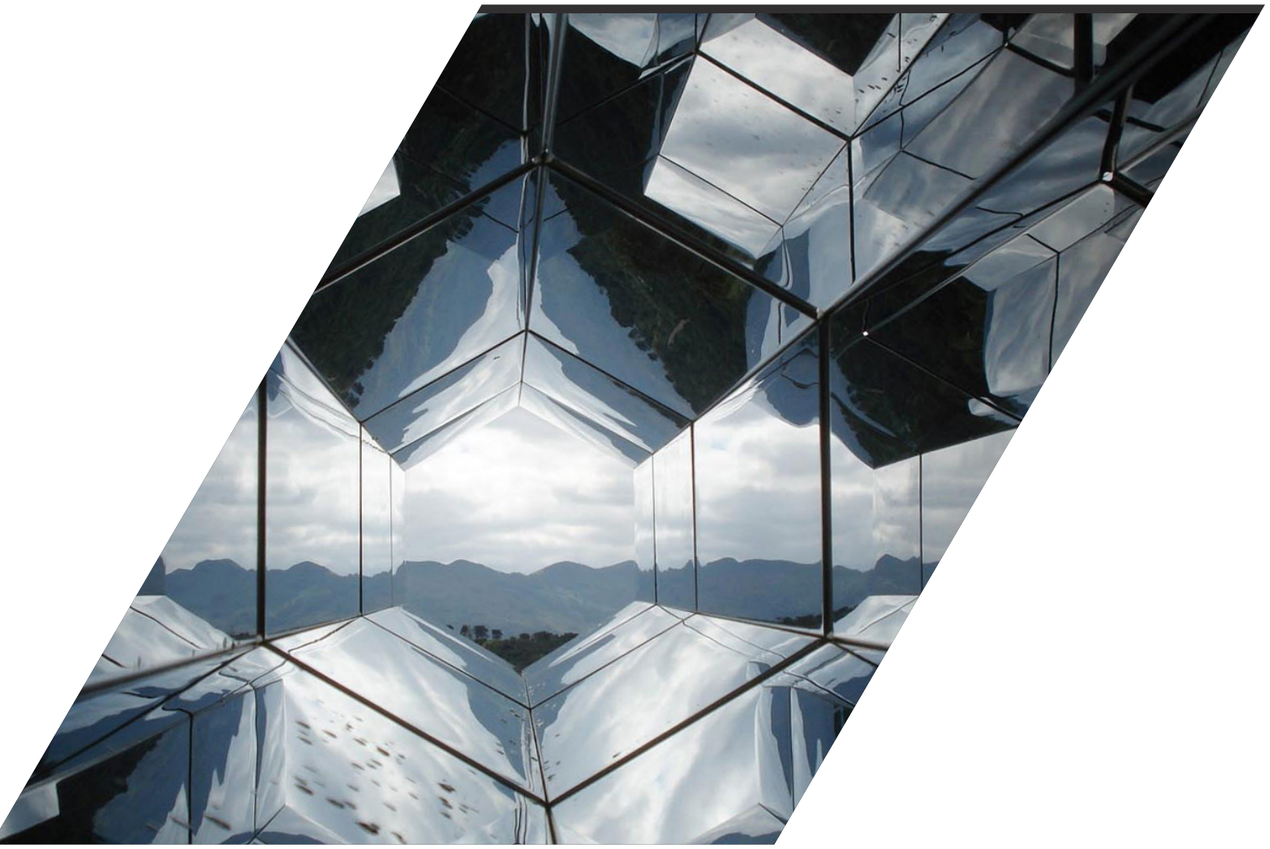

Regenerative Finance & Banking

The time is now to integrate finance sector success with the regeneration of people and planet

NOW PARTNERS

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Accelerating economic evolution to regenerate people & planet
www.now.partners
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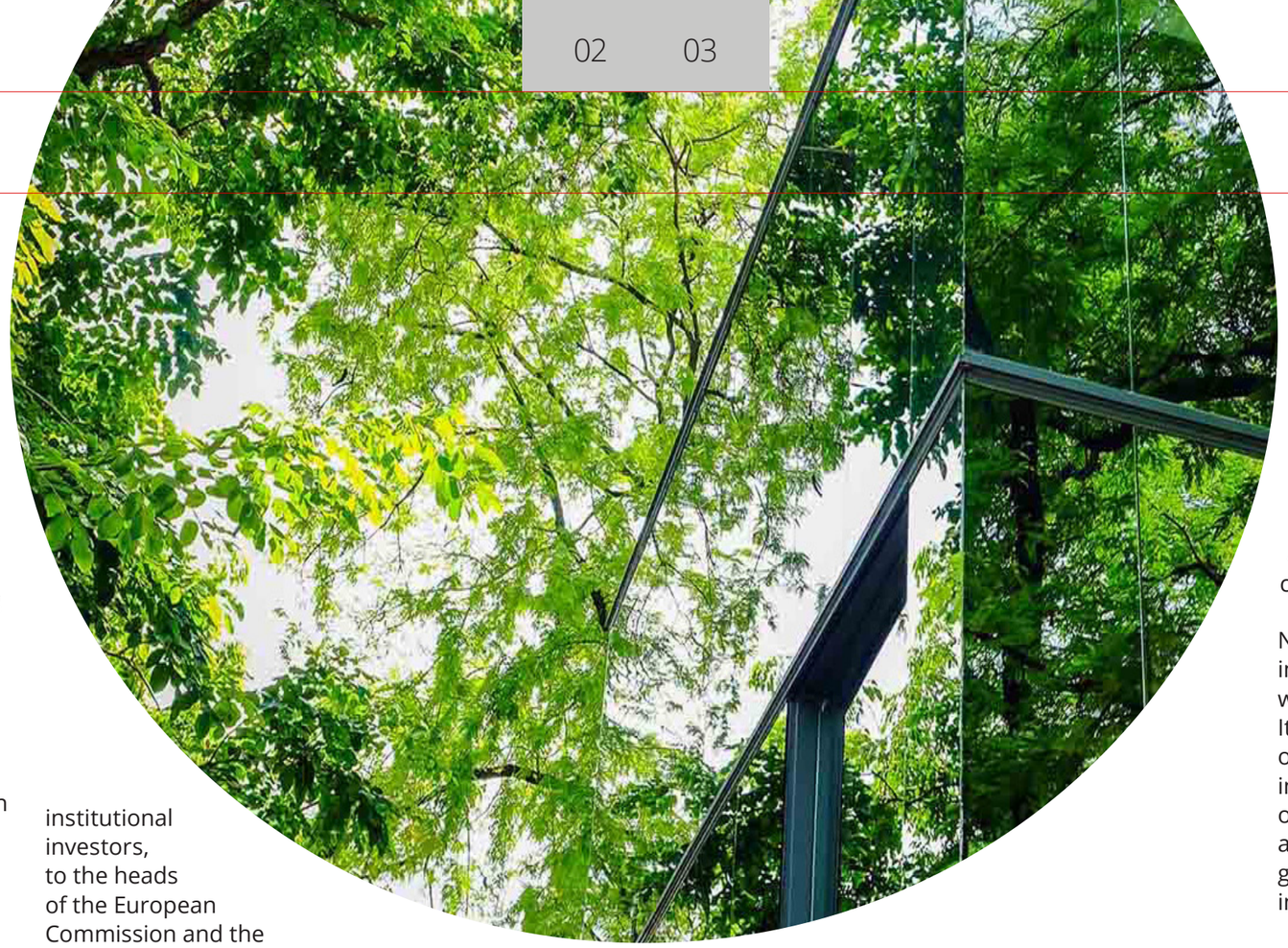

The time is NOW

Around the world a rapidly growing number of banks and financial institutions, multinationals and large family companies have committed to fully integrating positive impact with economic success.

The leaders of these organisations recognize that we are approaching a tipping point that leads from the extraction-based economy to what NOW Partners calls the Regenerative Market Economy. The Regenerative Market Economy operates based on the core logic of Regenerative Value Creation, which integrates business and economic success with the regeneration of people and planet in a mutually reinforcing way. Transitioning to the Regenerative Market Economy requires a fundamental shift from shareholder primacy to equitable benefit for all stakeholders, including shareholders and Nature. In order to thrive, companies and investors need healthy economies, societies and ecosystems.

Increasing numbers of companies discover growing opportunities to attract and retain the best talent and investors, B2C and B2B customers. They understand that demonstrating solidarity and developing real relationships with civil society and local governments protects their license to operate.

The leaders that recognize that change is needed now range from the leaders of 12,000 Benefit Corporations to the 181 CEOs of the Business Roundtable and the International Chamber of Commerce, from BlackRock and State Street and major institutional investors, to the heads of the European Commission and the European Central Bank.

Close to 80 CEOs from banks around the world have joined the Global Alliance for Banking on Values, a group dedicated to changing the finance system to deliver sustainable economic, social and environmental development. By all measures, they are already achieving superior economic returns because they expand positive impact all the way to the bottom of the pyramid.

Regenerative Value Creation

Increasingly, business leaders recognize that their future growth and competitive advantage depends on successfully implementing this new DNA, this new logic of business that makes serving people and planet mutually enhancing with their company's and the economy's success.

NOW specializes in the art and craft of implementing this new business logic, which we call Regenerative Value Creation. It transforms positive impact from being an optional cost that needs to be controlled into a 'must have' investment that can be optimized. Regenerative Value Creation allows leaders to align head and heart, giving rise to tremendous energy and intention.

Pragmatic Transition

All of this is easier said than done. Business leaders must discover how to reinvent and transform many aspects of business. They need to successfully combine visionary transformation with pragmatic and profitable transition in the midst of increasing complexity and multiple crises. They don't have to figure this out alone.

To respond to their complex challenges and opportunities, NOW assembled 100+ global partners with a cumulative track record of 2,500+ years of experience in leading companies and financial institutions, helping them to transition and transform in alignment with Regenerative Value Creation. Growing rapidly, NOW integrates global scale with cutting-edge expertise and experience.

'Partners' is our name and our core living value. We partner with our clients to discover and implement customized solutions. As peers, we develop authentic relationships with our clients, grounded in honest communication and accountability for concrete results. We support you to create partnerships within your companies, your value chains and your wider ecosystems, to explore the full spectrum of opportunity possible within Regenerative Value Creation.

"The question is not whether we are able to change, but whether we are changing fast enough." ~Angela Merkel

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Banking and finance have lost their way

Bankers and financiers, too, now have the opportunity to integrate profit-making with purpose and soul. Banking was created to serve people and their communities to function more effectively and efficiently. Its potential is to serve the health of the economy by balancing profit generation and reinvestment to optimize economy, society and Nature. Banking and finance are means, not ends. By (re)discovering and serving their proper role, they will also generate sustainable success that serves their shareholders as well as all other stakeholders.

Finance needs to (re)discover its purpose. This means that banks and financial institutions must go beyond short-term plans to deliver on narrow financial KPIs to deal with wider objectives that optimize the integration of financial returns with positive impact for all stakeholders. Financial institutions largely dictate the flow of money: Who is and is not receiving the flow? Who receive too little and who is receiving too much? What's wrong with the system, and what can we do to fix it so that the flows support healthy growth and the regeneration of the economy, society and Nature?

Without strong roots in purpose, banking has become an industry with disgruntled customers and investors, unhappy co-workers and in many cases, with their backs turned against the risks of climate change and the pain of injustice and global inequality. Without soul, we forget why we are bankers and financiers. We forget that banking is a noble service. Banking and finance has therefore become much less attractive to top talent that now has a 300% preference to work for more sustainable businesses.

Yet highly motivated, top talent is needed to successfully address the multiple challenges and opportunities of increasing spread and digitisations, low interest rates, regulatory and market demands. SAP's CFO states in the Financial Times that a 1% rise in culture index increases profitability by 90 million Euros. Unilever's shift to becoming a sustainability leader resulted in 2 million yearly job applications – a key competitive advantage that supported it in the take-over battle against Heinz Kraft.

Banking and finance have also become unnecessarily complex. For decades, banks have generated more complex transactions to increase profit margins. Today we see a regulatory race to build hurdles to prevent the complexity from damaging the economy. However, the opposite has occurred: regulation has further contributed to create an even more complex and opaque industry. Success flows from finding simplicity at the heart of complexity.

The banking industry has lost its way. It has put at risk profitability and solvency. Even more damaging, the industry has moved away from the real economy and from the duty of care essential to creating positive impact in society. It's time to change. Now.

Why act NOW

- **Change is already happening! Leaders and institutions move from lip service to action, reduce complexity and increase trust in a responsible market economy.**
- **Climate and social drivers are hitting hard. The Covid-19 pandemic reminds us of the need, speed and capacity for change.**
- **Societal expectations are rising. Society looks towards business leaders, expecting a shift.**

"Society in general and more and more of our customers are expecting a very clear move from banking."

There are positive signals everywhere. Something is changing. A few renowned leaders are already accelerating the game with a new baton, daring to reinvent themselves and their banks. A growing group of pioneering banks and their leaders are showing us the way towards a Regenerative Financial Industry.

Across industries, regenerative trends have already gained momentum. Walmart, the world's largest retailer, has set a goal of transforming the world's supply chains to become regenerative, targeting zero emissions by 2040 and aiming to protect, manage or restore at least 500 million acres by 2030. The global food corporation, Cargill, plans to implement regenerative agricultural practices across 10 million acres by 2030.

Natura, a Brazilian leader in sustainable business, has grown into the world's fourth largest beauty group and the largest B Corp, that empowers millions of women worldwide to become successful entrepreneurs who also change their communities. The interest Danone pays on a two-billion credit line it received from a global banking consortium falls as its B Corp score increases.

Deutsche Bank predicts that soon 50% of all assets will align with ESG criteria, which also points in the direction of Regenerative Value Creation. As Mark Carney, Governor of the Bank of England said at the UN World Climate Action Summit: "To bring climate risks and resilience into the heart of financial decision making, climate disclosure must become comprehensive; climate risk management must be transformed, and sustainable investing must go mainstream." **The change is not only possible, but already underway and successful.**

As we look to move into an economic paradigm that is regenerative, banking and finance must play a major role. Climate change and societal forces are accelerating faster and faster. Society in general and more and more of our customers are expecting banking to make a very clear move. We need to recover our long-lost reputation, and our soul as businesses.

No more excuses if we want to be in business in the coming years. **The 'why' is clear**; we have the inspiration and guidelines of the ones who have pioneered change, **now comes the 'HOW.'**

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Now, the HOW

What is the regenerative future of banking & finance?

NOW Partners developed its Regenerative Value Creation (RVC) methodology to help companies to fully integrate economic success with the regeneration of people and planet. It minimises negative externalities and maximises the positive potential of economic activities. It is the new logic of the emerging Regenerative Market Economy.

Regeneration = Redesign, Reinvention, Rethinking, Reframing, Rebirth towards higher levels of economic and business evolution (for well-being). This also includes repurposing finance and our role as bankers and investors as guides for responsible fiscal decisions, transparency and trust in our economic system. In our personal and professional growth, it is also a time to reflect on and remember the higher purpose in our work that is no longer in contradiction with financial success. When we seek to help our economic system to enhance the greater good, we are making a difference in the world, our companies and ourselves.

"Financial Regeneration is the shift towards more sustainable, equitable, impact banking & finance."

Thus, Financial Regeneration means the shift towards more sustainable, equitable, impact-oriented banking and finance; integrating banking success with the emerging areas of social and environmental Impact Investing, Impact Fintech, Impact Crowd-Funding, worker- or philanthropy-owned models and hybrid models that balance physical and digital distribution.

Components of Regenerative Value Creation

Financial Regeneration is instrumental in achieving wider regeneration (planetary, human, technological ...) but we also need to focus on these corollary dimensions to achieve financial regeneration.

The core components of Regenerative Value Creation are:

- **Planetary Regeneration** of natural ecosystems, including resources such as water, soil, etc. It is about understanding how our economic system can be balanced.
- **Human Regeneration** of people's well-being, 'life chances', capabilities, opportunities, etc. It is about ensuring credit, debt and investment are used responsibly for regeneration which integrates individual prosperity with benefit to all.
- **Asset Regeneration** includes secondary as well as primary capital assets that are regenerative (eg: solar energy versus oil/ coal)
- **Technological Regeneration** leverages exponential tech opportunities, disruption for good, uses technology as a tool for transparency, equity and financial citizenship.
- **Business Regeneration** of products, services, business models, stakeholders' relations.
- **Organisational Regeneration** (re) purposes the enterprise, including its culture and organisational architecture.

Core Components of Regenerative Value Creation

- **Leadership Regeneration** unleashes the spirit, the energy, the vision needed to perform, and building the capabilities to drive transformation.
- **System Regeneration** re-conceives private, public, civic economic activities and architecture for the benefit of citizens, society and the planet as a whole. Think health system, transport system, food supply system, etc.

"Economics is not a matter of discovering laws: it is essentially a question of design." ~ Kate Raworth

How NOW Partners Works

NOW Partners developed a flexible step by step methodology based on the **Regenerative Value Mindset** concept that centers on the 'flywheel' effect, where every value step leads to a higher next step and reinforces other forms of regeneration. As an example, for a large multinational dairy company, acquiring a leading US plant-based yogurt manufacturer allowed it to secure faster growth in alignment with key regeneration and market trends that are strongly emerging in cultures around the world. NOW helps clients learn how to learn so that they can continue to adapt as new issues arise.

We understand that on the path towards Regenerative Value Creation, a company might encounter many **potential obstacles**: internal culture, customer relationship design, lack of imagination, insufficient ambition, etc. Our methodology, **the four steps to RVC in the financial industry**, is designed to mitigate risks and overcome potential obstacles. It integrates the evolution of:

- Inspiration and Purpose
- Culture and Leadership
- Strategic Roadmap
- Technology and Action

Most engagements start with a strategic framing session to go through the wider context, have an initial understanding of the internal culture, design the right kind of diagnosis and get insights to plan the rest of the consultation process.

In many cases, a diagnosis of your financial entity, comparing it with different benchmarks to get a clear vision of the gaps, would help to give an understanding of the future challenges and opportunities, set the focus and clarify the milestones to achieve.

ICSA: The NOW Partners process to develop Values-Based approaches.

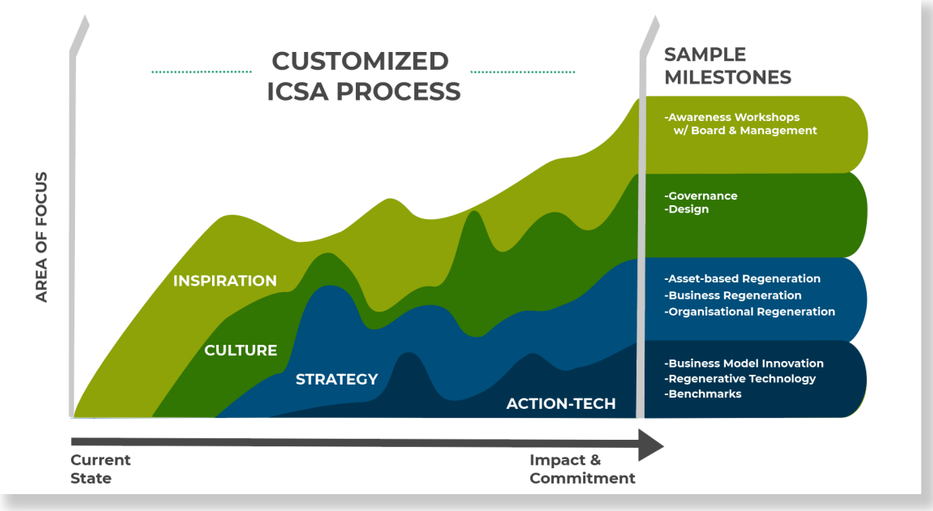
Why use ICSA to regenerate banking?

From an RVC perspective, banking and finance is about Purpose, Culture and the Balance Sheet. Everything else - including impact, Profit & Loss, and cash flow generation - is a consequence. This is why changing the orientation of a Main Street bank into what we call the Values-Based approach (VB approach), requires determination, a shift in culture and leadership, a plan to slowly reorient the balance sheet asset allocation policies and clear references to continuously monitoring progress vis a vis the right benchmarks. To be regenerative and economically viable, a bank must evolve all of those elements while keeping a sound P&L and improving client, co-worker and wider stakeholder engagement.

The ICSA methodology has been conceived from a system transformation perspective; it steers transformational processes through stakeholder participation and operates on different levels: governance, leadership, position in the market and performance.

"All financial institutions must start a new journey that puts human dignity and environmental regeneration at the core."

~ Dr. Marcos Eguiguren Huerta, NOW Partners, UPF-Barcelona School of Management, Former ED, Global Alliance for Banking on Values



Customized Inspiration - Culture - Strategy - Action process with sample milestones.

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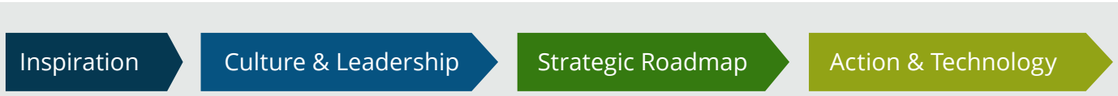
The Journey Towards Regenerative Finance



Journey Towards Regenerative Finance

Inspiration & Purpose

The first step in the ICSA process is to develop and implement a strategy to explore the determination of the Board, top management and perhaps the most relevant investors and stakeholders of the financial institution. It is crucial to assess their willingness and commitment to go through a process of transformation of the financial entity into a profitable force for good. Awareness and recognition of the need to change is the foundation upon which meaningful and impactful steps towards a Values-Based transition is built.

To inspire and inform the board and other key leaders, NOW Partners will prepare inspirational virtual or in person sessions with other Values-Based leaders in finance and other industries, who are part of NOW's global network. This can include exchanges with other board members, C-level executives, and what we call a temporary Regenerative Intelligence Board that brings together the most useful experts to advise on and discuss key issues.

The goal of these sessions is to, in a very confidential setting, get first-hand inspiration of what can be achieved in a Values-Based financial institution, understand the pros and cons, see and hear about working models of Values-Based Banking and also the opportunities of starting such a journey. NOW Partners will propose other potential financial institutions and companies to exchange with, prepare the questionnaires, guidelines of the sessions, design the right format and conduct and facilitate the dialogues. A document with conclusions for action will also be provided.

Based on this inspiration, we will facilitate an adaptive process that helps you to (re) discover your and your company's purpose that becomes the core of clarity, innovation and passion to implement outstanding results.

Culture & Leadership

Transforming finance is about transforming the Balance Sheet - but it is also about reconsidering culture and leadership.

Peter Drucker humorously stated a fundamental truth: 'Culture eats strategy for breakfast.' Culture and leadership capacities determine to what extent a strategy can be successfully implemented. Culture includes customers and the nature of the relationship the financial company wants to establish with them. Following the Inspiration and Purpose sessions, which create awareness of key issues and instill concrete understanding of the opportunities available in Values-Based approaches, the Culture and Leadership phase focuses on governance & design of the institution.

Where is the world going, and what kind of culture engages with the direction of your financial institution? How can you use external forces to drive your culture? This phase is closely linked with the inspiration block - transforming values into desired behaviours.

Using the conclusions of the Inspiration phase and the priorities of the RVC and Values-Based approaches, NOW Partners will conduct one or two (depending on the governance structure of the bank) culture and leadership diagnosis workshops at Board and top management level.

The intention of the workshops is to define the strengths of the current culture, what should be amended and what is no longer needed. These sessions create space to consider critically how the institution's governance and design could be re-envisioned and optimized in the context of the Values-Based approach.

KPIs and other qualitative measures need to be identified to be able to monitor the evolution of the culture in the next phases.

After the first workshops and depending on their conclusions, a subsequent number of other interventions might need to be conducted at other levels in the organisation.

Developing the capabilities and qualities of leaders is a prime way to influence and evolve the culture of the bank. A core aspect needed to develop regenerative leaders is to understand that to run a bank on regenerative principles will require suspending disbelief about new approaches and paradigms and developing a capacity to reconcile seemingly opposing goals and aspirations.

Regeneration is a new logic for business that requires working on both the economic rationale of the business together with the regenerative value that is created when achieving the higher purposes of the institution.

Strategic Road Map

A multi-year journey into Values-Based banking (VB approach) involves developing a Regenerative Value Operating Model.

Once we have the right transformative inspiration and we have challenged the existing culture, it is time to set the pathway to change. It is the moment to use the new cultural guidelines to set the new aspirations and awaken the organisation to a high-level road to a VB approach.

Through engagement with peers in the industry, with customers and potential customers, other stakeholders and with leading regenerative value expertise, we will help the leadership to think disruptively and to engage with other players and activities in the ecosystem. The milestones of this part of the process will be customized to each institution's unique structure, guided through focusing on key Components of Regenerative Value Creation such as Asset-based Regeneration, Business Regeneration, or Organisational Regeneration.

Stakeholder engagement is key at the beginning of this phase. The relationship with clients has to be transformed and the design and implementation of educational programs for clients can be a way of rediscovering a true empathic engagement with them.

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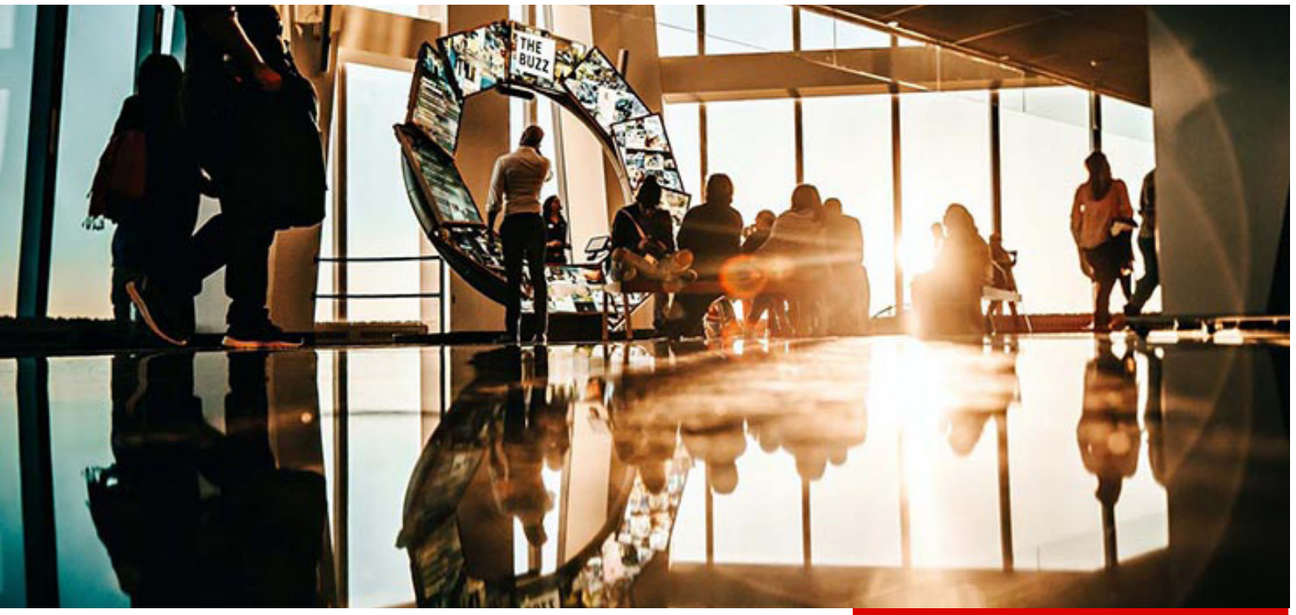
Drawing a Road Map for Values-Driven Capability & Progress

NOW Partners will help the financial company to build a multi-year roadmap and identify a new standard to which it will aspire. In the case of banks, we are supported by many initiatives that our team has been involved in developing:

- Principles for Responsible Banking or Principles for Responsible Investment (basic achievements)
- Standards of B Corp certification (BIA) and for-benefit corporation legislations
- Guidelines of the Global Alliance of Banking on Values for associate and full membership

In this process we also have to consider the trends that are relevant to the industry and the segments this specific organisation covers. Is finance already shifting to Gen Y and Z needs? Where are you behind or already aligned with the trends? Where are you losing and gaining market share and why?

"Once we have the right transformative inspiration and we have challenged the existing culture, it is time to set the pathway to change."



Drawing the Road Map

NOW Partners' support in building the roadmap, while continuing to strengthen changes in culture and leadership, addresses topics and questions such as:

- Do you need to reposition your bank in the market?
- Do your consumers or clients have new expectations about your role as a responsible actor in the financial services industry?
- What are the barriers for clients wanting to bank with a values-based financial entity or wanting to support sustainable projects?
- Do you anticipate making changes in your governance to adopt ESG principles and new regulation?
- A pathway to a shift in the balance sheet structure
- Digitisation and efficiency, including make or buy choices
- Values-based sales and marketing policies
- Values-based risk management
- Introduction to partners for re-capitalisation or institutional funding strategies
- Leadership and Human Resources policies needed to evolve the culture and capability
- Expeditions to new players in the financial industry to understand their models
- Linking to Microcredit Financing partners and Development Banking Institutions for emerging market strategies
- How do we balance the preparation for long term change with short term reactions and how do leaders move between these two layers? How do leaders do that with peers within and outside the industry?
- Are there common values and a way of working as well as a sort of north star leader that need to be defined? How do leaders commit to the process?
- Other areas as needed

Examples of potential reactions to this sort of topics are:

Cultural topics	Shift to long term thinking, trust and tolerance for ambiguity
Strategic issues	What will make a difference for you in 5 years under the new paradigm? Where do you need to get to? How do we approach our Fintech and digital strategy from a Values-based approach?
Support needed	NOW Partners, other technical experts, client views, Fintech and digital experts, pioneers in the industry, other counsel
Technical topics	Potential need of using new methods and standards to account for cost, profit and cash flow in the balance sheet
Execution challenges	What teams, resources and re-organization are needed to execute the plan in the short & long term in parallel while keeping healthy performance.
Governance	What is the management and governance system needed to support all of the above?

Technology & Action:

Once the roadmap is drafted, NOW Partners can give ongoing support to senior management in assisting some aspects of the implementation:

- Internal communication and - more significantly - engagement
- External stakeholders' communication and engagement
- Values-Based reporting and benchmarks
- Senior Advisor support to the Executive or Supervisory Board
- Quarterly review of new policies as per the strategic road map
- Organisation capability building and team sessions to evolve culture
- Executive Education and Leadership & Culture Development
- Digitisation strategy and Fintech for good
- Testing Regenerative banking in the sandbox
- Other advisory and additional services

About NOW Partners

NOW

Why

Who we are

NOW is a global partnership of 100+ senior business and innovation leaders, change and subject-matter experts, and their international teams who united to accelerate the economic evolution of multinationals, large family companies and systems institutions.

What we do

NOW specializes in the art and craft of implementing the new business logic that we call Regenerative Value Creation. RVC fully integrates the regeneration of people and planet with economic success. It transforms positive impact from being optional costs that need to be controlled into 'must have' investments that can be optimized.

How we work

'Partners' is our name and our core living value. We partner with our clients to discover and implement customized solutions. As peers, we develop real relationships, grounded in honest communication and accountability to results. We support you to create real partnerships within your companies, your value chains and wider ecosystems.

Who we partner with

Around the world a rapidly growing number of multinationals, large family companies and systems institutions are committed to fully integrate positive impact with economic success. These companies & institutions recognize that we are approaching a tipping point from the extractive to the Regenerative Market Economy that requires a fundamental shift from shareholder primacy to equitably benefiting all stakeholders, including shareholders and Nature. Because in order to thrive, companies and people need healthy economies, societies and ecosystems.

"Take risks, have courage, and let's make a better world together." ~Rose Marcario

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Our partners' current & past clients include

Triodos Bank
IFC
TATA
PHILIPS
UNITED NATIONS
Unilever
Rabobank
THE WORLD BANK
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