Sustainable commitments insulate financial leaders

Banks and super funds have been battered by the gale of the global financial crisis but not everyone is suffering. Alexandra de Blas looks at some sustainability leaders in the financial sector to see how they are beating their competitors.

Dutch based Triodos, one of the world’s leading sustainable banks, has had its best year on record. At the close of 2008, savings had risen by 20 per cent to €2 billion and bankruptcies were on a par with the previous year.

‘The number of new customers has risen by 30 per cent’, says Bas Rüter, Managing Director of Triodos Funds Management. ‘We’ve never grown so fast. People are fed up with their mainstream banks and are seeing us as a viable alternative.’

The big four banks in the Netherlands, with 80 per cent of market share, were shattered by the financial crisis. The Dutch Government came to the rescue and now owns ABN Amro and Fortis and a share of ING.

Triodos began in 1980 with the mission to stimulate sustainable development using finance as a vehicle. It funds companies, institutions and projects that add cultural value and benefit people and the environment.

Its equity funds have been hit by the global financial crisis (GFC), but its investment funds, outside the stock market – in renewable energy, organic agriculture, art and microfinance – are all making a profit.

In March, Triodos joined with 10 of the world’s leading sustainable banks to form the Global Alliance for Banking on Values. These banks are profitable, growing and appear to be ‘crisis resistant’.

Between them they have assets of over €10 billion and serve over seven million customers in 20 countries. Together they hope to lead debate on the banking models which could inspire profound change in the financial industry.

While they are minnows, Bas Rüter believes ‘size doesn’t matter. People are looking for alternative ideas.’

After 28 years Triodos is yet to make a loss or cut back on staff – evidence that it is possible, and financially safe, to think and act differently.

Here in Australia where the banking system is more tightly regulated, our ‘big four’ banks are in relatively good financial shape. They recently posted half yearly profits of $8.4 billion, six per cent down on last year.

For two years ANZ has held the top spot on the Dow Jones Sustainability Index – as the world’s most sustainable bank. Westpac was in the chair for five years prior and National Australia Bank is also among the leaders.

Terence Jeyaretnam, Director of Net Balance Management Group, an Australasian sustainability advisory and assurance firm, says, ‘Globally we’ve seen a shift away from sustainability commitments as the financial sector was hardest hit by the crisis. But here in Australia we are seeing at least the same amount of activity as last year.’

In 2008 ANZ introduced four social and environmental policies which set the standards for decision-making in sensitive sectors – including forests. The idea was to...
Despite its socially responsible intentions, ANZ’s restructure in 2008 led to over 1000 staff leaving the Australian business. Westpac, meanwhile, has put its restructure on hold. Both Mike Smith and Gail Kelly are relatively new CEOs at ANZ and Westpac, respectively, and it will be interesting to watch how they drive sustainability as the recession progresses.

At the smaller end of the spectrum, credit union mecu is punching above its weight on the sustainability front. The only credit union with a Standard and Poors credit rating, it aims to be Australia’s pre-eminent socially responsible bank.

A year ago, in Victoria’s west Wimmera, mecu established a Conservation Landbank – a world leading initiative that protects prime conservation habitat. Mecu uses the Landbank to offset the biodiversity lost due to new home constructions, and tree planting mitigates climate change.

On the customer side, mecu’s Eco Pause program allows home loan repayments to cease for three months, or halve for six, while borrowers pay for green upgrades such as water tanks or solar systems.

Mecu was also the first car loan provider globally to offset the CO2 emitted from all the vehicles it finances. Energy efficient cars and homes attract reduced interest rates on loans.

Mecu is among the most proactive financial institutions working in the affordable housing sector and is evaluating more than $100 million in project finance.