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Avenues toward equality and ethical behaviors in the digital era

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# Companies and Banks: a wider and more conscious Purpose

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Over the last decade signs of income polarisation have been detected in every country. The unequal distribution of opportunities is even more striking when considering the broader picture that includes assets and wealth. Data from the Global Wealth Report 2019 are impressive. About 2.9 billion people, that is 56.6% of adults in the world, own 1.8% of global wealth[1]. In contrast, 47 million people, that comprise about 1% of the adult population, have 44% of household wealth.[2]

[1] 6.2 trillion USD

[2] The total net wealth worldwide is 360,5 trn USD

There are no doubts that the level of wealth inequality is high, both within countries and at the world level. However, the trend toward increasing inequality seems to have eased, and the share of the top 1% of wealth holders has stabilised below the recent peak in 2016, as result of an increase in non-financial wealth with respect to financial wealth.

Inequality in income distribution in Italy has increased too, especially during the crisis. According to Eurostat data, 10% of poorest Italians lost more than 30% of their own purchasing power at the pick of the crisis. Only recently, Italy's inequality trend has shown signs of rest. In the world league table showing the concentration of the richest, Italy has moved from the 7th rank in 2018 to the 12th in 2019. Moreover, figures on post tax income distribution show a consistent stabilisation of the gap over the last 10 years.[3]

However, our country suffers from another condition as well: wealth is often passed down from generation to generation. A recent working paper by the Bank of Italy[4] shows that in Florence, after about 25 generations, inequalities have remained unchanged. The wealthiest households in Florence during Renaissance are also the richest in the 21th century. This picture points out a clear lack of "intergenerational mobility" and a strong context of "unequal opportunities".

Despite the fact, that recent research has put under discussion the effective size and the dynamics of the inequality gap[5], still nobody can deny that a large majority of the population worldwide has restricted opportunities.

The cost of secondary and university education in many countries has increased beyond the reach of many families, social mobility is falling, housing is so expensive

[3] See data of the world inequality report 2019.
[4] Barone and Moscetti, 2016, Intergenerational mobility in the very long run: Florence 1427-2011, Banca d'Italia WP 1060
[5] See Measuring 1%, The Economist 6 December 2019, pages 23–26

that it has become increasingly more difficult to live in the cities with better job opportunities. Socially fragile groups are relegated to specific rundown areas characterised by poverty and lack of services. In addition, measures of inequalities in health and life expectancy are getting worse.

To bridge the gap of inequality, it is necessary not only to implement innovative economic policies in tax matters and public investment but more importantly to guarantee access to education. Investment in upgrading workers' expertise, and policies aimed at retaining the youngest within the school system should create the right circumstances to reduce inequalities, beginning exactly from the less rich.

In fact, inequality of income is clearly associated to different opportunities of access to the resources needed to invest in human capital through education, which is to be thought as "a learning to become". For this very reason, the role of digitalisation should not be neglected but technology, per se, is not enough as a remedy for inequality. General education needs digitalisation as a mediator not as an aim per se. As a matter of fact, technological progress has been the element driving better living conditions for a larger portion of the population but, at the same time, it has brought about an overwhelming wealth concentration that, in recent years, mainly regards the web sector.

Education makes the difference, and this is supported by data. The most recent UNESCO and International Education Commission report[6] demonstrate that education reduces inequality. In fact, for each additional year of study, the individual income increases by 10% and inequalities in professional careers diminish by 39%. Furthermore, in the event all the children had access to education, per-capita GDP in the poorest countries in the world is expected to increase impressively. In a nutshell, school education promotes growth, reduces poverty and inequalities.

[6] 2018

To address what the corporate sector can do for education, let's acknowledge first that a certain model of capitalism has failed, and this failure is in many ways real. The outcome of the US Business Roundtable, hold in August, provides evidence on how this failure has affected the view of important business people who are now aware that something must change.

Over the last 5 years, or so, the Sustainable Development Goals for 2030 have become a mantra and Corporate Social Responsibility has transformed itself from a mere charity reporting exercise to an act of top-down commitment. It looks like top managers are driving the process so that "inclusive growth and equitable development" are now affecting the entire value chain of corporate business even if profits are still to be considered important. Indeed, profits and shareholder values cannot be put aside, differently the top management of a corporation would not be credible. Moreover "delivering value to customers," "investing in employees," "dealing fairly and ethically with suppliers," "supporting the communities in which the companies work"- i.e. the main statement of the Business Roundtable - represent at the same time a good policy to maximise the long-term value of a corporation. Even Milton Friedman, the main supporter of the shareholder theory that considers maximising profits as the primary responsibility of a corporation, would approve them because they are not in contrast with making profit.

Corporate Social Responsibility is not mandatory, on one side; on the other side, to get a significant impact - with the associated activities - substantial amounts of funds are needed, and they are obtainable only if the company is healthy and wealthy.

For many years, and in many cases, CSR has reflected the priorities of the company not always those of the society. Fortunately, the increasing role of institutional investors and their interest in developing a fairer society has brought about a sort of alignment between the greater good and the specific interests of companies. Institutional investors are asking business people to pursue a higher social purpose and to embed that purpose into their business model. A clear indication that this is the time to move from commitment to achievement.

Along public intervention to guarantee access to education, corporate involvement could provide additional resources and a broader vision for the future. It is however necessary to foster public awareness and to engage people to take ownership of their own future, so to convince them to spend time and energy in a lifelong learning. It is also important to put social pressure on parents to encourage their kids to stay in school and to enhance the value of education in working contexts (Italy is a very peculiar case: we have the lowest percentage of graduates in Europe[7] and those few graduates are not actually properly capitalised on in companies).

How do we transform our passion for a fairer future in something concrete? How do we move from commitment to achievement? How do we scale from achievement to accountability?

Obviously, these are open questions and there is no recipe good for everyone. I will simply share the Intesa Sanpaolo's experience.

Willing to be a relevant driver for the development of a fairer and sustainable society, we have decided to promote a great plan for inclusion able to reduce the inequality gap and to activate the social elevator. Our action is not only driven by the attention to Corporate Social Responsibility and Environment, Social and Governance principles but by the belief that our business model needs an aim - which needs to correspond to its social impact - based on profound ethic values that go beyond the mere compliance with worldwide shared principles. Being the biggest bank in Italy, and one of the most relevant in Europe, we are aware that financial inclusion is part of our business, and that it needs active and conscious citizens, able to make decisions on

[7] 4% of the adult population has a university degree. This is the lowest data in OECD statistics, if Mexico is excluded.

their own. To have a sustainable financial inclusion, however, education needs come first, so to have at hand all the appropriate interpretative tools.

We invest in education inside our four walls and outside, directly and/or through no profit organisation.

Let's start describing what ISP does at the community level and then focus on the employees.

There is no economy without education and to make this clear ISP has decided the first initiative of the Fund for Impact to be a student loan, based only on merit - without personal or family's guarantee – with a long term and flexible reimbursement, and the initial tranche due two years after having obtained the degree. Up to now, 22 million euros have been allocated to this activity.

Young people need to access quality education apt to fulfil the requirements of a fast-moving society, to widen and improve their opportunities, and to create the conditions for the demand and the supply of labour to match. For this very reason, we are partner with Mc Kinsey in the "Generation" project that trains and helps 5000 young people finding a job in a horizon of three years.

Furthermore, we support 45 initiatives in favour of Masters, PhDs, scholarships and highly specialised University courses. We provide the financial endowment for 7 Chairs in 4 major Universities. With 58 Italian universities, we have developed institutional relations and special agreements, in some cases related to our recruitment initiatives. In addition, ISP supports two competence centres in a public-private partnership form.

More than 1.3 million euros are devoted to support the right to education. Via the ISP Charity Fund - with about one million euros - we provide grants for research related projects from medicine to social sciences which are selected by specific technical committees.

Several educational activities are part of the ISP Charity Fund portfolio, which for the years 2019 and 2020 has centred its intervention on financing projects against poor education and the drop out phenomenon, that in Italy has a higher rate than the EU average.

In 2019 the Fund has financially supported initiatives against poor education for 13000 beneficiaries, all over the national territory with a special attention to Sardinia, Sicily, and the suburbs of big cities.

For example, our help has arrived in Scampia (a Naples neighbourhood) and Poggio Reale (in Sicily) thanks to Next Level Association which has developed a program to prevent early drop out, based on an innovative training approach for mathematics and Italian. In the peripheral area of Librino, in Catania, we support a project implemented by the Antonio Presti's Association that, bringing beauty and art in schools, prevents the spread out of social deprivation and involves the entire community in a social "redemption" itinerary. Also, in Cagliari, thanks to the Association Ex-mé, we support the offer of after-school hours and summer camps. Art, music and sport, are seen as ways to involve students and families in a project that aims to a social economic recovery able to affect the community as whole.

Besides, the Museum of Savings, the first museum-like venue fully dedicated to financial education worldwide, has developed a specific attention for kids that have fewer learning opportunities either because they live in remote villages or in bad suburbs. It has designed and delivered activities that stimulate their interest in investing in human capital and in entrepreneurship. Every year more than 12000 people, most of which students with their teachers, are visiting the museum in Turin and are engaged in innovative teaching activities.

Furthermore, in 2019 ISP signed a protocol with the Ministry of Education, University and Research for a new initiative related to financial and sustainability education, denominated S.A.V.E. (Sustainability, Action, Voyage, Experience). An itinerant journey on board of a Discovery truck that in three years will involve more than 30000 students, across all the Italian regions.

We also provide support to teachers of the primary schools, thanks to a free online platform, known as Webecome. The platform offers materials based on an innovating teaching approach and accompanies teachers, school directors and parents to prevent and combat social unease, favouring at the same time the development of cross-sectional competences.

Secondary students are potential beneficiaries of an orientation project – Z lab- that allows them to spend several hours[8] in the bank premises under the guidance of a tutor. In the years 2016-2019, 2500 students in 20 cities were part of this initiative.

The training of our people is the other side of our engagement in education. It is part of our strategical attitude towards human capital and a natural companion of the described attention given to education for external stakeholders.

On one hand, we want to support personal talent, on the other, the transformation of the banking system - in the next decade - will require the development of new skills. The figures are impressive as several thousands of banking employees will need to be reskilled and/or upskilled.

The total hours of training offered to our employees have reached the pick of 11,9 million in 2019. The observed satisfaction for our training initiatives is very high, 82% of positive comments for the digital training and 91% for the live training. This is due to the ability of the specialists to detect the real needs, in time and appropriately. Even the colleagues in mobility feel that they are part of an inclusive community wishing to give value to their knowledge and to their potential. This approach engages all actors in a powerful process of change. At the end of September 2019 around 2700

[8] 150 hours a year for the Lyceums and 210 hours for technical schools

people, out of 5000 estimated by the Company's triennial plan, were allocated to different jobs inside the bank with the satisfaction of the employee.

The valorisation of social values in ISP is magnified by the decentralisation of numerous initiatives across different bank's units. This scattering scheme has fostered a spontaneous dissemination of the ESG and CSR principles among our people.

Our senior managers, regularly trained to face new business challenges, are involved in a decisional process that give value to knowledge, creativity, cooperation, pro-activity, merit and social impact. Lately, with the new plan, we introduced KPIs not only related to profit but also to inclusion and valorisation of diversity, with a special target on gender diversity.

There is still much to do, nonetheless the chosen path fosters an optimistic view for the future as we are aware that the seeds we put will produce a profound improvement in our corporate culture and this will generate relevant effects on the society.

However, this would not be possible without the passion and the engagement of our people who deeply share the vision we have about the role of a bank in the community. The reputation stemming from bank social initiatives is a reward for our efforts and is due to the way we select the areas of intervention, the transparency of our choices and the accountability of our social actions included in the Company's triennial plan and periodically reported in the *Consolidated Non-Financial Statement*.