



**LAUDATO SI'
MOVEMENT**

Catholics for Our Common Home

Guide to Sustainable Banking

Congregations



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INTRODUCTION

“The economy accepts every advance in technology with a view to profit, without concern for its potentially negative impact on human beings.” (Laudato Si’ 109)

Laudato Si’ clearly tells us that the current economic model must change. An unrealistic belief in infinite growth has driven investment in industries that are unsustainable, such as fossil fuels, mining, and logging. While these have been important industries that many people relied on, we now know that the way these industries operate does grave harm to our sisters and brothers in creation.

In place of this unsustainable model, the *Laudato Si’* Action Platform encourages us to embrace the model of Ecological Economics, a *Laudato Si’* Goal. One of the ways in which your Congregation can embrace Ecological Economics is to choose a sustainable bank.

This guide will help you explore how your Congregation might make the transition to a sustainable bank. The guide is composed of three sections:

1. See
2. Discern
3. Act

The first section will help you understand sustainable banking. The second section will help you discern whether your bank aligns with your values. Finally, the third section will help you take action.

Sustainable banking offerings are just beginning to display signs of future potential and are still in development. Asset owners should consider the obstacles they may encounter in seeking a full suite of services that meet the qualifications of sustainability. However, the active participation and demand for such services from asset owners will contribute to further development of available options across the banking industries.

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SEE

Your choice of bank can make a real difference in the transition away from unsustainable, unethical industries and towards ecological economics.

Businesses in industries like fossil fuels, mining, and logging depend on loans to survive. They get their loans from banks.

In turn, banks get their money from us, the consumers. Banks get money to lend, whether it's an auto or home loan, a personal loan, or credit, from your checking and savings accounts. Beyond the deposits you make in these accounts, you may also give the bank money to lend by paying fees. These might be direct fees, such as fees to open an account, or indirect fees, such as those paid for securities services. Finally, you may also pay interest on loans or your Congregation's credit accounts. These too provide a source of funds for the bank.

When you make a deposit in an account, pay a fee, or pay interest, the bank will almost certainly use your funds for loans and investments that generate money for the bank itself.

The bank chooses which businesses to support with its loans and investments. There is a good chance its choices will not align with those that you would make as a Congregation guided by Catholic Social Teaching.

In other words, your bank account may be using your money to support unethical and unsustainable businesses.

Church teaching is clear on the imperative to support ethical industries. For instance, the Holy See's Interdicasterial Working Group on Integral Ecology's [guidebook on ethical investments](#) encourages us to take care "not to support companies that harm human or social ecology (for example, through abortion or the arms trade), or environmental ecology (for example, through the use of fossil fuels)."

Unfortunately, bank loans play a significant role in the survival of businesses that harm the environment. As one example, a [2022 report](#) estimates that the world's 60 biggest banks have poured \$3.8 trillion into fossil fuel projects since the Paris Agreement was formalized in 2016.

The good news is some banks are moving to a model that supports industries that nourish our planet and its people. Although the use of terms for these banks differs, the term we'll use is "sustainable banks."

Sustainable banks invest in long-term financing commitments that address challenges like climate change. When they decide which loan applications to accept or other investments to make, these sustainable banks consider environmental and social criteria alongside more conventional criteria, such as the credit profile of the loan applicant.

For example, a bank can choose to deny a loan if the company applying does not meet the bank's environmental protection criteria.

Benchmarks vary, and one bank might have criteria on the development of renewables while another might have criteria on rules in mining. In general, sustainable banks are intentional about the kinds of loan applications they select and investments they make.

Building on these new selection processes, the financial market has developed tools to track and evaluate environmental risks. These risks are included in the decision-making criteria.

By choosing a sustainable bank, your Congregation is committing to the accountable use of its money. Rather than passively accepting the decisions of any bank, the Congregation is proactively choosing a bank that supports industries that are aligned with the Congregation's values.

Reflection Questions

- How has your Congregation committed to following Catholic Social Teaching? Are there any bishops' statements, Diocesan reports, or other documents that make explicit your commitment to Catholic Social Teaching?
- What industries are contrary to Catholic Social Teaching?
- How can your choice of a bank avoid harm to creation and the poor?
- How would moving to a sustainable bank encourage members of the Congregation that it cares for all creation, especially the young and most vulnerable?

DISCERN

“In this system, which tends to devour everything which stands in the way of increased profits, whatever is fragile, like the environment, is defenseless before the interests of a deified market, which become the only rule.” (Evangelii Gaudium, 56)

After seeing the signs of the times in relation to banking, discern how you are called to take action. As a start, ask whether your current bank is sustainable.

It's important to keep in mind that banks may try to “greenwash” their practices. This means that they might present themselves as sustainable institutions because they use LED lights, recycled paper, or solar panels, or even because they have constructed energy-efficient buildings.

While these are positive steps, their good can be far outweighed by the negative impacts of massive investments in unsustainable industries. In almost all cases, a bank's investments are its single biggest source of environmental impact. You may need to go deeper than the list of “green” accomplishments a bank highlights to find out whether it is truly a sustainable bank.

Meeting a bank manager to ask specific questions about the bank's investment criteria and current investments could be helpful. You might ask questions like these:

- Does the bank use any environmental, social, or governance criteria to make decisions about loans and investments? Are those criteria in writing?
- Does the bank transparently disclose all its loans and investments?
- Does the bank invest in fossil fuel exploration, extraction, processing, refining, or distribution?
- Does the bank have any criteria around its loans to agribusiness or logging companies? How about mining? The privatization of water?
- Does the bank support renewable energy investments or any other industries that would promote the development of a sustainable future?
- The Congregation may also find it important to choose a bank with internal policies and practices that are just, honest, and transparent. Feel free to include questions about any policies that are important to you.

In addition, guides from industry analysts may help you understand more about your bank or find alternative financial institutions.

- [BankingOnClimateChaos.org](https://www.bankingonclimatechaos.org/) is a 2021 report from the Rainforest Action Network that evaluates banks based on their funding of the fossil fuel industry.
- The [B Corp directory](https://www.bcorporatedirect.com/) is a database of businesses committed to ethical operations, including banks.
- The [Global Alliance for Banking on Values](https://www.globalallianceforbankingonvalues.org/) is a network of financial institutions that support sustainable economic, social, and environmental development.
- The [European Federation of Ethical and Alternative Banks and Financiers](https://www.efebank.com/) gathers 33 financial institutions from 15 countries in Europe, with the aim of developing and promoting Ethical Finance principles.

After learning more about your current bank, discern what type of bank you'd ideally like to join. There's no single standard for sustainable banking. Defining the issues that are important to the Congregation is a good place to start.

For instance, you might choose a bank that offers:

- Social profitability. More than simply avoiding the activities that violate Catholic Social Teaching, your bank could support activities that have social and environmental added value. Social profitability also implies financial inclusion: a sustainable bank should ensure its services are available to traditionally underserved communities.
- Transparency. Sustainable banks are expected to be transparent in their operations, particularly as regards their loan portfolio. Transparency allows clients to ensure that their bank is providing funding consistent with their values. Further, some sustainable banks allow depositors to guide and restrict the uses of their funds on deposit.
- Fairness and long-term vision. Sustainable banks must be economically viable, but they generally do not distribute large profits to shareholders. They tend to limit executive pay and employee pay differentials.

Keep in mind that a traditional bank may not be the only type of financial institution that can fit these needs. Cooperative banks (which are owned by their customers), credit unions (where members are required to belong to a common group), and community development

banks (which provide access to financially underserved communities) are all good options to explore.

As part of your discernment process, you might encounter a few challenges along the journey to finding a sustainable bank. Anticipating these challenges will make managing them easier.

- Limited information: Most sustainable financial institutions are smaller and they are often privately held. They may not offer publicly available data on performance.
- Limited options: In some regions, there may be a limited number of sustainable banks to choose from, which might make it hard to find one that aligns with your institution's values and needs.
- Comparing options: It may be difficult to know whether one bank is significantly better than another in terms of social and environmental impact.
- Resistance to change: There may be resistance to change within your Congregation, as switching banks can be a time-consuming process.

The signs of the times suggest that your Congregation is called to embrace Ecological Economics. Discerning whether and how you are called to take action is the task now before you.

Reflection questions

- What investments does our current bank hold?
- Does our current bank use any environmental, social, or governance criteria to make decisions about its lending and investments?
- How do our bank's investments and policies align with our values?
- What are the other types of actions in Ecological Economics that we could take right now? *You might consider divesting from unsustainable industries, investing in sustainable industries, or moving to a sustainable insurance provider.*
- Would those actions be more or less impactful than changing banks? *To answer this question, you may wish to think about the amount of money that is involved in each, the extent to which each helps or harms Catholic Social Teaching, and any guiding documents from your Congregation.*
- Do we want to move forward with sustainable banking?

ACT

“Humanity is called to recognize the need for changes of lifestyle, production and consumption, in order to combat this warming or at least the human causes which produce or aggravate it.” (Laudato Sí, 23)

If your Congregation makes the decision to move to a sustainable bank, it should take action. These steps are suggested as a way to move through the process.

1. **Establish a committee**
2. **Define your scope**
3. **Define your needs**
4. **Find the right institution**
5. **Make a final decision**
6. **Celebrate**
7. **Monitor for the long term**

1. Establish a committee

A good starting point is to identify the leader(s) in your Congregation who contribute to financial decisions. That could be the Superior, Regional Superior, or the Superior General. A JPIC Team (Justice, Peace and the Integrity of Creation) or a care of creation team, the local bursar, investment committees, finance office, and/or councils established for decision making might also contribute to financial decisions. Even if the department in which you are located is the one that approves financial decisions, it would be worthwhile to identify others who contribute to values-based decisions.

At this point, you should also consider your Congregation’s style of economy and influence. Is it autonomous? Or centralized? Will the decisions taken have a local impact? Or regional?

2. Define your scope

Will you choose only the bank that you use directly?

Or will you also include “indirect” banking, such as in the case of a commingled fund investment where the asset manager is responsible for selecting the fund’s bank (for custody, cash management, etc)?

3. Define your needs

Review the services that you currently use or that you anticipate needing in the next few years. Do you need checking, loans, securities? Do you currently use any bank services such as automated payroll or digital banking?

It might be helpful to keep in mind that many sustainable banks have more limited services. Deposits and checking are likely to be available. Securities services, lending, and other services may be much more limited than a traditional bank.

Find out whether any limitations or requirements regarding banking are stated by your financial policies. For example, your policies might require you to do the following:

- Assess the degree of risk and solvency in your bank.
- Seek disclosures about your bank's performance. You may want to keep in mind that sustainable banks tend to be privately owned, rather than publicly listed, and therefore have more limited disclosures.
- Have access to banks in multiple locations, especially if the Congregation is spread out geographically. Most sustainable banks serve a much more limited geographic area than traditional banks, and in some cases work only online.

4. Find the right institution

Create a list of banks that offer the services you need and that meet your financial requirements. Conduct an Internet search for "sustainable bank," "sustainable credit union," or similar. You might also use the links previously mentioned: BankingOnClimateChaos.org, [B Corp directory](#), [Global Alliance for Banking on Values](#), [European Federation of Ethical and Alternative Banks and Financiers](#).

Email or call those banks or search their websites to learn more about how their values are aligned with those of your Congregation.

You might want to use this checklist to create profiles of banks for easy comparison.

- An overall summary of the bank, including years in business, mission, and assets
- Bank products and services and fees
- Bank external ratings and disclosure statements
- Does the bank have any exclusionary policies that limit lending and investing in unsustainable industries?
- Does the bank have any social profitability policies that encourage lending and investing in sustainable industries?
- What are the bank's policies on transparency, such as providing a complete view of the loan portfolio or letting depositors decide what their deposits fund?
- How does the bank handle fairness and long-term vision? How much are shareholders generally paid? What is the differential between executive pay and the pay of others?

Compare banks and choose the bank that best fits your needs.

5. Make a final decision

In a typical process, the committee would make a formal recommendation to the bursar, which would then submit a proposal to the Superior General for his final approval.

6. Celebrate

The decision should be celebrated via the communications channels of the Congregation and included in the Congregation's Laudato Si' Plan on the [Laudato Si' Action Platform](#).

7. Monitor for the long term

If possible, the committee should communicate its ongoing interest in the bank's investments and its support for sustainability to the bank managers at key moments, such as the annual review of the Congregation's Laudato Si' Plan.

If the bank publishes reports on how its investments are protecting our common home, the committee should share them with the Congregation's communications office, which may in turn wish to publish updates about the Congregation's overall efforts on ecological economics.

ADDITIONAL RESOURCES:

[The Dicastery for Promoting Integral Human Development](#) offers a wealth and depth of guidance and teaching on integral ecology, including information about [Laudato Si'](#).

[The Laudato Si' Action Platform](#) offers a library of inspiring [Laudato Si' Plans](#) and personalized tools to [create your own plan and take action](#).

[FaithInvest](#) supports faith groups to invest in line with their values, for the benefit of people and planet. It offers resources, insights and case studies on its dedicated [Living Laudato Si' resource hub](#).

[Laudato Si' Movement](#) offers resources to move to sustainable banking.

