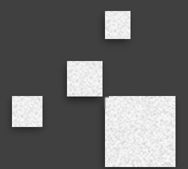
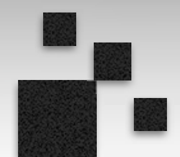
Corporate Agenda of Sustainable Development:

Toward Responsible Business 2.0

ESCAP Sustainable Business Network (ESBN) Task Force on Banking and Finance

ESCAP Business Advisory Council





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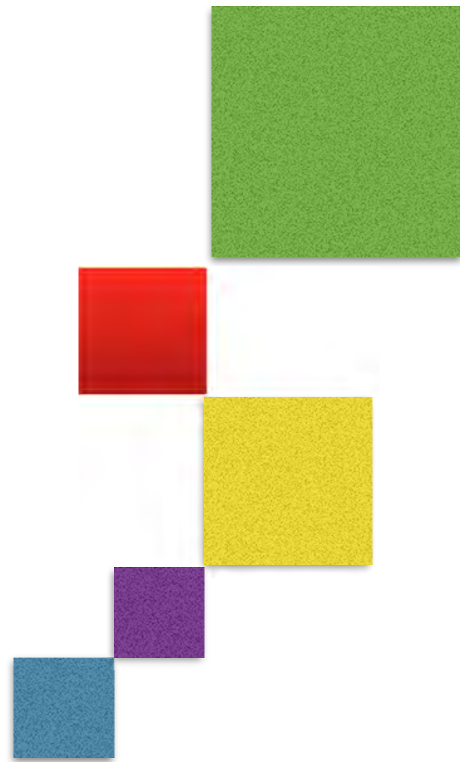

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The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) has not been directly involved in the design, development and publication of this handbook. This was the sole activity of the ESCAP Sustainable Business Network (ESBN) Task Force on Banking and Finance.

This document has not been formally edited.

Foreword

On behalf of the ESCAP Business Advisory Council (EBAC), I am pleased to introduce "Corporate Agenda of Sustainable Development: Toward Responsible Business 2.0", which is a handbook for businesses and other stakeholders that value social responsibility, economic growth and healthy business environments. These crucial issues in the present world cannot be solved by a company or government in isolation, and should be addressed as a pervasive concern that every participant in the global economy needs to tackle. It is with such a view that EBAC introduces the *Responsible Business 2.0* model in this handbook, and aligns this framework with the goals in order to achieve a global, inclusive and sustainable development.

Under the guidance of ESCAP, the EBAC deals with a wide range of issues and industries to contribute to a more inclusive and sustainable development agenda. The EBAC was established in 2004 in Shanghai, and its members comprise of business leaders, CEOs, industrial representatives and experts from member or associated member states of the United Nations ESCAP. In 2012, the ESCAP Sustainable Business Network (ESBN) was established under the leadership of EBAC to facilitate further engagements of regional businesses in addressing the topics of social inclusiveness and ecological sustainability. EBAC has provided business perspectives on crucial development issues to the ESCAP member states and its secretariat through various modalities, including the annual Asia---Pacific Business Forum (APBF) and the ESBN Task Forces.

The issues of inclusive and sustainable development are not only concerns of the governments and the business community, but also endorsed by the United Nations norms. The United Nations Millennium Development Goals (MDGs) 2015 laid the global agendas for poverty, primary education, renewable energy and global partnership and provided a blueprint for various stakeholders adopting these norms in their decision-making processes. At its General Assembly in 2015, the United Nations also adopted an ambitious post-2015 development agenda – the Sustainable Development Goals (SDGs) – and offered member states and their business communities a framework for constructing their agendas and policies over the next decade.

This handbook developed by the ESBN Task Force on Banking and Finance aims to promote socially responsible business practices and corporate sustainability among banks and financial institutions responsible for facilitating the enhancement of productivity in the regional business community. It was based on the most recent Task Force publication titled "The 3Cs for Responsible Banking in Asia and the Pacific: Corporate Governance, Corporate Social Responsibility and Corporate Sustainability". This handbook was specifically developed to disseminate key theoretical background and practical cases in pursuing a new cultural orientation of sustainability and responsibility in the business community in Asia and the Pacific. By adopting the proposed *Responsible Business 2.0* model, in alignment with the SDGs and MDGs and other relevant international principles and guidelines, such as ILO's Tripartite Declaration, the OECD Guideline for Multinational Enterprises or the UN Global Compact, corporations in the finance, and other sectors equip themselves to generate not only profitable and stable returns, but also to create social values and to foster sustainability in the community and the environment in which they operate. This handbook is essential for corporations willing to integrate this model and its principles into day-to-day business operations.

Datuk Seri Mohamed Iqbal Rawther
Chairman, ESCAP Business Advisory Council

Acknowledgement

For the ESBN Task Force on Banking and Finance, 2014 was an extraordinary year filled with pride and achievement as we had published the guidebook titled "The 3Cs for Responsible Banking in Asia and the Pacific: Corporate Governance, Corporate Social Responsibility and Corporate Sustainability". The book was successfully launched at the Asia-Pacific Business Forum organized by the United Nations ESCAP in Colombo, Sri Lanka, in November 2014. It had been well received with a series of ancillary workshops and roundtables attended by corporate executives and financial professionals. We do not rest on their laurels. The Task Force would like to dive deep into the *3Cs* by keeping up with the present ecosystem developments and address the different responsibilities that companies must consider in order to uphold a sustainable, profitable and responsible business. The following publication, "Corporate Agenda of Sustainable Development: Toward Responsible Business 2.0" is the most recent outcome of our continued work in this field.

Looking forward, it is the right time for us to march on as 2015 is the end of the Millennium Development Goals (MDGs) while it heralds in a new universal set of Sustainable Development Goals (SDGs) that United Nations member states will be expected to use to frame their agendas and political policies over the next 15 years. Faced with common global economic, social and environmental challenges, the international community intends to galvanize action worldwide through concrete SDGs for the 2015-2030 period on poverty reduction, food security, health and education, climate change, migration and a range of other objectives across economic, social and environment pillars. The holistic approach goes beyond expecting the poor countries to achieve the development goals with finance from wealthy states, as every country will be expected to make progress towards achieving such goals. The key to success is to strengthen the means of implementation and revitalize the global partnership for sustainable development. At the United Nations on 26 September 2015, the Chinese President Xi Jinping announced the establishment of the South-South Cooperation Foundation with a pledge of US$ 2 billion to support the implementation of the SDGs in developing nations. Since many policies and practices of both businesses and governments still fail to address social, environmental and economic issues, achieving such goals calls for close public and private partnership.

The mission undertaken by Dr. Shamshad Akhar—the Executive Secretary of ESCAP and the Under-Secretary General of the United Nations—to promote SDGs in Asia and the Pacific inspired the endeavour of the Task Force on Banking and Finance. The Task Force now undertakes the role of presenting the SDGs' concept and of aligning corporate sustainability with socially responsible business. We aim to raise awareness and encourage knowledge sharing of the best practices. We believe having the right corporate governance structure, with strong measures of performance and risks, are foundations to the sustainable operation of a business. We promote the adoption of the concept in the region with the publication of this paper.

The Task Force has now been further strengthened with the addition of three more C-level corporate executives. They are Andrew Weir, Senior Partner, KPMG, Asia; Dr. Manuel Rybech, Managing Director, Credit Suisse; and Dr. George Lee Lam, Chairman, Macquarie Capital, Asia. Credit must go to Peter Leung, Raghu Narain, Pat Woo and Karan Kumar of KPMG, being principal contributors to this presentation. Acknowledgment is due to the ESCAP secretariat for its tireless efforts and dedication, with the research and editorial board led by Masato Abe and Isabel Buitrago-Franco under the supervision of Marc Proksch, Chief, Business and Development Section, Trade, Investment and Innovation Division. We would also like to express our gratitude to the team of research assistants – Sakhi Agarwal, Celine Arens, Michelle Chee, Ellen Derbyshire, Callum Gallagher, Tzu-Yu Huang, Paul Plieger and Loren Thornton who contributed to this publication. We also appreciate the contributions made by I-Chan Huang (Jack) who provided substantive input in managing the production of the publication and in designing the cover of the book. My thanks also go to Datuk Seri Mohamed Iqbal Rawther, Chairman, ESCAP Business Advisory Council, for his wise

counsel and staunch support. Last but not least, my wife, Elsie and my son Anthony for their support of the project.

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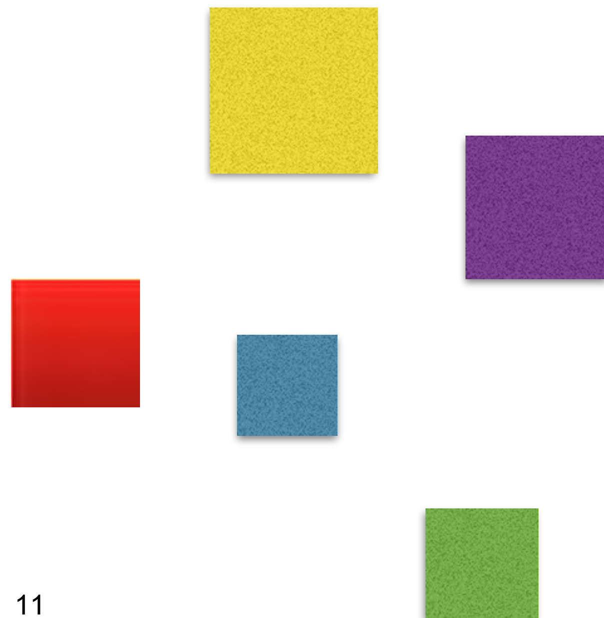
Lists of Abbreviations and Acronyms

3Cs	Corporate governance, corporate social responsibility and corporate sustainability
ACCA	Association of Chartered Certified Accountants
ADB	Asian Development Bank
ADBI	Asian Development Bank Institute
APREA	Asian Pacific Real Estate Association
ASEAN	Association of Southeast Asian Nations
CAEW	Chartered Accountants in England and Wales
CBOs	Community-based organizations
CC&S	Climate change and sustainability
CEO	Chief executive officer
CFO	Chief financial officer
CPA	Chartered Professional Accountants
CSR	Corporate social responsibility
DevCos	Development companies
EBAC	ESCAP Business Advisory Council
ESBN	ESCAP Sustainable Business Network
ESCAP	Economic and Social Commission for Asia and the Pacific ESG Environmental, social and governance
FACET	End-user Finance to Access to Clean Energy Technologies in South and Southeast Asia
G8	Group of Eight (Canada, France, Germany, Italy, Japan, the Russian Federation, the United Kingdom, the United States and the European Union)
GABV	Global Alliance for Banking on Values
GDB	Pound sterling
GGI	Global Green Growth Institute
GIIN	Global Impact Investing Network
GRI	Global Reporting Initiative
GTC	Green technology Centre
HKSAR	Hong Kong Special Administrative Region
HSBC	Hong Kong and Shanghai Banking Corporation
ICBC	Industrial and Commercial Bank of China
kWh	Kilowatt hour
MDGs	Millennium Development Goals
NGOs	Non-governmental organizations
OECD	Organisation for Economic Co-operation and Development
OIA	Outward investment agencies
PE	Private equity
RMB	Renminbi or Chinese yuan
SASB	Sustainability Accounting Standards Board
SDGs	Sustainable Development Goals
SERAP	Small Entrepreneur Research Assistance Programme
SFBC	Sustainable Fashion Business Consortium
SMEs	Small and medium-sized enterprises

SNV	Netherlands Development Organisation
TMT	Telecommunications, media and technology
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNEP	United Nations Industrial Development Organization
UNISDR	United Nations Office for Disaster Risk Reduction
US$	United States dollar
VC	Venture capital
WTO	World Trade Organization



Introduction

The ESCAP Sustainable Business Network (ESBN) Task Force on Banking and Finance developed the *Responsible Business 2.0* paradigm to bridge the gap that we believe currently exists between the theory and practice of the *3Cs*: Corporate Governance, Corporate Social Responsibility and Corporate Sustainability.[2] While this handbook addresses businesses from various industries, the focus is on the banking and finance sector. Given the extensive business and operating experience of the Task Force members, we all recognized the importance of incorporating actions of "responsibility" into our spheres of influence.[3] However, our practical experience also suggested that while many financial institutions pursue the corporate responsibility agenda, there is a gap in the dissemination of these principles to the wider business community. Recognizing such a gap, our collective effort as members of the Task Force in collaboration with the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) has sought to address asymmetric information on corporate responsibility. Through multiple interactive discussions with business leaders in diverse sectors and geographies, the Task Force ascertained that the concept of exercising responsible business conduct is unique to the interpretation of an institution. We also observed that the definitions and activities of corporate responsibility can range from cash and in-kind contributions through charities and NGOs to well-defined social responsibility agendas.

The Task Force's early efforts focused on identifying and defining the three principles of corporate governance, corporate social responsibility and corporate sustainability, and their usage by financial institutions. Those efforts led to the publication of the *3Cs* handbook.[4] Although it was evident that these three principles underpin responsible business activity, it was necessary to determine how they work together and how their interaction would translate into cohesive responsible business conduct. The *Responsible Business 2.0* model, illustrated on page 21, aims to combine the above three principles with the "enablers", i.e. technology, innovation, interconnectivity and metrics. It represents channels used by businesses to create velocity in the dissemination of these principles, and drive the responsible business conducts. For example, many banks are now using technology coupled with innovative initiatives to construct and disperse lending programmes that contribute greatly towards social development, especially by targeting underprivileged groups (e.g. women, youth and rural entrepreneurs).

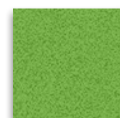
After the Task Force had identified the key principles and enablers, we understood that it was essential to explore how these principles and enablers created a net impact on the financial institutions' efforts. In this area, we adopted the "triple bottom line" approach which encompasses financial, social and environmental impacts of a financial institution's responsible activities.[5,6] The Task Force ascertained that it was important to examine the entities' responsible actions in the context of: (1) positive financial contribution; (2) social enhancements, for example, via lending

programmes; and (3) environmentally friendly or "green" funding. It is now also widely understood by businesses that shareholders are inclined to deploy capital in enterprises that have a net positive impact on the triple bottom line of business' activities, often called socially responsible investment, including impact investment.[7] Additionally, many shareholders are increasing their efforts to convince boards, managements and employees to enhance their responsible business conduct to better contribute to the triple bottom line. In sum, the triple bottom line approach identifies the need to synthesize three goals:

- Generation of profits for companies and their shareholders, thus boosting the local and national economy;
- Insurance of a high standard of social performance in order to protect the broader community; and
- Operations and development of the firm that does not harm the environment.

While we had constructed the pillars and the foundations of *Responsible Business 2.0*, we were essentially missing the roof of the house. Our vast business experience finally led us to conclude that the ultimate objective of these activities had to be directed at "creating value on a sustainable basis" for all stakeholders in the ecosystem. Such value creation ultimately links *Responsible Business 2.0* back to the active management of the social and environmental responsibility agendas, while enabling all stakeholders to participate in the betterment of society and the environment. The Task Force believes establishing *Responsible Business 2.0* and its dissemination to the broader business community is the beginning of a journey with many more episodes to be written.

First, this handbook presents an overview of the model that we call *Responsible Business 2.0*, including a review of benefits derived from the model. It also discusses the three principles of responsible business conduct or *3Cs*, i.e. corporate governance, corporate social responsibility and corporate sustainability, followed by the examination of their interactions with the four enablers: technology, innovation, interconnectivity and metrics. Then, the focus is on presenting a sustainable business ecosystem that drives the United Nations' Sustainable Development Goals (SDGs) and multi- stakeholder engagement, in order to complete the entire structure of *Responsible Business 2.0*. Before concluding, a number of case studies are presented which provide practical information for those businesses wishing to implement *Responsible Business 2.0*.



Blueprint for Responsible Business 2.0

As society becomes increasingly interconnected through globalization, the network of stakeholders in business is constantly expanding. At the same time, environmental degradation has also threatened the world by disrupting ecosystems through depletion of resources such as air, water and soil. Due to an expanding network of external and internal stakeholders and the continued deterioration of the environment, corporate practice must synthesize the balance between interests of economic profit with the social and environmental welfare of a globalized society. In this context, this handbook aims to introduce an innovative framework for responsible business with the potential to drive the global agenda for inclusive and sustainable development: the *Responsible Business 2.0* model.

Responsible Business 2.0 is an expansion of the *3Cs* model[8], an approach to sustainable business to identify best practices in responsible and sustainable banking and finance. The *3Cs* was launched at the Asia-Pacific Business Forum 2014 in Sri Lanka[9] to raise awareness and undertake policy advocacy in the area of responsible banking and finance. While the overarching aim of the *3Cs* is to highlight three principles, namely: (1) corporate governance; (2) corporate social responsibility; and (3) corporate sustainability, as they pertain to banks and financial institutions. The objectives of the *Responsible Business 2.0* approach move from theory to practice. It proposes an innovative model that improves understanding of the origins of these principles and the way in which they interact with other aspects to create value in a sustainable business ecosystem. In other words, this framework was developed to meet the needs of corporations to bridge the gap between theory and practice of implementing responsible business practices, within the 3C framework.

What makes *Responsible Business 2.0* unique and innovative is the fact that it does not only highlight the principles previously introduced in the *3Cs*, but elaborates on the enablers and foundations which make *Responsible Business 2.0* work. This approach to sustainable business is rooted in the triple bottom line that helps businesses identify financial, environmental and social factors acting as the avenues through which organizations can establish sustainable policies and regulations. It also indicates that the value of businesses constructing a sustainable ecosystem is based on three primary principles, or 3Cs.[10] Based on the triple bottom line, this framework specifically combines the three underlying principles of responsible business practices with the "enablers", i.e. technology, innovation, interconnectivity and metrics. These enablers are effective tools to help businesses disseminate the principles and embed them in daily operations and therefore drive the corporate and social responsibility agenda globally. The model posits that these principles cannot uphold a sustainable ecosystem effectively without the aid of enablers.

At the apex of *Responsible Business 2.0* there is a transformation of traditional business models where the greater needs of society and the

environment are prioritized over profits. The model increases the sustainability of profits to be gained by companies through establishing a greater awareness of social, environmental, political and cultural climates in which they operate. Increased responsibility for the welfare of customers, employees and other stakeholder is imperative to establishing a more prosperous and sustainable business environment.[11]

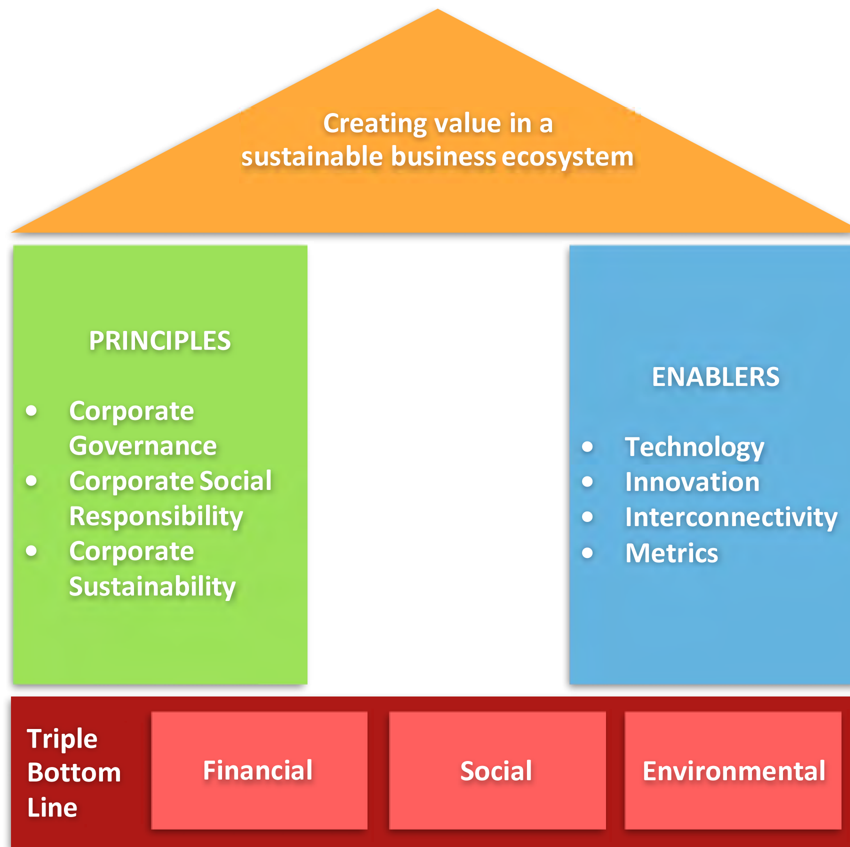
What is Responsible Business 2.0?

The *Responsible Business 2.0* model was developed to bridge the gaps encountered in the *3Cs*, found between the theory and practice of exercising corporate social responsibility. While the *3Cs* expanded on the theory beyond the three principles of socially responsible business, *Responsible Business 2.0* helps businesses to put these principles into action. This new model also assists organizations in creating a more viable business ecosystem which helps the development of more sustainable corporate policy and managerial agendas. Such a framework has the potential to drive the sustainable development agenda globally. Businesses that follow this approach can enhance their reputation through integrating the interests and needs of their employees, business partners, other stakeholders and society as a whole into the daily operations of the company.

Responsible Business 2.0 provides a form of corporate self-regulation that plays a pivotal role in a socially minded business model. It enables firms to deliver long-term value to their direct and indirect stakeholders without compromising their ability to meet the needs of future stakeholders, with a particular focus on the creation of social, environmental, financial and ethical value.[12] In this context, an important observation can be made that traditional "responsible" business often takes the form of philanthropy.[13] This means that the impact made by companies and financial institutions that conduct corporate philanthropic actions is restricted to their direct stakeholders and shareholders involved. However, these old forms of philanthropy do not cement an obligation for business to change practices or operations due to stakeholder or environmental needs.[14,15] Thus, the impact of such traditional responsible business practices results from short to medium term commitments while a more globalized transformation of managerial practices and business conduct is needed to realize the true responsible business.

Figure 1 highlights the principles, enablers and foundation of the *Responsible Business 2.0* model. The model is based on the triple bottom line approach to sustainability. The approach posits the economic, social and environmental spheres as the three core elements for formulating strategies to achieve sustainable development. This approach has been applied to examine the social and environmental effects of business activities. It is argued that there is still a gap between the triple bottom line and concrete corporate actions to bring the three elements into practice.[16] The *Responsible Business 2.0* model reconciles theory with practice and assists organizations in realizing the practical potential of the *3Cs,* or three primary principles: corporate governance, corporate social responsibility and corporate sustainability.

Figure 1. Responsible Business Framework 2.0



Source: Authors.

The model suggests that corporations should develop corporate governance systems and/or tools for governing corporate social responsibility and corporate sustainability. Once these systems are in place, corporations should apply these principles by integrating issues of concern held by the wider society into companies' business models or operations and their interactions with stakeholders. In this context, the overarching aim of businesses should be the pursuit of long-term corporate sustainability.[17]

The model also posits that these principles cannot be realized in practice or uphold a sustainable ecosystem without the aid of enablers, namely technology, innovation, interconnectivity and metrics. Technology is a major driver of the corporate social responsibility principle. For instance, technological advancement is seen as the catalyst for financial institutions to facilitate corporate social responsibility by investing in issues of concern held by the wider society, such as climate change solutions and equal technological access and opportunities for citizens.

Innovation is the second enabler of corporate governance. Corporate governance can highly benefit from innovation, understood as the capacity to successfully translate research into commercial outcomes to address real world needs. This can be achieved by investing in quality research to develop innovative approaches to sustainable business practices or to tackling pressing global issues.

Interconnectivity is the third enabler that helps businesses to identify and to interconnect the financial, environmental and social factors that act as the avenues by which companies and financial institutions can formulate and implement sustainable policies and regulations.[18] Interconnectivity also happens when the components of *Responsible Business 2.0* interact to create value in a sustainable business ecosystem.

Metrics is the fourth enabler and is critical in differentiating the true social and environmental impacts from the perceived value that is created through companies' branding and marketing efforts towards sustainability. Metrics as a constituent component of the corporate governance system also help organizations achieve long-term corporate sustainability.

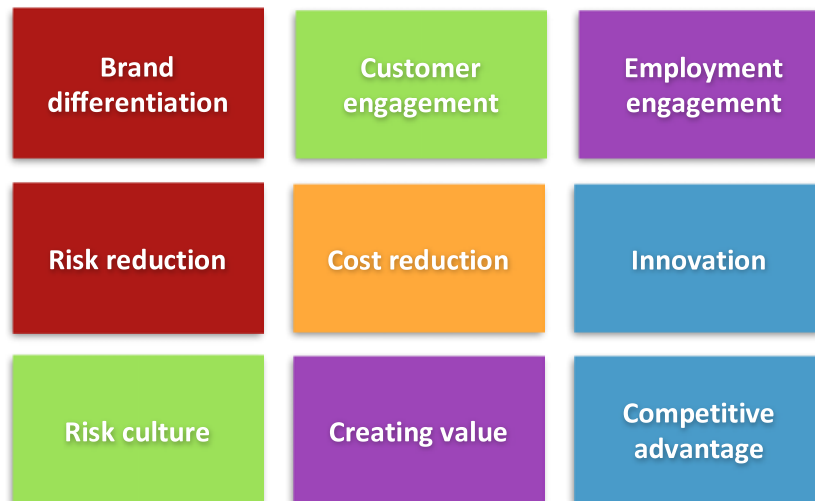
Finally, the ongoing interaction of the principles and the enablers assists organizations in creating value in a sustainable business ecosystem. The *Responsible Business 2.0* model gains relevance in the agenda of achieving global inclusive and sustainable development by enhancing such a system, thereby creating more value. The concept of a sustainable business ecosystem is a scenario in which organizations proactively align their business operations with the long-term economic, social and environmental objectives of the community. By connecting the *3Cs* principles with the enablers, a sustainable business ecosystem calls for the obligations of stakeholders to be met by organizations in addition to the financial obligations expected by shareholders. The sustainable business ecosystem is also based on the triple bottom line, namely the three pillars that consider the economic, social and environmental aspects in creating shared value amongst shareholders and stakeholders.

To follow *Responsible Business 2.0* is to embed sustainable and responsible business conduct within long-term business strategies that transcend the viability of short-term operations. It is recommended that this model be formally adopted as a corporate strategy so that companies are more accountable to external stakeholders through effective governance arrangements.[19] Such an approach also ensures that companies uphold social and environmental standards established by governments or the international community. All in all, the model encourages companies to adapt and apply effective self-regulatory practices and management systems that increase transparency in their operations.

Why pursue responsible business 2.0?

Figure 2 below highlights the short and long-term benefits that result from employing the *Responsible Business 2.0* model, which ensure positive returns to all stakeholders including consumers, employees, investors, communities and others. Those benefits include, among others, brand differentiation, customer and employee engagement, innovation, cost reduction, risk reduction, positive risk culture, and creating value and competitive advantage. They will each be briefly explained in turn.

Figure 2. Benefits of Responsible Business 2.0



Source: Authors.

Brand differentiation

Responsible Business 2.0 offers a strong foundation for developing a solid brand reputation, which is highly beneficial for any business. Put simply, enhancement of the quality and dependency of the business' reputation is synonymous with an increase in clientele, sales and profits. Banks and financial institutions can also actively seek to support social and environmental initiatives through providing finance to socially and environmentally responsible enterprises, as well as undertaking their own initiatives. When such activities are recognized by an increasing number of clients and consumer research bodies, they can become a useful brand differentiation tool. Brand differentiation not only helps foster long-term corporate sustainability, one of the principles that integrates the model, but also creates added value in a sustainable business ecosystem.

Customer engagement

Similarly, customers are driven to purchase goods produced, and services provided, by socially and environmentally responsible businesses. *Responsible Business 2.0* fosters customer engagement, as it incorporates issues of concern held by the wider society.

Employee engagement

Employees are also willing to work for a company that recognizes their needs and prioritizes the importance of responsible business conduct. The employees' sense of belonging establishes a more congruent work place, which enhances their motivation. A recent survey conducted at British Telecom[20] reveals, for example, that more than one third of respondents recognized that working for a caring and responsible employer was more important than the level of compensation, and nearly half would leave an employer that lacked responsible business conduct policies. Thus, *Responsible Business 2.0* can be an important means of employee attraction and retention.

Innovation

The *Responsible Business 2.0* model can also allow banks to catalyze, champion and even directly support innovative ideas and schemes that can contribute to the banks' and other businesses' performance, in addition to benefitting society at large. This can be achieved by putting the innovation enabler into action and by translating research into commercial outcomes. Corporations benefit from investing in novel research projects that have a positive impact on communities and the environment in which they operate. An example of this is Credit Agricole[21], one of France's largest retail banking groups, which provides specialized financial products for innovative 'green' and 'low carbon' initiatives.

Cost reduction

Responsible Business 2.0 is a framework that has evolved with the transformation of how individual stakeholders interact with banks (and other businesses) and make transactions and access financial services (or other products and services). The model can generate significant cost reductions in the way banks conduct business, including customer relations, with potentially positive social and environmental impacts. For example, telephone banking has made banking services more accessible for people in both developed and developing countries. While this improved access increases the viability and sustainability of the financial institutions' operations, it also expands their reach to stakeholders in remote communities.

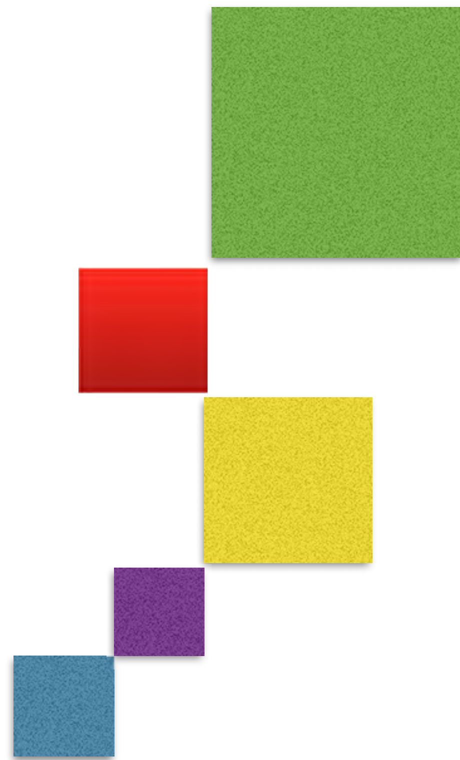
Risk reduction

By mainstreaming *Responsible Business 2.0* as a general approach to business conduct, risks involved with customer (and other stakeholders) relations will decrease. Evidently, applying a social conscience to the development of financial products and services can ensure that these products and services address the conditions imposed by the broader customer network. Since the model can develop a framework that ensures the best interests and financial abilities of customers, the number of losses accrued in the form of write offs can be minimized.

Risk culture

Changing regulatory requirements and increasing awareness of external risks have increased the need to develop a more positive risk culture.[22] Corporations that follow *Responsible Business 2.0* are more capable of developing an effective risk culture based on integrity, trust and respect for the law. Positive risk culture is characterized by focusing on customer needs, enhanced accountability and leadership, well-calculated risk taking, and increased incentives and value

creation. To achieve this, corporate board members should become more accountable for setting the appropriate governance mechanisms following the model. The board does not only have the ultimate responsibility for the governance structure but it is also accountable for promoting a positive risk culture. There are several key factors that may hamper a positive risk culture: complex operations and supply chains, unnecessary regulatory requirements, lack of corporate strategies and priorities, and poor governance structure.



Creating value

The overarching aim of *Responsible Business 2.0* is to develop the sustainable business ecosystem, constructed on the triple bottom line, in generating shared value amongst shareholders and stakeholders, such as consumers, suppliers and distributors. Developing and maintaining a network of stakeholders assist corporations in creating value for society.

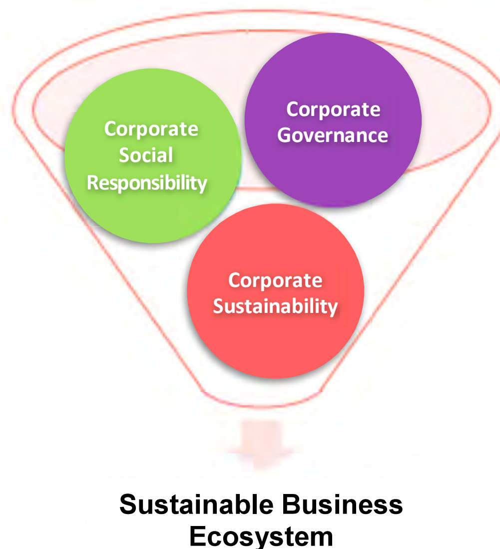
Competitive advantage

Responsible Businesses 2.0 provides a competitive edge to companies that want to expand or upgrade their operations or positions in the market. Businesses that identify the social and environmental demands of the market and create products or services to meet them accordingly can enhance competitive advantage over their competitors. An example of this is the development of hybrid cars in response to public concerns about carbon emissions.[23]

Three Principles, or 3Cs, of Responsible Business 2.0

The three principles of *Responsible Business 2.0*, i.e. corporate governance, corporate social responsibility and corporate sustainability, were first identified and defined by the ESCAP Sustainable Business Network (ESBN) Task Force on Banking and Finance as the *3Cs.*[24] These principles are constituent components of the *Responsible Business 2.0* model (figure 3). They establish strong and ethical guidelines for business, particularly those in the banking and financial sector, to ensure that pricing and valuing of financial assets, monitoring of borrowers, management of financial risks, and organization of payment systems are upheld to globally accepted standards. This section briefly reviews the three principles, or *3Cs*. Each subsection provides the reader with the definition of a principle, the relationship with the *Responsible Business 2.0* model, the historical evolution of the principle and existing international agendas that enable the application of the principles to create a sustainable business ecosystem.

Figure 3: Three principles of the Responsible Business 2.0 model



Source: Authors

Corporate governance

Corporate governance is defined in the earlier *3Cs* model as systems and/or tools for governing corporate social responsibility and corporate sustainability.[25] Following this, the *Responsible Business 2.0* model suggests that this principle acts as a guide for controlling and determining corporate missions, mandates, values, as well as actions for companies and banks to achieve their financial, social and environmental goals successfully in the long-term. In this sense, corporate governance should not only ensure the protection of shareholders and stakeholders explicitly involved in the conduct of business, but also enhance the protection of increasingly vulnerable communities and the environment. In essence, good corporate governance incorporates responsible business practices.

The multifaceted nature of loans and investments made by banks and financial institutions potentially increases the conflict of interests and mismanagement amongst diverse stakeholders. Differing interests that emerge from regulators, depositors, borrowers, shareholders and others heighten various risks in terms of credit, operation, liquidity, market and compliance, involved in conducting financial transactions.[26] Various issues related to the financial sector, such as abuses in lending to related parties, poor capital provisions, inadequate risk assessments, mismatching the terms of loans against the sources of funding, and unclear and often-conflicting government regulations, could impose many caveats and misunderstandings between stakeholders and shareholders. While corporate governance must be imposed to reduce such risks, inadequately developed rules and requirements of corporate governance and lack of compliance may lead to misunderstanding and mistrust among shareholders and other stakeholders, often with dire consequences.[27]

Effective corporate governance must properly supervise and effectively manage a network of issues and its complexities while balancing various interests. The principle must also determine and monitor a whole host of managerial decisions, including where to conduct business, with whom to conduct business, which products and services to offer, the degree to which a bank puts its own capital at risk for proprietary activities and so forth. In short, good standards and practices in corporate governance must be developed and implemented in order to avoid unpleasant incidents.

While the term has been contested in various different areas[28], corporate governance in the banking and financial sector was first coined in the *Cadbury Report*, published in the United Kingdom in 1992.[29] The catalyst for this report, and the development of corporate governance in the concerned sector, was the increasingly common failure and mismanagement of large companies at that time. When some major companies fail, investors lose confidence in the processes and conducts of the entire business community, in particular those of the banking and financial sector. The *Cadbury Report* framed corporate governance in the financial sector as we see it today as an important baseline that rules and regulates policies and activities of a financial institution (or business).[30] This set of global standards also ensures that banks understand the increasing impacts of their operations on society and improves the relationship between the shareholder and stakeholder through increasing transparency in stakeholder/shareholder accountability through proper disclosure mechanisms. The *Cadbury Report* has been subject to different interpretations by the United States, the European Union and other countries around the world.

In response to the aforementioned governance issues, international organizations have also engaged with the development of global guidelines for all industrial sectors. In 1999, for example, the OECD Principles of Corporate Governance were developed in order to provide a benchmark for policymakers, investors, corporations and other influenced stakeholders.[31,32] The latest OECD guidelines (2004 edition) are divided into six broad categories:[33]

(1) The basis for an effective corporate governance framework;
(2) The rights of shareholders and key ownership functions;
(3) The equitable treatment of shareholders;
(4) The role of stakeholders;
(5) Disclosure and transparency; and
(6) The responsibilities of the board of directors.

The embodiment of the OECD Principles of Corporate Governance has aided many financial institutions and banks to develop their own rules and regulations and codes of corporate governance that aim to improve the standard of both internal and external conduct in the financial sector. An example of this transformation is evident

in Hong Kong, China. Based on the OECD Principles of Corporate Governance, the Hong Kong Monetary Authority[34] created a supervisory policy manual that exemplifies the importance of corporate governance for adopting socially responsible business practices. The manual also instills a mechanism for greater control of and congruence among businesses and banks by adhering to a common set of policies and regulations.

The Equator Principles present another example that is essentially a risk management framework, which banks and other financial institutions can voluntarily adopt to better identify, assess and manage environmental and social risks in projects in which they are involved.[35] Applied globally, it is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. The Equator Principles cover all industry sectors and four financial products, namely: (1) project finance advisory services; (2) project finance itself; (3) project-related lending; and (4) bridging loans. A hypothetical example would be one or more banks providing finance to a project that allegedly uses child, trafficked or prison labour. If such allegations were proven to be valid, then the relevant banks would withhold any further participation in the project. Over 80 financial institutions, spanning over 36 countries, have adopted the Equator Principles, which cover over 70 per cent of all international project finance activities in developing countries.[36] The third iteration of the Equator Principles was issued in June 2013.[37]

Finally, the United Nations Guiding Principles of Business and Human Rights (also referred to as the Ruggie Principles) is also a corporate governance initiative pertinent to banking and finance. The Ruggie Principles stem from 2011, and serve as a global standard in the prevention of the risk that business activity may inadvertently have an adverse impact on human rights.[38] The Principles request that a company or bank respects human rights by adhering to international standards and prevents adverse human rights impacts throughout its value chains. In order to meet their responsibility on human rights, firms are required to place formal policies and processes, including due diligence processes to address human rights issues.

Adhering to corporate governance standards and practices by financial institutions is imperative to guard them against poor management, misconduct by staff and general financial risk. Corporate governance decreases the exposure of banks to those risks that challenge the sustainable and successful conduct of multiple external and internal actors. However, the premise of corporate governance is to both create a sustainable business ecosystem and establish a mainstream set of regulations, rules and policies that increase transparent relationships between financial institutions and their stakeholders.

Box 1: The roles and structures of the board of directors

In the banking and financial sector, the framework of corporate governance, which covers strategies, policies and practices of the bank or financial institution, lies within the decisions made by the board of directors (according to the guidelines set out by the authority). The board of directors of a public company is elected or appointed by the representatives of shareholders and typically consists of executive officers, including a chairman and chief executive, and non-executive officers, such as external experts and auditors who are not directly influenced by the internal conduct of the financial institution. The board is responsible for assessing the business climate in which the financial institution operates, setting up the objectives and directions of the financial institution, and supervising the results and impacts of its actions on behalf of all the shareholders. The board of directors can be also seen as a framework for risk management that seeks to uphold strict and transparent banking and financial policies and standards that apply to the environmental and social impacts of businesses and projects financed by the financial institution.[39]

Since the banking and financial community has made impacts on the social and environmental factors that greatly influence external stakeholders, the board of directors of banks and financial institutions carry the responsibility and obligation to adopt responsible business conducts in order to improve social and environmental outcomes and transparency among stakeholders. To achieve this, the board members must be accountable for continuously developing appropriate governance

mechanisms or tools, while promoting positive risk culture within the financial institution.

There are two common approaches adopted by banks to establish the board of directors: unitary board or dual supervisory board.[40] A unitary board system consists of senior executives along with external stakeholders and is common in Anglo-Saxon countries (e.g. Australia, Canada, Ireland, the United Kingdom and the United States) as well as in others (e.g. Japan and the Russian Federation). A dual supervisory board consists of two separate bodies, the supervisory board (non-executives) and the management board (executives) and is predominant in Austria, Germany and Poland.[41] Global trends favour the unitary board whose advantages are to increase capacity to represent both stakeholders' and shareholders' interests and enhance transparency through direct communications between external and internal actors (i.e. executives and non-executives). A disadvantage of this favoured approach is the monopoly of power and influence held by the chief executive officer (CEO) who often holds a dual responsibility as chairman of the board. On the other hand, the dual supervisory board increases the representation of various shareholders' interests, as well as stakeholders, and balances the power between the CEO and the board chairman; however, risks associated with information flow between two separate boards of shareholders, stakeholders and managers may decrease communication capabilities for proper and timely decision making.[42]

Corporate social responsibility

Following the *3Cs* model, corporate social responsibility (CSR), also called corporate conscience or corporate citizenship[43,44], is a concept that incorporates concerns of the wider society in companies' business models or operations and their interactions with stakeholders.[45] According to the United Nations Environment Programme (UNEP), CSR "addresses the integration of issues of concern to society in business operations and their interaction with stakeholders, on a voluntary basis."[46] In this sense, CSR issues are often related to labour protection and safety, human rights, environmental protection and anti-corruption[47], and adhere to economic, legal, ethical and discretionary expectations that organizations hold for external stakeholders.[48] While it can be a benchmark for corporate conduct, CSR is purely voluntary by the acting business or financial institution.

The application of CSR to the business models of banks and financial institutions is diverse. With the increasing prevalence of social and environmental issues and growing concerns of various stakeholders, a number of banks and financial institutions have incorporated the CSR approach to their business operations. It is also important for the financial community to recognize the advantages of pursuing CSR strategies and embrace and main-stream such strategies into its business model.

CSR is not only valid for banks and financial institutions but also to the broader financial sector, including regulatory and supervisory agencies. Equity investors, asset managers and shareholders also benefit from increasing social and environmental awareness in their business practices. As identified by the World Bank, public institutions are the main driver of CSR[49], particularly in developing countries, where the capacities of the banking and financial sector are often constrained, and government involvement is critical in putting the CSR agenda in place. For example, in China where much of the banking industry is state-owned, the financial community has been the subject of several sustainability guidelines developed by the Government of China, and it is anticipated that the banking sector pushes the CSR agenda down the line to manufacturing and service sectors.

Whereas CSR suggests voluntary actions, which carry no legal obligation for banks and financial institutions, the need to apply CSR is exemplified in frameworks such as the United Nations Global Compact[50] and the UNEP Finance Initiative[51]. The United Nations Global Compact is a policy initiative for socially responsible businesses to conduct their operations in a way to benefit economies, societies and environments, while the UNEP Finance Initiative is a global partnership between UNEP and the financial sector to enhance the sector's understanding of the critical impacts of environmental and social

considerations. So far 15 banks from the Asia-Pacific region, out of 115 bank members globally, have adopted the guidelines posed by the United Nations Global Compact.[52] Furthermore, 35 Asia-Pacific banks out of 144 signatories have incorporated the UNEP Finance Initiative in their business operations.[53] In addition, the Equator Principles[54] also provide some useful guidelines for banks and financial institutions to implement the CSR agenda.

The concept of CSR as an embedded principle in *Responsible Business 2.0* provides more benefits beyond just improving the general image of a business, as being socially and environmentally friendly. As examined in the earlier section, there are several benefits of pursuing CSR including: brand differentiation, customer engagement, employee engagement, cost reduction, risk reduction and culture, building and creating value, innovation and competitive advantage. For example, brand differentiation and customer engagement occur when banks opt to pursue what is known as 'ethical banking'. This is an individualistic approach to the client-to-bank relationship. Addressing this approach through the CSR lens means banks can differentiate themselves from competitors through programmes, projects and measures that do not provide debt or equity finance to companies involved in highly taxed industries (i.e. industries that are unsustainable or harmful to society or the environment). Banks can also employ CSR to fund small and medium-sized enterprises (SMEs) and green businesses.[55]

Corporate sustainability

The *3Cs* model defines corporate sustainability as the ability of an organization to meet the needs of its present stakeholders without compromising its ability to meet the needs of its future stakeholders.[56] Thus, corporate sustainability, which is one of the three principles of *Responsible Business 2.0*, focuses on the long-term growth and future of financial institutions and their stakeholders. A greater awareness of long- term impacts on the triple bottom line helps business to address the needs of future investors and stakeholders. The current trend in the business community indicates that many companies have moved their focus away from short-term profit toward long-term sustainable growth.[57]

The banking and finance sector is a main funding source of individuals and firms, and the decisions made by banks hold a great impact over them as well as the broader corporate community. In order for banks to reconcile the diverse needs of its stakeholders, it is necessary for them to think about the implications of internal and external issues with a number of players in both the short and long-term.

The Global Alliance for Banking on Values (GABV) has proposed six key strategies to achieve corporate sustainability that are important to understanding why banking practices, including regulations and laws, should not only be focused on the short-term but also have a deeper commitment to long-term development:[58]

- Triple bottom line approach at the heart of the business model;
- Grounded in communities, serving the real economy and enabling new business models to meet the needs of both;
- Long-term relationships with clients and a direct understanding of their economic activities and the risks involved;
- Long-term, self-sustaining and resilient to outside disruptions;
- Transparent and inclusive governance; and
- All principles embedded within the culture and practice of the bank.

These strategies are inter-connected, practitioner-based and pro-active, covering both cultural and operational aspects of corporate sustainability. Based on those strategies, banks and financial institutions are expected to develop and implement the appropriate practices for enhancing their sustainability. These practices may include, among others:[59]

- To bear full responsibility for the social and environmental impacts of transactions;
- To be accountable to stakeholders through ensuring their rights are protected;
- To be responsive to stakeholder needs for specialized information and conduct; and
- To support the role of market and governance in establishing public policy and regulations to facilitate more sustainable conduct.

As banks and companies adapt to *Responsible Business 2.0*, particularly its corporate sustainability principle, it is important for them to track and maintain records of their sustainability performance. This could be done in the form similar to that of an annual or semi-annual financial report.

In 2008, 49 per cent of banks and financial institutions partook in sustainability reporting globally and this figure increased to 70 per cent in 2013.[60] It is evident that banks see sustainability reporting as a viable practice, and one which is relevant to management. According to the Global Reporting Initiative (GRI), a leading global framework for sustainability reporting (box 2), there are four significant benefits to sustainability reporting:[61]

- Revenue growth;
- Risk management;
- Access to capital; and
- Cost savings and operational efficiency.

Sustainable reporting in the banking and finance sector is not simply about accounting for investing in or providing funds to stand-alone initiatives, organizations or individuals to impact external environmental and social stakeholders. It is also about monitoring (and even often supervising) the impacts of sustainability practices on company culture and operations as well as those throughout entire value or supply chains. Integrating sustainability reporting effectively has the potential to grow revenue, enhance risk management, increase access to capital, facilitate cost savings, improve operational efficiency and therefore maximize economic and financial performance, while contributing to social development and environmental protection.

Box 2: Global Reporting Initiative

Since 1997, the Global Reporting Initiative (GRI)[62] has provided a comprehensive sustainability reporting framework with a set of guidelines which assess the economic, social and environmental impacts of business' daily operations. The reporting framework aims to capture the evolution of responsible business conduct and the degree of corporate sustainability. In 2013, GRI developed its fourth generation of guidelines (G4).[63] G4 suggests two sub-frameworks of sustainability reporting: (a) core reporting; and (b) comprehensive reporting. When undertaking the core option, for each identified material aspect the organization should report at least one indicator. Whereas, when adopting the comprehensive option, the organization should report all indicators related to each identified aspect.[64]

Reporting firms are expected to adopt one of the aforementioned two approaches, allowing firms to decide which approach and associated indicators best convey the firm's overall sustainability performance. An example of a bank that has integrated the comprehensive reporting framework into their sustainability reporting is the Hong Kong and Shanghai Banking Corporation (HSBC).[65] According to GRI, HSBC has released annual reports which integrate their business mandate and commercial opportunities with an insight on how to mitigate future risks in social and environmental aspects.

Enabling Responsible Business 2.0

The previous section demonstrated that building a sustainable business ecosystem rests on three primary principles: corporate governance, corporate social responsibility and corporate sustainability, or the *3Cs*. Nevertheless, these three principles cannot be upheld without the aid of the enablers under *Responsible Business 2.0*, namely technology, innovation, interconnectivity and metrics. These four drivers are interconnected and constituent elements of the model.

Technology

Technology plays a key role in enabling *Responsible Business 2.0*. First, fostering technology assists companies in interacting with a greater number of stakeholders and enhancing innovation initiatives within and outside organizations (box 3). Technological progress in the banking and finance sector is a major driver in enhancing the efficiency of financial services, cost saving initiatives and equal access to capital for citizens as well as firms, therefore catalyzing economic growth with a multiplier effect from increased new businesses, business expansion and job creation. Technology is also seen as the enabler for banks and other financial institutions to facilitate investment and provide finance more widely into new projects, such as climate change solutions and rural microfinance, which have not been traditionally bankable. For example, there have been significant developments in mobile banking technologies that empower over 75 per cent of people, who have access to a mobile phone, globally allowing people and firms in remote areas to access banking facilities and other services that would not have been possible previously.

Second, advanced technologies are contributing to enhancing inclusiveness and sustainability in society and the environment. For example, sustainable or clean energy technologies play a part in developing bio-diverse ecosystems, reducing poverty and promoting social equity, while boosting economic growth.[66]. It is at this early developmental stage where banks and financial institutions need to recognize and support sustainable technology developers to allow the translation of research to commercially sustainable solutions on the market. The financial community should be further encouraged to support various initiatives on technology development and commercialization. However, barriers exist to translating sustainable technologies into commercially marketable products, as businesses incur significant risk in early stage development when legal, operational and financial viability need to be demonstrated prior to receiving funding to carry out development activities.[67]

Innovation

It is well understood that innovation, often made possible by technological advancement, is crucial in adding value and increasing productivity,

Box 3: UNEP's energy and finance initiatives

The ever-increasing rate of energy production and consumption remains unsustainable and threatens not only the environment and its ecosystems but also the health and quality of life of humans, particularly of those in developing countries. Energy and finance projects facilitated by the United Nations Environment Programme (UNEP)[68] in Asia-Pacific countries are examples of how partnerships among financial institutions, technology developers, international organizations and others are able to promote climate change solutions.[69] UNEP advocates and supports various programmes to make clean and renewable energy technologies more reliable and accessible in commercial markets. The projects selected in the table below highlight UNEP's energy and finance work in Asia and the Pacific.

UNEP energy and finance projects for Asia and the Pacific[70]

Name	Duration	Partners	Project highlights
Pilot Asia-Pacific Climate Technology Network and Finance Centre	2012 - 2016	Asian Development Bank, United Nations Environment Programme, Global Environment Facility, Governments of Japan and the Republic of Korea and VITO-Flemish Institute for Technological Research NV.	"A Climate change technology finance centre in Manila will be piloted to address key barriers to climate technology transfer and deployment in Asia and the Pacific."[71]
Seed Capital Assistance Facility	2009 - 2022	German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety, UK Department for International Development, UN Foundation, Global Environment Fund.	"Addresses this financing gap and provides financial support on a cost-sharing basis to low carbon projects via [p]rivate [e]quity … and [v]enture [c]apital … [f]unds, and [p]roject [d]evelopment [c]ompanies."[72]
End User Finance for Access to Clean Energy Technologies in South and Southeast Asia (FACET)	2010 - 2017	Frankfurt School of Finance and Management, SNV Viet Nam and Hivos Indonesia.	"FACET's main goal is to help overcome the financial barriers to implementing … [clean energy] technologies. The programme aims to initiate and increase domestic bank lending to end-users of small-scale clean energy applications in South-East Asia."[73]

and thus acts as the driver of corporate growth and sustainability.[74] A 2013 global survey conducted by KPMG found that 72 per cent of sampled firms agreed that the "innovation of new products and services is a key opportunity arising out of a company's efforts to bring in social and environmental change."[75] Many companies have integrated the concept of sustainability into their innovation efforts and entered new markets for green, ethical and sustainable investments. Financing is also needed to resolve the lack of funding for investment in social development initiatives and climate change solutions. In this sense, sustainable financing opens up opportunities for citizens and firms that would otherwise encounter difficulty obtaining financial services, and promotes innovations to resolve social and environmental issues.

Interconnectivity

Interconnectivity refers to the interaction among the three components of the triple bottom line (i.e. social, environmental and economic) of the *Responsible Business 2.0* model. Given the mutual dependence of society, the environment and the economy, a change in one of these dimensions will affect the other two.[76] There is also a growing realization among business executives that they do not need to achieve sustainability at the expense of financial performance as more research emerges demonstrating that responsible business initiatives can yield enhanced performance across all social, environmental and financial aspects.[77] For example, by aligning operations to make them more environmentally and socially-friendly, some businesses find that their costs decrease as a result of reduced inputs and/or enhanced efficiency. New market opportunities may also arise when businesses identify opportunities to provide goods and services to previously unserved, often disadvantaged, population groups, for example, when new micro businesses are opened in the rural areas of developing countries. However, many policies and practices in business (and governments) still address social, environmental and economic issues as separate issues, and this needs to be changed on the basis that these three fundamental dimensions are interconnected.

Metrics

Metrics are critical in measuring social and environmental impacts created by companies' efforts towards sustainability. Appropriate social and environmental metrics enable stakeholders such as shareholders, investors, management and communities to appraise companies on the degree of their sustainability, including social, environmental and financial performance. They are also an important element to conduct sustainability reporting properly (see box 2 for an example). There are presently three widely adopted and well recognized standardized metrics: IRIS metrics[78], SASB metrics[79] and GIIRS metrics.[80]

First, Impact Reporting and Investment Standards (IRIS) metrics are recognized as the global standards for measuring social and environmental impact and have been developed by the nonprofit organization, Global Impact Investing Network (GIIN).[81] The catalogue of IRIS metrics contains approximately 400 social and environmental performance measurements that complement widely adopted sustainability reporting including those by GRI, ILO and others.[82] The IRIS metrics have been tailored to various sectors (e.g. agriculture, education, energy, health, housing/ community development, land conservation and water) and also allow companies to select the most appropriate measurements relevant to their social or environmental goals and their industry.[83] Selected IRIS metrics for the banking and financial sector[84] are presented in table 1.

The second set of metrics was proposed by the Sustainability Accounting Standards Board (SASB), which is an independent, non-profit organization that seeks to "develop and disseminate sustainability accounting standards that help public corporations disclose material, decision-useful information to investors."[85] SASB has developed approximately 80 metrics for 10 different sectors, which include the banking, finance, healthcare non-renewable resources, resource transformation, services, technology and communication, transportation and consumption sectors. Similar to the IRIS metrics, the SASB metrics are non-prescriptive, convey contextual information and are useful for users (e.g. investors) to perform their own calculations. Some SASB metrics for the bank-king and finance sector are shown in table 2.

Third, the Global Impact Investing Ratings System (GIIRS)[87] provides a global standard of sustainability metrics for sustainability investing. They aim to assist in rigorous, comprehensive and comparable assessments of a company, investor, business network or financial institution's social and environmental impact, particularly focusing on five areas and groups: community, environment, workers, governance and consumers.

IRIS, SASB and GIIRS, among others, provide the standardized metrics to facilitate the assessment of a company, financial institution or investor on their sustainability performance as they operate nationally and globally. As reviewed, they have catalogues of metrics that businesses can select to apply and which are complementary to global reporting guidelines such as GRI.

In addition, a range of complementary tools and guidelines to the sustainability reporting are also available for business and financial communities to utilize so as to assist in identifying relevant indicators and capturing and communicating value creation. The major global reporting guidelines

include GRI[88], Social Return on Investment (SROI)[89], United National Global Compact Reporting Guidelines[90] and International Integrated Reporting Framework[91], which intend to make companies or financial institutions more accountable to external stakeholders, including governments and civil society. All of them take an integrated or triple bottom line approach to measuring and reporting value creation and environmental, social and economic performance in a sustainable business ecosystem. Both sustainability metrics and guidelines are categorized in table 3.

Table 1: Select IRIS metrics for the banking and finance sector

Metric ID	Metric name	Description
OI4953	Social and Environmental Performance Incentives	Indicate whether the organization implemented any employee incentive schemes related to social performance goals during the reporting period.
P19250	Active Borrowers per Loan Officer	Number of active borrowers (clients) per loan officer at the organization, as of the end of the reporting period.
FP9717	Loan Write-offs	Value of loans written off by the organization during the reporting period.
PD9337	Compulsory Deposits	Indicate whether the organization requires clients to establish savings accounts.
PD9337s	Compulsory Deposits	Indicate whether the organization requires clients to establish savings accounts.
PD1928	Compulsory Insurance Products	Insurance products that are compulsory for the product reporting against.
PI1934	Average Insurance Premium	Average amount of annualized insurance premium charged for a particular insurance product provided by the organization during the reporting period.
OI15083	Loan Officer Wages	Value of wages (including bonuses) paid to loan officers during the reporting period.
P17902	Claims Rejection Ratio	Percentage of claims rejected by the organization during the reporting period relative to the total claims submitted to the organization during the reporting period.
PI6414	New Businesses Created: Low Income Areas	Number of new business created in low income areas as a result of investments made during the reporting period.

Source: The author based on select IRIS metrics for the banking and finance sector.

Table 2: Select SASB metrics for the banking and finance sector

Topic	Accounting metric	Category	Unit of measure	Code
Integration of environmental, social and governance risk factors in credit risk analysis	Discussion of how environmental, social and governance (ESG) factors are integrated into the lending process.	Discussion and Analysis	N/A	FN0101—15
	Discussion of credit risk to the loan portfolio presented by climate change, natural resource constraints, human rights concerns or other broad sustainability trends.	Discussion and Analysis	N/A	FN0101—16
	Amount and percentage of lending and project finance that employs: (i) Integration of ESG factors; (ii) Sustainability themed lending or finance; (iii) Screening (exclusionary, inclusionary or benchmarked); and (iv) Impact or community lending or finance.	Quantitative	US$, percentage (%)	FN010—17
	Total loans to companies in the following sectors/industries: energy/oil and gas, materials/basic materials, industrials and utilities.	Quantitative	US$	FN0101—18

Source: Adapted from SASB's Commercial Banks Sustainability Accounting Standard[86].

Table 3: Standards and guidelines for measuring value creation and social, environmental and economic impacts[92]

Scope of measurement approach	Global initiatives
Metric standards	• Impact Reporting and Investment Standards (IRIS) • Sustainability Accounting Standards Board (SASB) • Global Impact Investing Ratings System (GIIRS)
Reporting guidelines	• Global Reporting Initiative (GRI) • Social Return on Investment (SROI) • United National Global Compact reporting guidelines • International Integrated Reporting Framework

Source: The authors based on the standards and guidelines for measuring value creation and social, environmental and economic impacts.

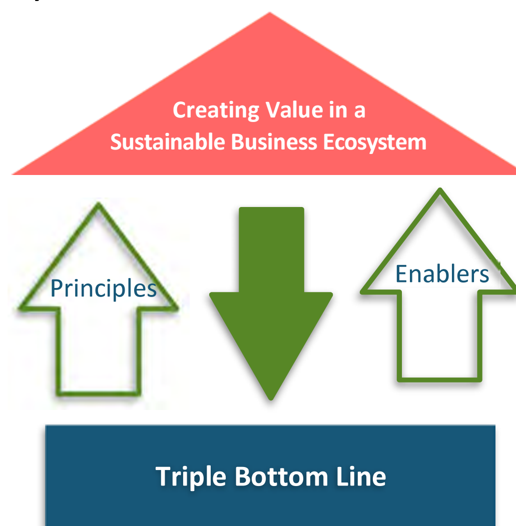
Sustainable Business Ecosystem: Creating True Value

Sustainable business ecosystem: definition and process

The aim of *Responsible Business 2.0* is to enhance value creation through responsible business conduct within a sustainable business ecosystem. The sustainable business ecosystem is defined as a dynamic network of interactions among internal and external stakeholders.[93] Thus, the ecosystem is highly influenced by involved or concerned stakeholders and acts as a community creating value within *Responsible Business 2.0*.

In detail, the three spheres of the triple bottom line (i.e. social, environmental and economic) enter into the system through the three principles of *Responsible Business 2.0* or the *3Cs.* The ecosystem can accelerate the creation of sustainable values (i.e social, environmental, financial and ethical) for internal and external stakeholders by proactively promoting and supporting responsible conduct. In turn, these values are fed back into the ecosystem by further converting the three principles into concrete practices that can be readily adopted by firms, financial institutions or stakeholders to recreate sustainable value for all parties involved (see figure 4). These interactions can also take the forms of public or private partnerships and multi-stakeholder collaborations amongst governments, businesses and civil society organizations and usually encompass specific roles and responsibilities of each stakeholder.

Figure 4: Creating value in a sustainable business ecosystem



Source: Authors.

Evaluating value creation

In recent years, international organizations have developed innovative approaches to measure values created in a sustainable business ecosystem. This subsection presents a concise summary of such approaches, in particular the so-called "five capital approach to sustainability" proposed by OECD.[94] This approach, in combination with the "sustainability value chain" approach[95], which was first proposed by the Social Impact Investment Taskforce established under the United Kingdom's

presidency of the G8[96], can provide the baseline of a sustainable business ecosystem.[97]

While money is used to purchase goods, capital has the ability to create added value and generate wealth. Taking this view of capital and applying capital in a sustainable way, we are able to measure sustainability in a more defined manner and see how the various forms of capital can increase wealth and value through the sustainable business ecosystem. Based on the OECD's definitions[98], the five forms of capital include:

(1) Economic/financial capital (e.g. stocks, bonds and currency deposits);
(2) Produced capital (e.g. products, machinery, buildings, telecommunications and other types of infrastructure);
(3) Natural capital (e.g. natural resources such as land and ecosystems providing services like waste absorption);
(4) Human capital, in the form of an educated and healthy workforce; and
(5) Social capital (e.g. social networks and institutions).

The premise of the five capital approach is that for any given community and to ensure long-term sustainability the use of any form of capital needs to be compensated by improving or increasing other forms of capital. For instance, a company that employs the financial capital of local communities could compensate these communities by increasing human capital in the form of education and training or community-based capacity-building. This approach has been widely applied as a constituent part of the sustainable livelihood framework, first developed by the Department for International Development in the United Kingdom.[99]

Traditionally, banks have focused on financial capital and, to a lesser extent, other forms of capital. With the increasing need for banks to be sustainable themselves and the growing social and environmental concerns of investors and stakeholders, stronger focus on the other forms of capital has been required. Banks and financial institutions need a way to assess and understand the different types of capital and how all of them are interrelated in order to evaluate their sustainability. There is a trade-off between certain types of capital, and financial capital may be spent in order to increase human or social capital. There are also indirect effects among the types of capital which can also occur over the long-term. For example, whereas an investment in a project that depletes natural capital could boost financial capital in the short-term, in the long-term human capital and social capital may be negatively impacted as a result of environmental destruction.[100]

The concept of capital can then be applied to the sustainability value chain model developed by the Social Impact Investment Taskforce, as shown in table 4. The Taskforce brings together government officials and senior figures in the fields of finance, business and philanthropy from G8 countries. The sustainability value chain consists of several step-by-step processes, starting from inputs to produce outputs or outcome-producing activities, and ending with impacts. Some of the recommendations derived from the most recent report published in 2014 are as follows:

(1) Increase resources and support for sustainability driven-organizations to strengthen their operations and grow;
(2) Increase flow of talent to build sustainability-driven organizations;
(3) Develop sustainability investment culture, with a range of intermediaries that manage capital and provide professional advice to the investment sector;
(4) Encourage new investors to enter the sustainability investment market;
(5) Increase government's role as an effective purchaser of social outcomes;
(6) Develop an appropriate regulatory and legal framework for sustainability-driven organizations; and
(7) Provide fewer legal and regulatory barriers to potential investors. [102]

Through the incorporation of the *3Cs* principles in banks and financial institutions' operations, corporate performance can be directly assessed from the results of the sustainability value chain. A Long-term approach to business performance can also be seen to produce more stable returns on assets and equity. Increased productivity and heightened quality of output enhance company brand and reputation, resulting in an increase in customer base and talent retention. These items are more easily measured by the business, as they are directly quantifiable. However, it is challenging to measure the various forms of capital and indirect benefit to society and the environment beyond the corporate level (see table 4).

Table 4: Sustainability value chain

	Input	Activity	Output	Outcome	Impact
Definition	Resources that are deployed in service of a certain (set of) activity(activities)	Actions, or tasks, that are performed in support of specific sustainability objectives	Tangible, immediate practices, products and services that result from the activities that are undertaken	Changes of effects, on individuals or the environment that follow from the delivery of products and services	Changes or effects, on society or the environment that follow on from outcomes that have been achieved
Illustrative example	Investments made for a sustainability-driven organization (e.g. a microfinance institution)	Actions by a sustainability-driven organization to attract clients (e.g. campaigns)	Number of clients served by a sustainability-driven organization (e.g. loans extended)	Changes among clients (e.g. doubling of household income among microfinance clients)	Changes in the broader environment of the sustainability-driven organization (e.g. less crime)
Illustrative insight for investors	Capital deployed (i.e. initial investment)	Activities undertaken to deliver on sustainability goals	Services rendered through sustainability capital provided	Income generated by beneficiaries due to sustainability capital	Impact on society due to sustainability capital

Source: Adapted from the Social Impact Investment Taskforce[103].

Aligning Responsible Business 2.0 with the United Nations Sustainable Development Goals (SDGs)

The *Responsible Business 2.0* model facilitates companies' engagement with the mandates of the United Nations Sustainable Development Goals (SDGs) and their ability to address pressing global challenges. As discussed earlier, businesses now have to be responsible not only to their shareholders but to an increasingly diverse group of stakeholders as well. By aligning corporate strategies and practices with the SDGs, companies would be able to realize opportunities within the wider communities and environments that can generate both financial returns and social and environmental values. This section discusses how *Responsible Business 2.0* can help business address the SDGs through stakeholder engagement.

Sustainable Development Goals

The SDGs are a series of 17 goals, each with a set of targets and indicators that all United Nations member States will use as a framework for formulating their inclusive and sustainable development agendas and policies over the next 15 years (2016-2030). They are an extension and expansion of the Millennium Development Goals (MDGs) agreed by governments in 2000. The SDGs cover a wide range of areas including the reduction of poverty and hunger, the achievement of universal education and gender equality, the fostering of global partnerships and the promotion of inclusive and sustainable economic development and growth.

Table 5 presents the SDGs and selected environmental and social issues under each of them. It also highlights the priority areas for further contributions of corporations and financial institutions.

Table 5: Selected environmental and social issues under the SDGs

Sustainable Development	Selected environmental and social issues
Goal 1: End poverty in all its forms everywhere	• Livelihood strategies and food security of the poor often depend directly on healthy ecosystems, which provide diversified goods and services. • Climate change affects agricultural productivity; for example, ground-level ozone damages crops. • The use of innovative and sustainable energy is important for eradicating poverty.

Goal 2: End hunger, achieve food security, improve nutrition and promote sustainable agriculture	• Women bear the brunt of collecting water and fuel woods; tasks could be made harder by environmental degradation, such as water contamination and deforestation. • Empowering women strengthens food security and nutrition, prompting micronutrient diets and strengthening sustainable agriculture. • Equal access to education bolsters food and nutrition security and increases sustainable agriculture. • Universal access to safe drinking water and sanitation are vital for food security and nutrition, and access to water of adequate quantity and quality is vital for sustainable agriculture. • Steady economic growth and better resource use are essential for food security and sustainable agriculture.
Goal 3: Ensure healthy lives and promote well-being for all at all ages	• Up to 20 per cent of the total burden of disease in developing countries may be associated with environmental risk factors. • Preventative environmental health measures are as important as and at times more cost-effective than health treatment. • Sanitary water is essential for healthy lives and helps decrease in child mortality. • Overconsumption of natural resources is damaging to health and the climate and lead to epidemics such as obesity. • Unsustainable fishing practices and poor ocean management threaten food supply and therefore health. • Unsustainable land management is a threat to food supply and human health.
Goal 4: Ensure inclusive and equitable education and promote lifelong learning opportunities for all	• Free, equitable and quality primary and secondary education for all girls and boys leads to relevant and effective learning outcomes. • Access for all girls and boys to quality early childhood development, care and pre-primary education is key to their success in primary education.
Goal 5: Achieve gender equality and empower all women and girls	• All forms of discrimination against all women and girls must be ended everywhere. • Women's full and effective participation and equal opportunities for leadership are needed at all levels of decision-making in political, economic and public life. • Sounds policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls must be adopted and strengthened at all levels.
Goal 6: Ensure access to water and sanitation for all	• Provision of clean water reduces the incidence of diseases that undermine health and contribute to mortality. • Access to water is integral to development. • Water is vital to the increase in agricultural productivity and industrial food processing. • Sanitation in a school setting is vital to school attendance for girls. • Water stress and water disasters are detrimental to development. • Basic human water rights must be established by transport. • International agreements and national strategies through programmes such as water rights are key in developing pacifist societies and institutions.

Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all	• Universal access to affordable, reliable and modern energy services must be ensured. • The share of renewable energy in the global energy mix must be increased. • The global rate of improvement in energy efficiency can be doubled.
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	• Sustaining per capita economic growth in accordance with national circumstances is recommended; in particular, at least seven per cent gross domestic product growth per annum in the least developed countries. • Higher levels of economic productivity are required through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.
Goal 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation	• New biodiversity-derived medicines hold promises for fighting major diseases. • Infrastructure, including scientific research, can strengthen agricultural productivity and sustainable food production. • Sustainable infrastructure and industrialization include water and sanitation infrastructure, enhancing water use efficiency.
Goal 10: Reduce inequality within and among countries	• Poor countries and regions are forced to exploit their natural resources to generate revenue and make huge debt repayments. • Unfair globalization practices may create harmful side-effects in countries that do not have effective governance regimes. • In order to eradicate poverty and inequality, access to sanitation and clean water is essential. • Equality allows people to combat and diminish climate change and adjust to it. • The use of reliable energy sources is positively linked with equality. • Equality allows people to use reliable energy sources.
Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable	• Adequate, safe and affordable housing and basic services shall be provided to all. • Slums must be upgraded. • Safe, affordable, accessible and sustainable transport systems shall be provided to all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Goal 12: Ensure sustainable consumption and production patterns	• All countries must adopt sustainable consumption and production practices, while developed countries take the lead, taking into account the development and capabilities of developing countries.
Goal 13: Take urgent action to combat climate change and its impacts	• Resilience and adaptive capacity to climate-related hazards and natural disasters must be strengthened in all countries. • Climate change measures shall be integrated into national policies, strategies and planning.
Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development	• Marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution must be prevented and significantly reduced. • The impacts of ocean acidification are examined, including through enhanced scientific cooperation at all levels.

Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forest, combat desertification, and halt and reverse land degradation and halt biodiversity loss	• The conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services are enhanced, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements. • The implementation of sustainable management of all types of forests is promoted, which aims to halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	• All forms of violence and related death rates shall be significantly reduced everywhere. • Abuse, exploitation, trafficking and all forms of violence against and torture of children must be eradicated.
Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development	• Domestic resource mobilization and domestic capacity for tax and other revenue collection are enhanced, including through international support to developing countries. • Additional financial resources for developing countries from multiple sources are sought.

Source: Adapted from the *UNEP Environment for Development Report* and the *ICSU Review of Targets for the Sustainable Development Goals.*[104]

Innovative methodologies have been developed for companies to maximize their contribution to the SDGs. Companies for example, can apply the SDG Compass methodology, a guide that sets sustainability as a main corporate objective in line with the SDGs.[105] Developed by the GRI, UN Global Compact and the World Business Council for Sustainable development (WBCSD), this methodology can be implemented by large and small companies through five steps: (1) understanding the SDGs; (2) defining priorities; (3) setting goals; (4) integrating SDGs in operations; and (5) reporting and communicating. It is advisable that companies that follow the *Responsible Business 2.0* apply this methodology to measure and manage their contribution to the SDGs presented in this section.

Stakeholder engagement

Stakeholder engagement is part and parcel of the sustainable business ecosystem and essential in driving the global agenda for inclusive and sustainable development. Stakeholders have a moral obligation to enhance the welfare of citizens and society at large and for this purpose need to engage closely with each other.[106,107] This approach is based on the assumption that stakeholders, for example shareholders, governments, customers and suppliers, equally participate in decision-making processes and collaborate in the implementation of common actions, like responsible business initiatives. It also indicates that lack of communication, low levels of trust amongst stakeholders and imperfect knowledge about stakeholders' roles and responsibilities hinder the effectiveness of such initiatives.

In addition to engaging major players in the *Responsible Business 2.0* model described earlier, i.e. shareholders, customers, suppliers and governments, stakeholder engagement should also involve various other actors, such as associations, media, investors, employees and universities amongst others. Table 6 briefly describes those actors.

Table 6: Stakeholder engagement: key actors

Actor	Description
Companies	Companies have a primary responsibility to their shareholders through profit maximization; but they are increasingly being tasked—through industry norms (including corporate social responsibility) and in-country obligations —with social responsibilities to external stakeholders. Therefore, companies are encouraged to ensure the effective development, provision and evaluation of the *Responsible Business 2.0* model as a constituent component of their corporate agendas.
Customers	Customers are more often driven to purchase goods and services produced and rendered by responsible businesses. *Responsible Business 2.0* encourages customer engagement, as it addresses issues of common concern held by society at large.
Suppliers and distributors	Suppliers and distributors are accountable for adopting sustainability initiatives. They are required to develop transparent communication channels between companies and civil society through the establishment of formal feedback mechanisms in value chains, based on *Responsible Business 2.0*.
Employees	Companies that engage closely with their employees can be productive and innovative. Human resource development enhances the attraction and retention of employees while motivating them.
Shareholders/ Investors[108]	Traditional forms of investment follow the profit maximizing approach[109] involving a limited number of stakeholders and less transparency in decision-making. Responsible business calls for the adoption of a more equitable and shared value framework for shareholders and investors.[110]
Governments	The role of the government is to lead, in partnership with companies, the planning, delivery, evaluation and improvement of the *Responsible Business 2.0* model through effective and appropriate policies and regulations. This role needs to be executed at all levels of government.
Associations	Business or industry associations are expected to facilitate communication between individual businesses, mainly SMEs, on the one hand and other stakeholders, such as governments and local communities on the other hand in order to improve the business environment and their members' capacities to adopt responsible business practices. They need to provide various services to their members, such as training, information dissemination and exchange, and technical assistance, in collaboration with other stakeholders.
Media	Effective communication with various actors, facilitated by the media, strengthens stakeholder engagement and helps develop agreements that create value for all parties and promote positive multi-stakeholder collaboration. Properly engaging with media, business can enhance customer awareness and relationships with stakeholders.
Higher education institutions	Higher education institutions or universities are accountable for transferring knowledge and advising companies and governments. They lead cutting-edge research for the formulation of responsible business practices. They are encouraged to include the *Responsible Business 2.0* model in their curriculum while reaching out to broader communities and customizing the curriculum to these communities' needs.
Civil society organizations	Civil society extends beyond community members to the broader community, including community-based organizations (CBOs) and non-governmental organizations (NGOs). Hence, civil society actors often ensure that the roles and responsibilities of governments and companies comply with the community's expectations and development aspirations regarding *Responsible Business 2.0* implementation.

Source: Authors.

Case Studies

Showcasing selected case studies, this section highlights the untapped potential of pursuing responsible business practices. These cases were selected from various sources and industries and differ substantially in nature, geography and scope. However, they share commonalities in driving the global agenda for sustainable development.

***Case 1 – Aiding SMEs in China-ICBC*[111]**

The Industrial and Commercial Bank of China (ICBC) has actively boosted the integration of financial services and ICT applications by launching a series of Internet microfinance products for SMEs. The Bank's aim has been to meet the financing needs of smaller businesses and lower their funding costs while properly preventing and controlling risks.

E-Revolving Loan, for example, is an online self-service revolving loan service designed for SMEs. By signing a borrowing contract, they can complete the application, withdrawal and repayment of loans at home within the valid term of contract, which particularly suits generally short, frequent and urgent funding demands of SMEs. Compared with other financing products, the E-Revolving Loan is also highly efficient, self-disposable and free from interest accrual if no fund is withdrawn. Smaller businesses can borrow and repay loans based on the peak and slack season of their sales to cut down financing costs, which fills their intermittent and cyclic funding needs. The Bank extended RMB 1.5 trillion loans in total to 67,000 SMEs under the E-Revolving Loan alone by the end of 2014.

With regard to supply chain finance for SMEs, since 2010 the Bank has launched a series of flagship products, including upstream e-factoring and downstream e-dealership financing of supply chains, and provided one-stop financing services by matching online transactions. For instance, a supply chain coordination platform set up jointly by the Bank and a renowned domestic communications group has realized Internet-based operations from information dissemination to loan applications, contract signing, loan withdrawal and repayment. Since the rollout of the platform in June 2014, ICBC has provided upstream suppliers or vendors with factoring and financing services worth RMB 490 million in total.

***Case 2 – Embedding the '3Cs', Thailand-SCB*[112]**

The Siam Commercial Bank (SCB) in Thailand has focused its contribution to the sustainable development of society in three areas: (1) youth development and the promotion of learning; (2) establishment of volunteer networks; and (3) aid for livelihood building as well as environmental protection. In this

context, SCB enacted the iSCB framework, which comprises innovation; social responsibility; customer focus; and community development. The iSCB framework acts as a set of guidelines and policies by which SCB is able to comply with normative, global principles. SCB promotes iSCB for employees to embed it into their everyday actions via traditional and innovative internal communication channels as well as participation programmes. SCB also recognizes the importance of community development and supports CSR activities based on the concept of creating benefits for sustainable local communities.

Case 3 – Supply chain sustainability-NAB[113]

As a global company with a diverse range of external and internal stakeholders, the National Australian Bank (NAB) has implemented its Australian supplier sustainability programme. The Bank focuses on increasing engagement with sustainable procurement practices, or sustainable sourcing through training and awareness campaigns, while enhancing efficiencies and mitigating risks. The programme encourages NAB's suppliers to engage with sustainability initiatives. The actions of the programme have developed transparent communication channels between NAB and its suppliers through the establishment of formal feedback mechanisms in supply chains.

Case 4 – Nurturing social entrepreneurship-DBS Bank Ltd[114]

DBS Bank Ltd intends to nurture social entrepreneurship through innovative initiatives. Since 2012, the Bank has provided close to two million Singapore dollars in grants to 56 social enterprises in Asia. In partnership with the Hong Kong Council of Social Service (HKCSS), a two-million Hong Kong dollars DBS Social Enterprise Advancement Grant was also launched in 2013 and renewed in 2014. It was recognized that 80 per cent of the grantees recorded a double-digit growth in sales revenue year-on-year. DBS has recently partnered with the National University of Singapore to launch an inaugural competition that will identify new social ventures. DBS remains the only bank to offer preferential banking services to social enterprises in Singapore; Hong Kong, China; India; Indonesia; and Taiwan Province of China.

Case 5 – Responsible business conduct in manufacturing-Visteon[115]

Michigan based Visteon in the United States presents a good example of how a global manufacturer effectively implements responsible business practices. The company designs, engineers and manufactures cockpit electronics products and connected car solutions for most of the world's major vehicle manufacturers. Visteon is also a leading provider of driver information and controls, audio and infotainment and domain controllers. Visteon boasts more than 11,000 employees at 50 facilities in 21 countries and had sales of US$ 2.6 billion in 2014. Visteon has achieved world-class health and safety performance, while maintaining practices that conserve energy and help protect the environment. For example, Visteon recorded its lowest-ever occupational injury rates in 2014 - more than 80 per cent of Visteon's global facilities had zero lost-time injuries in 2014 - placing the firm within the top 10 per cent of all industries. Visteon has been active in its CSR initiatives, including raising money for children in need; supporting children diagnosed with leukemia; cleaning up a neighbourhood; and participating in a five kilometre run to raise money for medical assistance for poor children and orphans. Visteon also improved its environmental performance in 2014, achieving a 20 per cent reduction in normalized CO_2 emissions in two years. It also exceeded targets for energy and waste efficiency improvement. Visteon continues to voluntarily participate in the carbon disclosure project, publicly sharing emissions data and carbon emission-reduction strategies.[116]

Case 6 – Invest eWisely™ [117]

Invest in Women, Invest eWisely.com™ and begin your quality improvement journey toward sustainability.

The eResearch Hub Invest eWisely™ was established with the aim to advise organizations on their quality improvement journey toward sustainability. Making use of technology, Invest eWisely does this by fostering sustainable human capital development of women in developing resource regions, as part of sustainability and corporate social responsibility agendas. The eResearch Hub currently advises stakeholders in the extractive industry (mining, oil and gas) and its supply chain (electronics, jewellery, etc). Providing women

with equal access has the proven results of creating shared value and promulgates the systemic gender barriers which hamper equal access. As the research of Invest eWisely shows, investment in women by key stakeholders in disruptive industries dismantles the hurdles many women face. Further, it fosters overall sustainability.

The eResearch Hub itself is based on ongoing scientific research that involves review of best practices for sustainable human capital development, international standards and voluntary regulatory frameworks (Global Compact, IFC standards, ICMM Principles, ISO Guidance, PDAC Guidance and RJC Standards); focus groups with women at all levels in unconventional industries such as the extractive industry and its supply chain, corporate, government and civil society representatives. Research has shown that stakeholders should 'Invest in Women, Invest eWisely in six areas intended to foster sustainable human capital development of women. These six components include but not limit to: employment, education, entrepreneurship, leadership, sustainability and use of technology /innovation.

Making use of technology and innovation, Invest eWisely contributes to sustainable human capital development in the abovementioned areas. The eResearch Hub educates through eJournals (opinion and scientific eJournals); fosters leadership through podcast series; promotes employment by advocating for the attraction and retention of women in unconventional industries, advises on sustainable practices through research and publication series and promotes entrepreneurship in developing resource regions through its ecommerce.

Case 7 – Innovative customer engagement- British Telecom[118]

British Telecom, a global telecommunications company, embedded strong innovation orientation and customer engagement in its responsible business practices. Innovation has been one of the companies' main pillars for creating value for their customers. British Telecom is one of the first operators in the world to launch services on virtualized infrastructure in its data centers, taking advantage of the model of cloud computing, or mass networks of Internet applications, with crucial financial information.

Case 8 – Ethical policy – Co-operative Bank, the United Kingdom[119]

The Co-operative Bank in the United Kingdom annually reports on the actions it has taken as part of its ethical policy. In 2014, the Bank sourced 99 per cent of its electricity from renewable sources, achieving 'beyond carbon neutral' status for the last eight years and offsetting 100,000 tonnes of carbon in the process. The Co-operative Bank has its roots in the cooperative movement and is committed to developing ethical products and services that promote economic and social development. Recently, it announced the launch of a one-million GDB fund to support the development and growth of the United Kingdom's cooperative and social enterprise sector, in partnership with Co-operatives UK. The Bank's role in society is a good model for other financial institutions as over half of the bank's business deposits come from cooperatives, charities and social enterprises.

Case 9 – Code of conduct- Toyota[120]

The Toyota Motor Corporation has developed and enforced a global code of conduct for its employees, which contains specific values and methods for them to adopt by putting responsible business practices in their day-to-day activities. The code of conduct is also expected to be used by Toyota's business partners (e.g. suppliers and distributors) through its global *Keiretsu* network.[121]

Case 10 – Responsible business guidelines in a foundation-Gates Foundation[122]

Although it is not a business, the Gates Foundation incorporates many principles of responsible business into the organization's policies, practices and initiatives. Much of the work of the Foundation is based on international business guidelines such as the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights and the Global Reporting Initiatives' Sustainability Reporting Guidelines.

Case 11- Sustainable energy development in rural areas, India-Rockefeller Foundation[123]

The Rockefeller Foundation is committed to advancing inclusive and sustainable economies that increase opportunities for community prosperity in the long-term. This is evident in the Foundation's initiative for sustainable energy development in 42,000 rural villages in India. This initiative utilizes rural electrification to provide electricity to 400 million people who are without access to the energy they need to perform basic tasks, such as lighting their homes and powering irrigation pumps. For this objective, the Rockefeller Foundation partnered with private energy service companies to build renewable energy power plants according to the social enterprise model.

Case 12 – Green bonds, China-People's Bank of China[124]

The People's Bank of China, China's central bank, recently announced a plan to introduce new interbank bonds to allow financial institutions to raise funds for green or clean energy projects. The green bond is expected to strengthen financing channels for the projects for clean energy and environment protection in China. The Bank stressed that the bonds are used to support green projects, with strict information disclosure and independent assessment. To facilitate the development of the green bonds, the Bank plans to enforce supporting policies, such as first-lane approvals, tax breaks and subsidies, and encourage more

capital inflows from various funds including social security, welfare and enterprise annuities. The Bank hopes that the move will help commercial banks increase credit flows to green projects through relending, financial discount and guarantees. Meanwhile, a new corporate bond market is planned to be established for the environment sector.

Conclusion

Businesses adopting the *Responsible Business 2.0* model are accountable for establishing greater social and environmental value in the pursuit of inclusive and sustainable development of the global economy. For this purpose, the model provides businesses with ethical and practical guidelines and principles to foster a sustainable business ecosystem. With an increasingly globalized society, local communities and the environment are also impacted by the decisions made by companies at the national, regional and global levels. *Responsible Business 2.0* therefore seeks to mitigate adverse impacts of business operations on various stakeholders and to integrate social and environmental aspects into the financial considerations the business' daily operations. In short, *Responsible Business 2.0* aims to align the interests of future generations with those of the present generation. Based on the triple bottom line approach (i.e. economic, social and environmental), the proposed model increases our understanding of the principles of responsible business conduct (i.e. corporate governance, corporate social responsibility and corporate sustainability) and their enablers (i.e. technology, innovation, interconnectivity, and metrics). This knowledge helps in creating a more sustainable business ecosystem, and value for both society and the environment, contributing to the welfare of internal and external stakeholders.

This book has shown that businesses do not need to choose operating sustainably and inclusively at

In a sustainable business ecosystem, companies that align their operations with the triple bottom line find that their economic performance increases as a result of the social and environmental values and impacts created. Given the interdependence of the economic, social and environmental dimensions of business conduct, a change to one of these dimensions will affect the other two. For instance, evidence demonstrates that environmental degradation due to economic development has caused tangible and intangible consequences detrimental to future generations.

The principles of *Responsible Business 2.0* are also important for of the banking and finance sector. There are three central principles that are applied in the model: corporate governance, corporate social responsibility and corporate sustainability. Each principle addresses the different responsibilities that companies and financial institutions must demonstrate in order to uphold a sustainable, profitable and responsible business ecosystem. Corporate governance is relevant because it provides a framework that defines the responsibilities and obligations of shareholders and executives, typically enforced by the board of directors. Corporate governance also mitigates potential business risks, which may derive from the multifaceted nature of investment for large banks and financial institutions, which, in turn, heightens the conflict of interests within the diverse stakeholder community. While corporate governance reconciles the needs of external and internal stakeholders, corporate social

responsibility acknowledges the centrality of the financial sector to society. This principle acts as a conscience for businesses to better understand the circumstances of present and future stakeholders. The third principle that supports *Responsible Business 2.0* is corporate sustainability, which focuses on the long-term growth and future of financial institutions and their stakeholders. By creating greater awareness of long-term impacts, businesses and financial institutions are better able to address the needs of future investors and stakeholders in diverse societies and environments.

Four enablers, i.e. technology, innovation, interconnectivity and metrics, foster *Responsible Business 2.0* by embedding the aforementioned three principles in business strategies and daily operations. Technological advancement is seen as the creator of innovation, where innovation is defined as the novel approach to improve efficiency of a process and/or to improve the final good or service. An example of innovation in the banking and finance sector is how microfinance is delivered to rural communities in developing countries through mobile and Internet technologies where physical banking infrastructure does not exist. This example demonstrated that technology and innovation are not mutually exclusive and reinforce each other. In addition, the financial and business sectors play a crucial role in developing new technologies and innovations which help banks and financial institutions to fund socially responsible businesses as well as developing climate change solutions.

Two other enablers introduced as part of the *Responsible Business 2.0* model are interconnectivity and metrics. Interconnectivity plays an important role within the sustainable business ecosystem, which is a community of stakeholders, principles and enablers that interact and interconnect to create values for all. Metrics also enable all stakeholders, such as executives, shareholders, communities and authorities, to assess the outcomes of sustainable management of business operations properly and quickly so that companies can further improve their responsible business conduct.

This book presented the emerging role of the business sector in driving the global agenda or Sustainable Development Goals (SDGs) by showcasing a number of select case studies. What makes this book essential is the attempt of the *Responsible Business 2.0* model to fill the gaps of existing models and approaches that omit dynamic interactions between the principles and enablers in order to create values for all through sustainable business ecosystems. All in all, this book describes the importance of the banking and finance industry in contributing to the improvement of social and environmental consequences of business operations; alleviating poverty, promoting equity, enhancing quality of life, and providing more environmentally sustainable solutions.

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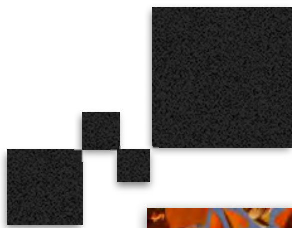

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