, the payment to the capital providers and to the government in the form of distribution to the shareholders and minority interests and taxes paid to the government. On contrary, banks do not disclose about their indirect economic impacts.

To conclude, with respect to the availability of sustainability disclosure, only 14 banks amounted to a ratio of 36% issued sustainability reports. With respect to the quality of disclosure, there are many aspects of sustainability which are rarely disclosed in banks' reports. This means that the sustainability disclosure in the banking sector in Egypt is still at a low level and needs to be improved. Accordingly, the first hypothesis is supported and there is a still a gap in the sustainability disclosure in the banking system which needs to be filled.

To test the second and the third hypotheses, the pearson correlation and the first regression model are used as follows:

Table (1) presents the pearson correlation between foreign banks and the quality of disclosure: **Correlations**

		Foreign banks	Quality of disclosure
Foreign banks	Pearson Correlation	1	.434(**)
	Sig. (2-tailed)		.006
	N	40	39
Quality of disclosure	Pearson Correlation	.434(**)	1
	Sig. (2-tailed)	.006	
	N	39	39

** Correlation is significant at the 0.01 level (2-tailed).

Table (2) presents the pearson correlation between listed banks and the quality of disclosure:

Correlations

		Listed banks	Quality of disclosure
Listed banks	Pearson Correlation	1	-.189
	Sig. (2-tailed)		.249
	N	40	39
Quality of disclosure	Pearson Correlation	-.189	1
	Sig. (2-tailed)	.249	
	N	39	39

The first regression model:

The following regression model is used to test the relationship between the quality of disclosure, the foreign Banks and the listed banks for a sample of 39 banks listed in the Central Bank of Egypt. The dependent variable is the quality of sustainability disclosure. The Independent variables are the foreign banks and the listed banks. This regression results is presented in the following table:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.434(a)	.188	.143	2.15924

a Predictors: (Constant), listed banks, foreign banks

ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	38.926	2	19.463	4.175	.023(a)
	Residual	167.843	36	4.662		
	Total	206.769	38			

a Predictors: (Constant), listed banks, foreign banks
b Dependent Variable: quality of sustainability disclosure.

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.088	.610		9.977	.000
	foreign banks	1.981	.762	.427	2.601	.013
	listed banks	-.085	.801	-.017	-.106	.916

a Dependent Variable: quality of sustainability disclosure.

With respect to this regression model, the F value is 4.175 and the P value is 0.023 which means that the overall model is accepted at 0.05 significance level.

With respect to the second hypothesis which states that there is a positive relationship between the foreign banks and the quality of sustainability disclosure. The pearson correlation results show that the correlation between the quality of sustainability disclosure and foreign banks for the 39 banks listed in the Central bank of Egypt is Significant at the 0.05 level. In addition the regression results show that the coefficient estimate β_1 on foreign banks is positive and significant at 0.05 significance level (at a t- statistics of 2.601 with a P value of 0.013) which means that the second hypothesis is accepted. Accordingly, there is a positive significant relationship between foreign banks and the quality of sustainability disclosure.

With respect to the third hypothesis which examines whether the listing status in the Egyptian stock of exchange provides an acceptable basis for explaining the extent to which banks disclose sustainability information in their reports. That is there is a positive relationship between listing in the Egyptian stock of exchange and the quality of sustainability disclosure. The results of the pearson correlation show that the correlation is non- significant at the 0.05 level. In addition, the results of the regression model show that the coefficient estimate β_2 on listed banks is insignificant at 0.05 significance level (at a t- statistics of -0.106 with a P value of 0.916) which means that the third hypothesis is rejected. Accordingly; there is no statistically significant relationship between the listed banks in the Egyptian stock of exchange and the quality of sustainability disclosure.

To test the fourth and the fifth hypotheses: the pearson correlation and the second regression model are used as follows:

Table (4) presents the pearson correlation between bank's size and the quality of disclosure:

Correlations

		Quality of disclosure	Log (Assets)
Quality of disclosure	Pearson Correlation	1	.217
	Sig. (2-tailed)		.358
	N	22	20
Log (Assets)	Pearson Correlation	.217	1
	Sig. (2-tailed)	.358	
	N	20	20

Table (5) presents the pearson correlation between bank's profitability and the quality of disclosure:

Correlations

		Quality of disclosure	ROA
Quality of disclosure	Pearson Correlation	1	.010
	Sig. (2-tailed)		.967
	N	22	20
ROA	Pearson Correlation	.010	1
	Sig. (2-tailed)	.967	
	N	20	20

The second regression model:

The following regression model is used to test the relationship between banks' characteristics including the bank's size and bank's profitability and the quality of sustainability disclosure for a sample of 19 banks listed in the Central Bank of Egypt and who prepare their financial statements in the local currency. The dependent variable is the quality of sustainability disclosure. The Independent variables are banks' size and bank's profitability. The regression results are presented below:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.219(a)	.048	-.064	2.27642

a Predictors: (Constant), ROA, , Log (Assets)

ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.454	2	2.227	.430	.658(a)
	Residual	88.096	17	5.182		
	Total	92.550	19			

a Predictors: (Constant), ROA, Log (Assets)
b Dependent Variable: quality of disclosure

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.746	6.390		.117	.908
	Log (Assets)	.569	.614	.223	.926	.367
	ROA	-1.705	12.691	-.032	-.134	.895

a Dependent Variable: quality of disclosure

With respect to this regression model, the F value is .430 and the P value is .658 which means that the model is insignificant 0.05 significance level.

With respect to the fourth hypothesis, it examines whether the bank's size has an influence on the quality of bank's sustainability disclosure. That is there is a positive relationship between the bank's size and the quality of sustainability disclosure. The results of the pearson correlation show that the correlation is non- significant at the 0.05 level. In addition, the results of the regression model show that the coefficient estimate β_1 on listed banks is insignificant at 0.05 significance level (at a t- statistics of .926 with a P value of .367) which means that the fourth hypothesis is rejected. Accordingly; there is no statistically significant relationship between the bank's size and the quality of sustainability disclosure and this is mainly because large banks owned by the government do not provide sustainability reporting.

With respect to the fifth hypothesis, it examines whether the bank's profitability has an influence on the quality of bank's sustainability disclosure. That is there is a positive relationship between the bank's profitability and the quality of sustainability disclosure. The results of the pearson correlation show that the correlation is insignificant at the 0.05 level. In addition, the results of the regression model show that the coefficient estimate β_2 on listed banks is insignificant at 0.05 significance level (at a t- statistics of .926 with a P value of .367) which means that the fifth hypothesis is rejected. Thus; there is no statistically significant relationship between the bank's profitability and the quality of sustainability disclosure and this is mainly because profitable banks owned by the government do not provide sustainability reporting.

10- Research Conclusions and recommendations:

The issue of sustainability for the financial sector is a critical topic and which continues to be evolving in the future. Under the global pressure toward adopting sustainability in the banking sector, this sector has taken some steps to adopt for sustainability. However, more steps are still expected from it. This sector is increasingly required to bear more responsibilities in creating a truly sustainable world. Actually, through the products and services they provide, this sector is uniquely placed to influence the direction and speed of a country's economic development and therefore its long-term sustainability. Accordingly, interest in sustainable banking has gradually grown and has become a goal for banks to achieve. Although, there is a global interest in the sustainability reports, unfortunately the sustainability disclosure in the banking sector in Egypt is still at a low level and needs to be improved.

This paper recommends that Egypt has to issue its own Sustainable Banking Principles to serve as a common baseline of adopting sustainability in the Egyptian banking sector. The main aim is to help any banking organization in adopting the sustainability as a business strategy in its own operations. These principles will help banks to adopt its internal environmental, social responsibility policies, and lending and investing strategies consistent with the sustainability concept. These Principles will benefit our businesses, our clients, our communities and our environment in Egypt. These Principles will make the banking sector responsible towards the impacts of their financing activities as well as making the financial sector strong, reliable, responsible, and resistant to the financial crisis. In addition, these Principles will make the banking sector bears its responsibility in fostering the economic growth and sustainable development in our country.

In addition, this research recommends that Egypt has to modify its taxation system as the structure of the current tax system is a barrier to sustainability. The modifications to the current taxation system should shift the tax burden from good performance sustainable organizations which protect the environment and pay attention to its employees and to the society in which they operates, to bad performance sustainable organizations which cause environmental damage and heavy consumption of nonrenewable resources.

In addition, it is recommended that the Egyptian banking sector to present more disclosure about the sustainability of banks' activities and to publish such sustainability reports to enhance their image in the Egyptian community and in the whole world.

Finally, Sustainability in the banking sector becomes a must. It becomes currently essential for the banking sector to adopt for the sustainability to ensure competitiveness, success, and differentiation in increasingly competitive markets. Actually, the window of opportunity is open and now it is the time to act.

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Appendix (1)
A List of Banks registered in the Central Bank of Egypt and used in the Research Sample

1. **Banque Misr**
2. **Banque du Caire**
3. **Egyptian Arab Land Bank**
4. **National Bank of Egypt**
5. **Principal Bank for Development and Agricultural Credit**
6. **Bank of Alexandria**
7. **Misr Iran Development Bank**
8. **Commercial International Bank (CIB)**
9. **Barclays Bank Egypt**
10. **Industrial Development & Workers Bank of Egypt**
11. **Societe Arabe Internationale de Banque (SAIB)**
12. **Blom Bank**
13. **Credit Agricole Egypt**
14. **National Bank of Abu Dhabi (NBAD)**
15. **Suez Canal Bank**

16. Qatar National Bank Al Ahli
17. Bank Audi
18. Ahli United Bank
19. Faisal Islamic Bank of Egypt
20. Housing and Development Bank
21. Al Baraka Bank Egypt
22. National Bank of Kuwait- Egypt
23. Abu Dhabi Islamic Bank Egypt (ADIB)
24. Union National Bank Egypt (UNB-E)
25. Egyptian Gulf Bank
26. Arab African International Bank
27. HSBC Bank Egypt
28. Export Development Bank of Egypt
29. Emirates NBD
30. National Bank of Abu Dhabi- Egypt
31. Citibank
32. Arab Banking Corporation
33. Arab Bank Plc.
34. Bank of Nova Scotia
35. Mashreq Bank
36. National Bank of Greece
37. National Bank of Oman
38. Arab International Bank
39. Arab Investment Bank (AIBK)

Appendix (2):A List of Banks used in the second research sample:

1. **Banque Misr**
2. **Banque du Caire**
3. **Egyptian Arab Land Bank**
4. **National Bank of Egypt**
5. **Principal Bank for Development and Agricultural Credit**
6. **Bank of Alexandria**
7. **Misr Iran Development Bank**
8. **Commercial International Bank (CIB)**
9. **Industrial Development & Workers Bank of Egypt**
10. **Credit Agricole Egypt**
11. **Suez Canal Bank**
12. **Qatar National Bank Al Ahli**
13. **Bank Audi**
14. **Ahli United Bank**
15. **Faisal Islamic Bank of Egypt**
16. **Housing and Development Bank**
17. **Al Baraka Bank Egypt**
18. **National Bank of Kuwait- Egypt**
19. **Abu Dhabi Islamic Bank (ADIB)**
20. **Union National Bank Egypt (UNB-E)**
21. **HSBC Bank Egypt**
22. **Export Development Bank of Egypt**

Appendix (3)
GRI 3 Sustainability Reporting Checklist

Serial number	Title of the disclosure
	STANDARD DISCLOSURES PART I: Profile Disclosures
1	**Strategy and Analysis**
1.1	Statement from the most senior decision-maker of the organization.
1.2	Description of key impacts, risks, and opportunities.
2	**Organizational Profile**
2.1	Name of the organization.
2.2	Primary brands, products, and/or services.
2.3	Location of organization's headquarters.
2.5	Number of countries where the organization operates, and names of countries with major operations.
2.6	Nature of ownership and legal form.
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).
2.8	Scale of the reporting organization.
2.9	Significant changes during the reporting period regarding size, structure, or ownership.
2.10	Awards received in the reporting period.
3	**Report Parameters**
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.
3.2	Date of most recent previous report (if any).
3.3	Reporting cycle (annual, biennial, etc.)
3.4	Contact point for questions.
3.5	Process for defining report content.
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers.
3.7	State any specific limitations on the scope or boundary of the report.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.
3.12	Table identifying the location of the Standard Disclosures in the report.
3.13	Policy and current practice with regard to seeking external assurance for the report.
4	**Governance, Commitments, and Engagement**

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives.
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations.
4.14	List of stakeholder groups engaged by the organization.
4.15	Basis for identification and selection of stakeholders with whom to engage.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.
STANDARD DISCLOSURES PART III: Performance Indicators	
Economic performance	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.
EC3	Coverage of the organization's defined benefit plan obligations.
EC4	Significant financial assistance received from government.
Market presence	

EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.
Indirect economic impacts	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.
Environmental	
Materials	
EN1	Materials used by weight or volume.
EN2	Percentage of materials used that are recycled input materials.
Energy	
EN3	Direct energy consumption by primary energy source.
EN4	Indirect energy consumption by primary source.
EN5	Energy saved due to conservation and efficiency improvements.
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.
Water	
EN8	Total water withdrawal by source.
EN9	Water sources significantly affected by withdrawal of water.
EN10	Percentage and total volume of water recycled and reused.
Biodiversity	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.
EN13	Habitats protected or restored.
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.
Emissions, effluents and waste	
EN16	Total direct and indirect greenhouse gas emissions by weight.
EN17	Other relevant indirect greenhouse gas emissions by weight.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.
EN19	Emissions of ozone-depleting substances by weight.
EN20	NOx, SOx, and other significant air emissions by type and weight.
EN21	Total water discharge by quality and destination.
EN22	Total weight of waste by type and disposal method.

EN23	Total number and volume of significant spills.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.
Products and services	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.
Compliance	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.
Transport	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.
Overall	
EN30	Total environmental protection expenditures and investments by type.
Social: Labor Practices and Decent Work	
Employment	
LA1	Total workforce by employment type, employment contract, and region.
LA2	Total number and rate of employee turnover by age group, gender, and region.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.
Labor/management relation	
LA4	Percentage of employees covered by collective bargaining agreements.
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.
Occupational health and safety	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.
LA9	Health and safety topics covered in formal agreements with trade unions.
Training and education	

LA10	**Average hours of training per year per employee by employee category.**
LA11	**Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.**
LA12	**Percentage of employees receiving regular performance and career development reviews.**
Diversity and equal opportunity	
LA13	**Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.**
LA14	**Ratio of basic salary of men to women by employee category.**
Social: Human Rights	
Investment and procurement practices	
HR1	**Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.**
HR2	**Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.**
HR3	**Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.**
Non-discrimination	
HR4	**Total number of incidents of discrimination and actions taken.**
Freedom of association and collective bargaining	
HR5	**Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.**
Child labor	
HR6	**Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.**
Forced and compulsory labor	
HR7	**Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.**
Security practices	
HR8	**Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.**
Indigenous rights	
HR9	**Total number of incidents of violations involving rights of indigenous people and actions taken.**
Social: Society	
Community	

SO1	**Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.**
Corruption	
SO2	**Percentage and total number of business units analyzed for risks related to corruption.**
SO3	**Percentage of employees trained in organization's anti-corruption policies and procedures.**
SO4	**Actions taken in response to incidents of corruption.**
Public policy	
SO5	**Public policy positions and participation in public policy development and lobbying.**
SO6	**Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.**
Anti-competitive behavior	
SO7	**Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.**
Compliance	
SO8	**Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.**
Social: Product responsibility	
Customer health and safety	
PR1	**Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.**
PR2	**Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.**
Product and service labeling	
PR3	**Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.**
PR4	**Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.**
PR5	**Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.**
Marketing communications	
PR6	**Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.**
PR7	**Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.**
Customer privacy	
PR8	**Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.**
Compliance	
PR9	**Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.**