

# Case Study: “Polyphonic Voices” - Understanding Banca Etica’s Cooperative Governance

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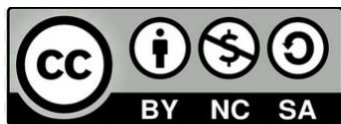
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## 1 Introduction

This case study discusses the polyphonic governance structure of Banca Popolare Etica (BE), an ethical and cooperative bank operating in Italy and Spain. Founded in 1999 it was envisioned as becoming the bank for the financial development of the Italian non-profit sector. Today, BE is the leader of a broader financial group, Gruppo Banca Etica, which includes Etica Sgr (asset management company), Fondazione Finanza Etica and Fundaci3n Finanzas Eticas (Italian and Spanish foundations dedicated to political and cultural issues related to ethical finance), and CreSud (NGO which promotes microcredit in developing countries).

The founders of Banca Etica wanted it to be established as a Credit Cooperative Bank<sup>1</sup> (Banca di Credito Cooperativo, BCC), a model that reflects their mutualistic and cooperative ethos. However, they decided that the framework of "banca popolare" would be more appropriate to their mission. The decision was based on the fact that, to become a member of a BCC, one has to reside, have a registered office, or operate continuously within the territory of competence of the bank itself (territorial scope), limiting geographically the bank's action. The choice of adopting the "popolare" structure allowed BE to legally be a cooperative limited company and, at the same time, to operate across the country – and eventually even in Europe.

BE is a cooperative bank providing banking and financial intermediation services, democratically controlled by member customers (borrowers and depositors).<sup>2</sup> It embraces a political doctrine in which finance is utilized as a vehicle to effectuate a societal and economic transformation towards a more cooperative and solidarity-driven ecosystem. By emphasizing the value of transparency, BE stands out as one of the rare banks that provides details on its website

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<sup>1</sup> For more information:

<https://www.bancaditalia.it/compiti/vigilanza/normativa/consultazioni/2017/disposizioni-vigilanza-bcc/Disposizioni.pdf>

<sup>2</sup> BE fits the definition of a "cooperative bank" according to the World Cooperative Monitor: "co-operative banks and credit unions providing banking and financial intermediation services, democratically controlled by member customers (borrowers and depositors)".

<https://monitor.coop/sites/default/files/2021-11/methodology%20note%20WCM.pdf>

about the credit granted to organizations, including the amount of money lent and the purpose for which it was borrowed. BE also falls under the regime of operators in ethical and sustainable finance,<sup>3</sup> abstaining from funding specific sectors such as weapons, fossil fuels, and carbon industries, while exclusively endorsing endeavours that generate discernible social benefits. Moreover, it has been at the forefront of involving members in conducting a socio-environmental assessment for all the credit extended to organizations; a pioneering practice which aligns with and goes beyond ESG (Environmental, Social, and Governance) requirements that are now being imposed by the European Banking Authority (EBA) on all banks operating in a regulated market of any EU member state.<sup>4</sup>

The bank's origin was a result of collaboration between various mutual and grassroots associations, characterized by both Catholic and Communist ethos. The "Cooperative Towards Banca Etica" was established in 1996, comprising 22 founding members, including financial cooperatives, trade unions, environmental protection organizations, and social cooperatives. Most of the founders still have a special role in the governance of the bank as key stakeholders (reference organization members). The fundraising campaign (aiming to collect approximately 13 billion Liras,<sup>5</sup> as mandated by the Bank of Italy) was a crucial and intense period where the early "volunteer"<sup>6</sup> members were mobilized across the nation for the first time. They collected the necessary capital for the bank's foundation and strengthened networks with third-sector organizations in their respective territories to support the project. This stage in the bank's history paved the way for the creation of the current membership structure.

The case study proceeds with an analysis of the various categories of members: consumer-members,<sup>7</sup> worker-members, and reference organization (RO) members. The bank's

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<sup>3</sup> BE also falls under the regime of operators in ethical and sustainable finance as per the provisions of Article 111 bis of the Consolidated Banking Act (TUB) <https://www.bancaditalia.it/compiti/vigilanza/intermediari/Testo-Unico-Bancario.pdf>

<sup>4</sup> EBA ESG Pillar 3 Framework.

<https://www.eba.europa.eu/eba-publishes-binding-standards-pillar-3-disclosures-esg-risks>

<sup>5</sup> Equivalent to around 6.5 million euros as per the current exchange rate.

<sup>6</sup> Banca Etica takes pride in being among the rare banks where volunteers actively participate in its operations. The methods by which members can engage actively and contribute their volunteer time to the bank have evolved over time, as will be illustrated, but this characteristic has consistently remained one of its distinguishing features.

<sup>7</sup> I will use the term "consumer-member" for clarity, although it's important to note that the bank typically refers to this category as "people members" (known as "persone socie" in Italian).

governance system will then be analyzed in terms of three components:<sup>8</sup> structures, which refer to the formal and informal governance structures within the cooperative; processes, which pertain to the strategic direction-setting procedures and control mechanisms (formal and informal); and dynamics, which consider how both internal and external factors influence governance changes.

Banca Etica maintains equilibrium among its diverse stakeholders, resembling the diverse voices in an orchestra, harmonizing its constituent elements and affording each a platform for expression. Reflecting the sentiment articulated by a member, the bank's governance model can be characterized as polyphonic, managing and challenging complexity by including varied voices and perspectives.

*Methodological note*

The present study is based on comprehensive ethnographic data collected during ten years of participant observation,<sup>9</sup> followed up in 2022 by 14 open and extended interviews of both consumer, worker-members of the bank.

The analytical framework employed to investigate the bank's governance places "cooperative governance in context".<sup>10</sup> It recognizes cooperatives as dynamic and continually evolving organizations, making it crucial to identify, analyze, and address the complexities and contradictions of cooperative life, as well as the diverse ways in which power is exercised and contested within the organization. In placing cooperative governance within its social, cultural, and political *milieu*, this framework underscores the significance of contextual examination in comprehending the dynamic evolution of governance. It also resonates with an anthropological perspective on practices of governance, which delves into the perceptions and experiences of the diverse actors involved.<sup>11</sup>

## 2 A multistakeholder co-op bank: the membership system

It would be difficult for me to imagine an ethical bank that is not a cooperative. We know they exist around the world, but in Italy the principles of cooperation perfectly fit with being an ethical bank and promoting ethical finance.<sup>12</sup>

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<sup>8</sup> Novković, S., Miner, K., & McMahon, C. (2023). Cooperative Governance in Context. In S. Novković, K. Miner, & C. McMahon (Eds.), *Humanistic Governance in Democratic Organizations: The Cooperative Difference* (pp. 81–117). Springer International Publishing. [https://doi.org/10.1007/978-3-031-17403-2\\_4](https://doi.org/10.1007/978-3-031-17403-2_4)

<sup>9</sup> Carabini, C. (2014). Ethics in cooperatives banks: The case of Banca Popolare Etica. *Review of International Cooperation*, 103.

<sup>10</sup> Novković, S., Miner, K., & McMahon, C. (2023).

<sup>11</sup> Moeran, B. (2015). Business Anthropology. In R. A. Scott & S. M. Kosslyn (Eds.), *Emerging Trends in the Social and Behavioral Sciences* (1st ed., pp. 1–11). Wiley. <https://doi.org/10.1002/9781118900772.etrds0031>

<sup>12</sup> Board member, personal interview, 23 August 2022.

Over time, BE has developed a distinctive model of decentralized governance based on a multistakeholder concept, which recognizes formal roles for different types of members in the bank's decision-making processes. According to the latest Stakeholder Policy (2021),<sup>13</sup> these stakeholders are divided into three member categories: consumers, workers, and reference organizations.

**BE has developed a distinctive model of decentralized governance based on a multistakeholder concept, which recognizes formal roles for different types of members in the bank's decision-making processes.**

Banca Etica requires consumers (both individual and organizations) and workers to hold at least five shares with the bank to become members.<sup>14</sup> ROs, in being particularly significant in BE's development, are required to hold a greater number of shares, with a specific amount not formally defined. As of 31 December 2022, BE counted over 47,000 members with total capital of more than 88 million euros.<sup>15</sup>

Banca Etica takes pride in highlighting that it stands alone as a bank with "volunteer" members who have consciously opted to play an active role in its functioning. As is frequently the case in larger cooperatives, not all members – referring here to individuals holding at least five shares – engage in the cooperative. That is why, within its language, BE refers to those members who actively participate in the bank's governance and social activities as "volunteers" or active members. They have the same rights and belong to the same categories of either consumer-members or worker-members; the distinction is made to highlight their active role in the bank's activities as it will be shown in the following sections.

## **2.1 Consumer-members**

Consumer-members can be either individuals or organizations. Membership provides economic, social, and governance benefits. Economically, they receive better pricing in the services offered by the bank. At a social level, consumer-members serve the bank by

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<sup>13</sup> The new Stakeholder Policy was approved by the General Assembly in September 2021. [https://www.bancaetica.it/app/uploads/2022/01/Regolamento\\_Portatori\\_di\\_Valore\\_Banca\\_Etica.pdf](https://www.bancaetica.it/app/uploads/2022/01/Regolamento_Portatori_di_Valore_Banca_Etica.pdf)

<sup>14</sup> As of 31 December 2022, the price of one share amounts to 61 euros.

<sup>15</sup> Figures from the Balance Sheet 2022. <https://www.bancaetica.it/app/uploads/2023/04/Bilancio-Integrato-Banca-Etica-2022.pdf>

engaging in different types of voluntary activities: they organize events, promote financial education, and evaluate the social impact of credit. Concerning governance, consumer-members have plenty of scope to engage with the cooperative: they contribute in the decision-making process and exercise the democratic member control principle, through a direct impact on the cooperative's direction. Consumer-members can be elected onto one of the representative bodies (boards, committees, or Territorial Initiative Groups (GITs, see section 3)) or, indirectly, they are given different spaces in which to participate in decision-making processes without having a formal representative role.

**Consumer-members can be either individuals or organizations.... At a social level, consumer-members serve the bank by engaging in different types of voluntary activities: they organize events, promote financial education, and evaluate the social impact of credit. Concerning governance, ... they contribute in the decision-making process...**

Active (or volunteer) consumer-members include the 253 social impact evaluators, those elected in the 86 GITs, and those who participate in and contribute to GITs' activities even without being elected. Furthermore, there is a large group of active consumer-members involved in critical financial education activities, primarily in schools, and a newly formed community responsible for communication.

## **2.2 Worker-members**

One crucial aspect to emphasize is that workers (most of whom are members, along with some non-members) are acknowledged as key stakeholders of the bank. They play an active role in strategic decision making and also, voluntarily, can engage in organizing activities that foster an ethical finance culture. The worker-members promote democratic participation, foster knowledge of ethical finance, contribute to the strategic development of the Banca Etica Group, and influence the selection of internal representatives.

**...workers (most of whom are members...) are acknowledged as key stakeholders of the bank. They play an active role in strategic decision making and also, voluntarily, can engage in organizing activities that foster an ethical finance culture.**

As of 2022, almost all managers and staff<sup>16</sup> are members of the bank, despite it not being a prerequisite for employment. As one worker-member explains:

The fact that employees can become members of the bank, and are even encouraged in this regard, highlights BE's cooperative spirit. You are not [considered] just an employee. In the BCC where I used to work [before being employed in Banca Etica], there was an absolute prohibition [on] becoming a member for employees. This, to me, is an important aspect.<sup>17</sup>

As is the case for consumer-members, not all worker-members choose to actively participate in the social and governance activities of the bank. As it is voluntary work, some workers prefer to spend their extra time in activities that do not necessarily entail the bank. But others actively participate in consumer-members' GIT meetings, enhancing the fluid sharing of information among different types of stakeholders. As one worker-member explains:

The volunteering aspect is still strong among bank employees: we do many things not because we get paid, but because they are unpaid, and we do them as [worker] members, such as participating in GIT meetings when possible, and other activities... I have always believed that this has been a great strength of BE... For me, engaging in tough discussions about certain practices with [consumer] members has been beneficial because I feel I have someone who oversees on what I do.<sup>18</sup>

Another worker-member comments as follows:

Absolutely, yes. I am a [worker] member of the bank. I do not attend GIT meetings, but nonetheless I introduce the GIT initiative to new clients because I believe this sets us apart from other banks. I have participated, not recently, but in the past, in the GAs. However, participation is definitely very high, and member participation is crucial for us [the bank].<sup>19</sup>

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<sup>16</sup> Almost all workers are members of the bank and this is also incentivized by the fact they receive shares as compensation and integration of their salaries according to the "Share Allocation Plan". This document determines the amount to be allocated to employees and is subject to annual approval by the General Assembly. Typically, it involves the allocation of five shares, which, if not immediately sold for cash, result in the employees becoming members of the bank. Descriptive statistics are not available.

<sup>17</sup> Worker-member, personal interview, 8 August 2022.

<sup>18</sup> Worker-member, personal interview, 5 July 2022.

<sup>19</sup> Worker-member, personal interview, 25 August 2022.



## 2.3 Reference organization (RO) members

ROs<sup>20</sup> are legal entities that have a national or multi-regional dimension. Some are founding members of the bank while others have been admitted over the years to this stakeholder category by the Board of Directors (BoD), as organizations of national relevance.<sup>21</sup>

Through the Coordination (see next section), ROs implement initiatives to promote the participation of other consumer-members (in the form of organizations), provide support for informational and educational activities related to ethical finance, participate in events organized by the Banca Etica network, and contribute to the strategic development of the bank. They also propose candidates for the bank's governance bodies, within the limits of the Assembly regulations, and suggest topics for discussion to the BoD.

## 3 Governance system

### 3.1 Membership structure

#### 3.1.1 Consumer-members

The organization of consumer-members formalized in the Stakeholder Policy (2021) is based on geographical location. It extends locally like a rhizome and grows vertically like a plant through democratic elective processes. The map of BE membership is divided into five distinct areas,<sup>22</sup> each with its decentralized nodes of power found locally at the *circoscrizione* level. A *circoscrizione* is a territory with at least 200 members, and it can be a part of a big city or province brought together. Therefore, every member belongs to a *circoscrizione*. Within each *circoscrizione* GITs are elected.

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<sup>20</sup> 24 Italian RO-members divided into: founding members (ACLI, Associazioni Cristiane Lavoratori Italiani; AGESCI, Associazione e Guide e Scouts Cattolici Italiani; ARCI, Associazioni Ricreative Culturali Italiane; Associazione Botteghe del Commercio Equo Solidale; Associazione Italiana Agricoltura Biologica; CGM, Consorzio Gino Mattarelli; Cooperativa Oltremare; CTM-Altromercato; Consorzio Etimos; Emmaus Italia; First – Cisl Brianza; Gruppo Abele; Mag2 Finance Milano; Mag Venezia; Mani Tese; Overseas; UISP, Unione Italiana Sport per Tutti; Ust Cisl Monza Brianza Lecco) and later additions to membership (Libera, Legambiente, Caritas Italiana, Legacoop – Coopfond, CNCA, Oxfam). 14 Spanish organizations are RO-members: Associació Projecte Fiare Catalunya, Asociación Fiare Zona Centro, Asociación Fiare Euskadi Elkarte, Asociación Fiare Sur, Asociación Fiare Castilla y León, Asociación Fiare Canarias, Associació Fiare Illes Balears, Asociación Fiare Navarra, Reas Red de Redes, REFAS (Red de Finanzas Alternativas y Solidarias), Càritas Española, Ecooo Revolución Solar, Seryes (Servicios de Estudios y Seguros SA), Escuela Andaluza de Economía Social.

<sup>21</sup> Regulation of the Coordination of RO-members: <https://www.bancaetica.it/app/uploads/2022/11/punto-11-ITA.pdf>

<sup>22</sup> The division into five Areas includes four Italian regions – North-East, North-West, Central, and South – and a separate area for Spain.

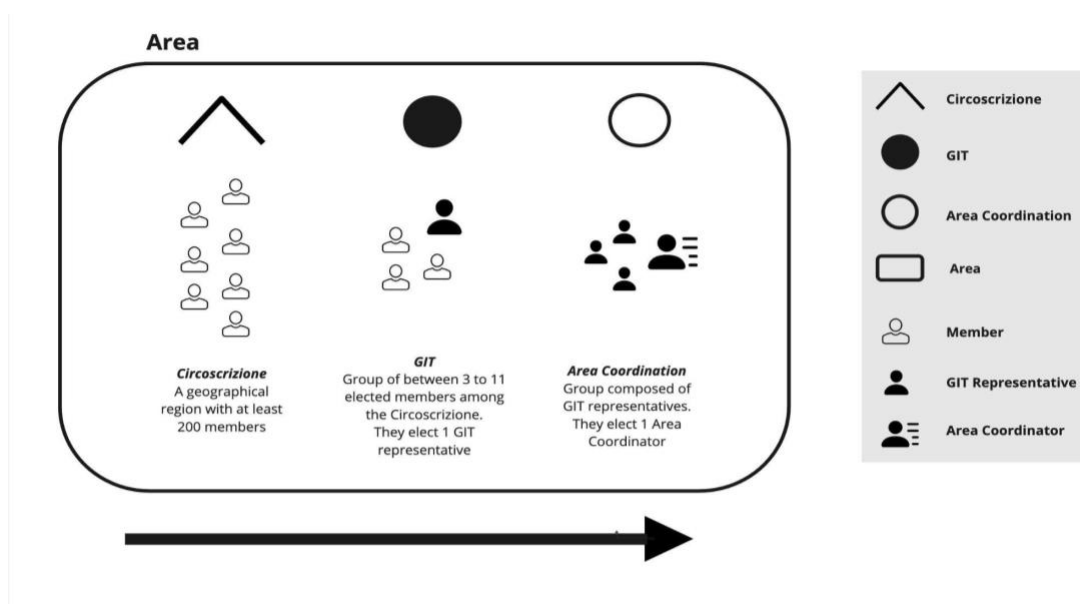


Figure 1  
Consumer-members Area Coordination: the election process  
(author's elaboration)

GITs work to promote a culture of ethical finance.<sup>23</sup> They are the heart and soul of the grassroots membership, composed of dedicated volunteer consumer- and worker-members who ensure that the bank's activities are aligned with the values and aspirations of the community they serve. The Stakeholders' Regulation attributes numerous functions to the GITs<sup>24</sup> and each group is free to organize itself independently, deciding from time to time on which activities to focus. The GITs tend to make decisions not by "majority vote" but

<sup>23</sup> As of 31 December 2022, there are 86 GITs in Italy and Spain, with an average composition of nine elected members. In Italy, the 68 GITs are distributed as follows: 21 North-East, 22 North-West, 12 Center, 13 South. Source: Balance Sheet 2022.

<sup>24</sup> GITs activities according to the Stakeholder Policy (2021): promoting activities to facilitate member participation; strengthening the links between members and the bank and contributing to the growth of the membership; conducting information and training activities related to ethical finance; participating in area coordination through the coordinating person or their representative; participating in institutional events of Banca Etica through the coordinating person or their representative; assisting the Bank in identifying needs and analyzing communities; cultivating meaningful cultural relationships and collaborations with local entities that share the values of ethical finance; contributing to the oversight of Banca Etica's reputation capital by providing input on membership applications and opinions on financing for organizations and businesses; disseminating information about the bank's socio-cultural activities; collaborating with the Bank's operational structures within its territory; proposing individuals for election to the bank's social bodies, in accordance with the Electoral Regulation; promoting the activities of the Banca Etica Group within the territory and relevant communities, and interacting with the reference operational structure to connect individuals, businesses, and organizations interested in engaging with Banca Etica; reporting any requests, demands, or issues from consumer-members that could contribute to improving the relationship with the territories; promoting widespread awareness of Banca Etica's projects and services within the territory, with a focus on mutualism, crowdfunding, microcredit, and critical financial education initiatives.

based on the sociocratic method of consent: decisions are reached when every member of the group has expressed their consent (absence of objections<sup>25</sup>). The GIT is composed of between three to 11 members, who are elected during the GIT Assembly and remain in office for three years (and for up to two consecutive terms<sup>26</sup>). To be elected, individuals and organizations must be members (by holding at least five shares). While not mandatory, GITs encourage intergenerational participation (at least 20 percent of members under the age of 35), rotation (at least two new members for each term), and gender inclusivity (at least one-third of elected members to be from an underrepresented gender). The new Stakeholder Policy (2021) states that GITs are open to members and even clients. While all members of the local *circonscrizione* can participate in GIT meetings, they do not have the right to vote. All clients are welcome to take part in GIT activities, but those who attend four meetings are invited to become members to continue their involvement. Each year, each GIT is allowed to spend a small amount of funds provided by the bank to support its activities.<sup>27</sup>

Each GIT elects its own Coordinator who represents it at the Area level. Together, the Coordinators form the Area Coordination – a representative body recognized as a stakeholder in governance processes. This coordination group serves as a consultative body for the Board of Directors, providing valuable insights and guidance on strategic topics of general interest. The Area Coordination is the body active in the governance and territorial processes. The meetings are open to all GIT members, even if the right to vote is limited to GIT Coordinators.

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<sup>25</sup> "Objection is considered a gift when it is validly motivated to the other group members, does not hinder shared objectives, and is accompanied by an alternative proposal. It always represents a moment of growth because it helps to understand the existence of different perspectives beyond one's own."

<https://www.bancaetica.it/articolo/vademecum-del-socio-attivo-sett-2022-2/>

<sup>26</sup> Extendable to three in the case of *circonsrizioni* with a number of members less than 250.

<sup>27</sup> Each GIT can spend up to a maximum of 700 euros. However, the allocation of funds is based on the Areas, so it is possible that if a GIT spends less, more funds may be allocated to another GIT within the same Area, considering the need for additional activities to be carried out in that territory. Member, personal communication, 18 April 2023.

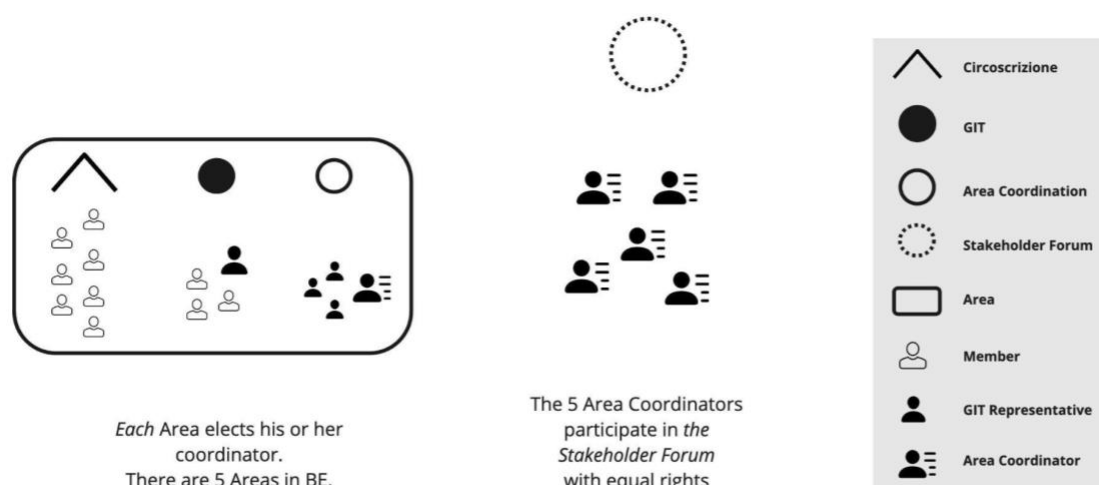


Figure 2  
Consumer-members: the five Areas Coordinators  
(author's elaboration)

### 3.1.2 Worker-members

Worker-members play a key role in the governance of the bank. Every three years all workers across BE elect one coordinating body – *Coordination of worker-members* – which is composed of between five and nine members, each of whom is eligible for up to two consecutive mandates. Every three years they elect a Coordinator who represents them in the Stakeholder Forum. The Coordination generally meets every two months during which time decisions are made via a consensus approach (in extreme cases, where consensus can't be reached, a majority vote is required). This is an example of how the bank's "non-violent" approach is translated into practice: "not in the annulment of diversity", but by recognizing the value of the other it fosters the "conditions for achieving a consensus aimed at the common good".<sup>28</sup> The Coordination promotes and encourages the participation of worker-members in the life, organization, and governance of the bank.

<sup>28</sup> Stakeholder Policy (2021). BE selected the term "non-violent" to signify their political stance, as it encapsulates the bank's robust pacifist and anti-war ideology. Hence, the choice of this expression holds significant meaning.

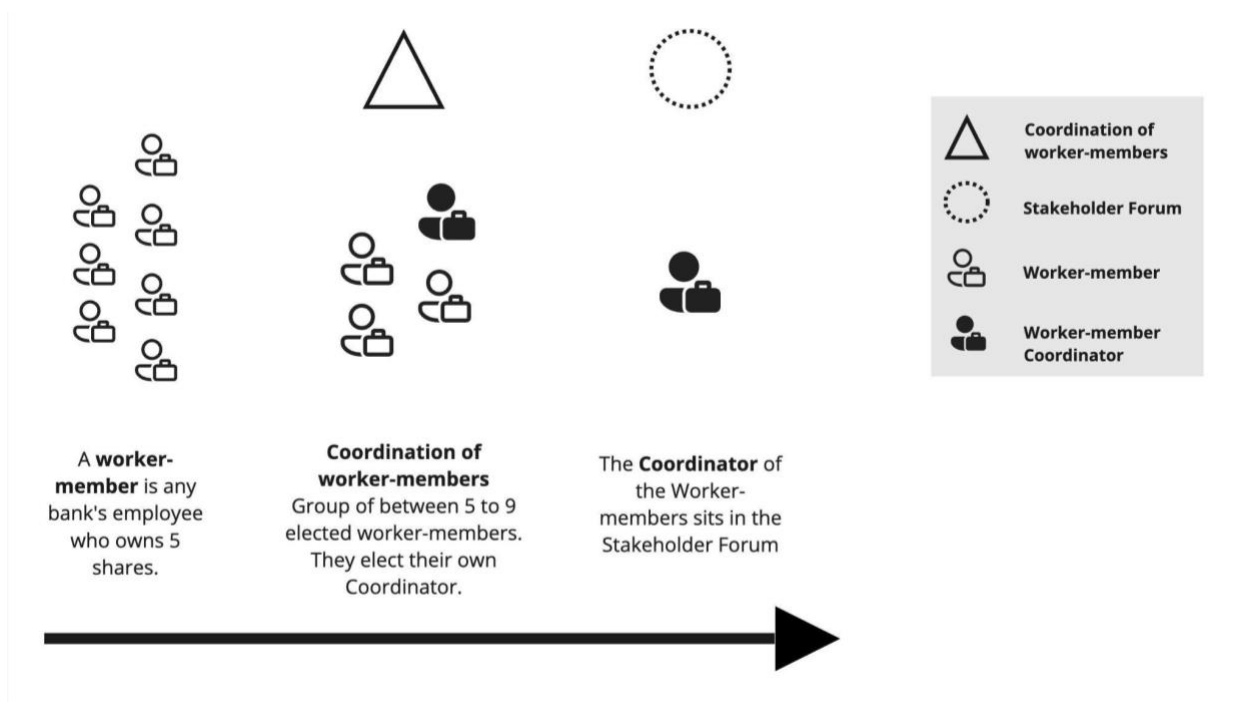


Figure 3  
 Coordination of worker-members: the election process  
 (author's elaboration)

### 3.1.3 Reference organization (RO) members

ROs are geographically divided into two national groups, the Italian and Spanish Coordination of RO-members. In each country, they elect one Coordinator who serves for a term of three years, convenes and presides over the meetings (at least three times a year), and acts as the liaison with the bank.

Organizational consumer-members interested in becoming a ROs member can be proposed by at least two other members in the ROs Coordination meeting. If the proposal is accepted, the coordinator forwards the nomination to the Board of Directors. The requirements for being considered include being a legal entity representing a network of organizations; having a national or multi-regional dimension; being an organizational consumer-member of the bank for at least three years; holding a significant number of BE's shares; and having significant and consolidated operational relationships with BE.

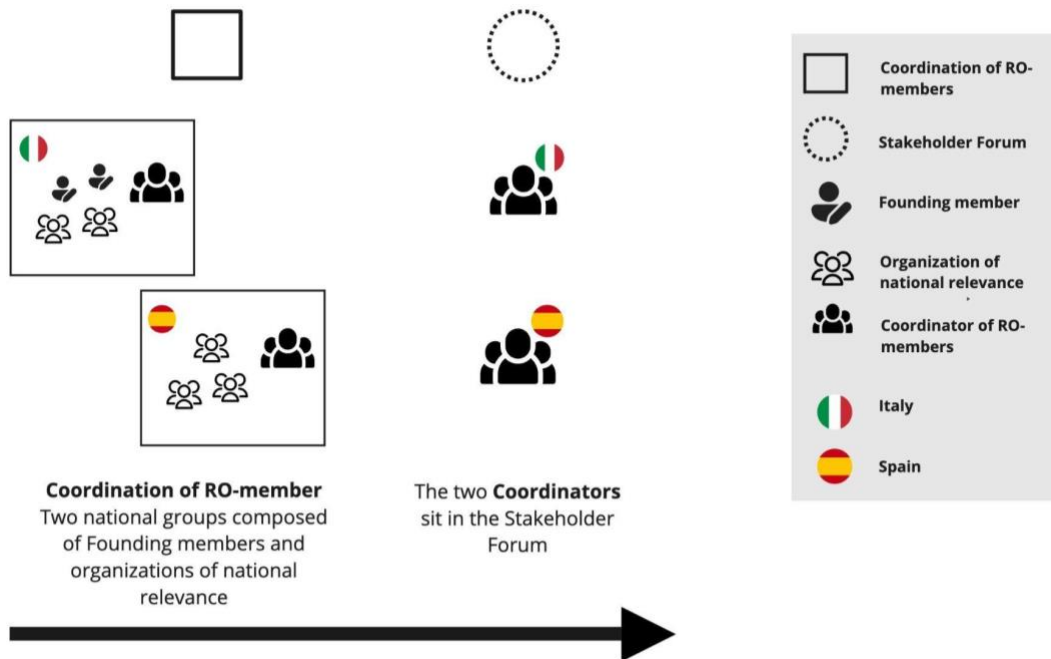


Figure 4  
Coordination of reference-organization members: the election process  
(author's elaboration)

### 3.1.4 The Stakeholder Forum

The Stakeholder Forum (Figure 5) serves as the place of connection and dialogue between these three different stakeholders. It is presided over by the President of the bank and it is composed of the stakeholders' representatives: the five consumer-members' Territorial Area Coordinators, the Coordinators of ROs members (Spain and Italy), and the

Coordinator of the worker members; the CEO; the Director of the Members' Relations Office; and with the support of a Cultural Area Manager for facilitation and recording functions. It meets at least twice per year and it contributes to the cooperative governance processes of BE by addressing strategic issues of general interest, statutory and regulatory changes related to the participation of members in the life of the bank, and by discussing political and cultural positioning documents.

**The Stakeholder Forum...contributes to the cooperative governance processes of BE by addressing strategic issues of general interest, statutory and regulatory changes related to the participation of members in the life of the bank, and by discussing political and cultural positioning documents.**

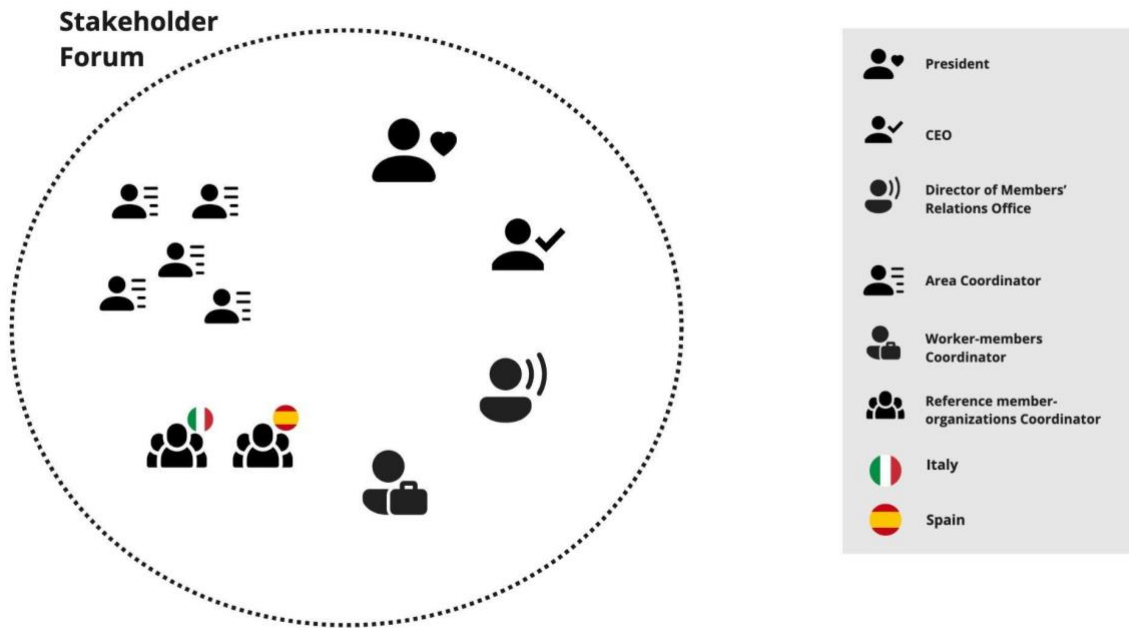


Figure 5  
The Stakeholder Forum  
(author's elaboration)

In order to prevent individuals from holding power positions for prolonged periods, knowledge sharing is critical. As noted by one of the Area Coordinators,<sup>29</sup> members in higher positions can easily fall in the trap of retaining knowledge and centralizing power within their own hands. Generally speaking, a centralized governance system is less expensive, less time-consuming and requires less effort in terms of compromising, sharing information, and conflict management. However, in a membership-based organization, it ultimately leads to a crisis of participation, because conscious membership necessitates active thinking and engagement. BE has created a highly networked set of governance structures, and to counter individuals holding onto powerful positions for too long, during the last extraordinary general assembly members voted to impose term limits on all elected members in all the stakeholder governing bodies

**In order to prevent individuals from holding power positions for prolonged periods, knowledge sharing is critical. ...conscious membership necessitates active thinking and engagement.**

<sup>29</sup> Member, personal communication, 14 February 2023.

(GITs, Areas, and worker-members' coordination) to ensure that turnover and diversity are promoted within the organization.<sup>30</sup>

### **3.1.5 The Area Forum**

The Area Forum serves as a coordinating body that joins the operational structure with the GITs to ensure that Banca Etica continues to thrive and meaningfully serve its members. It is composed of the Area Coordinator and two representatives from the operational structure responsible for cultural and commercial matters.<sup>31</sup>

The new Stakeholder Policy (2021) stands as an innovative model of cooperative governance in the banking system. Its cornerstone, in fact, lies in its commitment to the member democratic control principle. By formalizing the candidacy processes for governance roles, the bank has opened avenues for broader participation and representation, ensuring a diversity of voices, mutual trust, and transparency. Each stakeholder group is now empowered to actively engage in decision-making processes that influence the bank's future. This also embraces informal channels that facilitate communication between different stakeholder categories, allowing for a more holistic understanding of their respective needs and expectations. By doing so, the bank acknowledges the significance of building bridges and fostering a cohesive community united by common goals.

**By formalizing the candidacy processes for governance roles, the bank has opened avenues for broader participation and representation, ensuring a diversity of voices, mutual trust, and transparency.**

## **3.2 Governance structures**

BE's structure is very complex and set out in a variety of documents, rules and regulations. Each of them bears its own story, a participatory process that allows members to reflect and come up with the final bylaws. The governance structure reflects the organization's purpose and the nature of members' relationship with the cooperative. Institutionalizing

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<sup>30</sup> Stakeholder Policy (2021).

<sup>31</sup> Before the updated Stakeholder Policy (2021), a board member used to be assigned to attend the forum meetings. Today, while board members are still invited and frequently attend the Area Forum, their presence is no longer mandatory. This shift emphasizes that the Stakeholder Forum serves as the policy forum, whereas the Area Forum is primarily focused on operational matters.



practices that support participation impacts the longevity and stability of the cooperative. In this way BE's principles and values are strengthened through its tangible regulations.

The Statute establishes the decision-making bodies of BE, which are:

- The **General Assembly** (GA). Held annually, it is the highest decision-making body of the bank and all types of members (active or not) can and are encouraged to participate. It is responsible for a wide range of tasks including the approval of the balance sheet; allocation of profits; election and revocation of members of the Board of Directors and Board of Statutory Auditors; determining compensation for various positions within the bank; approving remuneration and incentive policies; providing information on remuneration policies annually; deciding on the responsibility of board members; and approving assembly regulations.
- The **Extraordinary Assembly** (EA) is convened to discuss and make decisions on exceptional or significant matters that go beyond the normal management of the organization. It mainly deliberates on amendments to the social statute, as well as on the appointment, revocation, replacement, and powers of liquidators. The past five years have seen only one EA.
- The **Board of Directors** (BoD). It is elected by the GA and it is composed of thirteen members, at least a quarter of whom are independent,<sup>32</sup> ensuring a necessary balance of skills, experiences, age, gender, and international experience. Board members serve for three fiscal years and can be re-elected for a maximum of four terms. Their remuneration is deliberated upon by the GA. The President of the BoD is elected by the GA and must not have an executive role nor carry out management functions.
- The **Board of Statutory Auditors** (*Collegio Sindacale*). It assumes responsibility for overseeing the management of the bank to ensure adherence to legal and statutory obligations, regulations, and social resolutions. Auditors are elected by the GA every three years. Stakeholders can propose candidates for this position, but individuals who have the necessary skills can apply autonomously. Being a member is not mandatory but recommended.<sup>33</sup>
- The **Board of Arbitrators**<sup>34</sup> (*Collegio dei Probiviri*). It is composed of three Arbitrators, who must be members of the bank and who are elected every three years by the GA. This body handles disputes that may arise between the bank and its members,

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<sup>32</sup> A board member of a bank is considered "independent" if: they do not have close family ties with the bank's key executives; they are not a direct participant in the bank; they have not held significant roles within the bank in the last two years; they have not worked with the bank or its executives in a way that could compromise their independence in the two years prior to taking up the position; they are not an independent board member in another bank within the same banking group unless there are direct or indirect total control relationships involved; they have not exceeded the term limit for board membership in the bank over the last twelve years; they are not involved in political positions that could influence their independence.  
[https://www.bancaetica.it/app/uploads/2022/07/00\\_Composizione\\_qualitativa\\_e\\_quantitativa\\_organismi\\_sociali\\_Banca\\_Etica\\_ITA.pdf](https://www.bancaetica.it/app/uploads/2022/07/00_Composizione_qualitativa_e_quantitativa_organismi_sociali_Banca_Etica_ITA.pdf)

<sup>33</sup> Banca Etica Statute. [https://www.bancaetica.it/app/uploads/2022/01/Statuto\\_Banca\\_Etica.pdf](https://www.bancaetica.it/app/uploads/2022/01/Statuto_Banca_Etica.pdf)

<sup>34</sup> Banca Etica Statute and Regulations of the Board of Arbitrators.  
[https://www.bancaetica.it/app/uploads/2023/01/22-12-12\\_Regolamento-e-Codice-deontologico-del-CP\\_IT\\_def.pdf](https://www.bancaetica.it/app/uploads/2023/01/22-12-12_Regolamento-e-Codice-deontologico-del-CP_IT_def.pdf)

concerning the interpretation or application of the bylaws or any other resolution of the bank's governing bodies that concern social relationships. The arbitrators report annually to the members during the GA while ensuring anonymity for every dispute.

- The **Ethics Committee**<sup>35</sup> (EC). It has the mandate of overseeing the bank's ethical values. The Committee has an advisory and propositional function, ensuring that the bank operates within ethical criteria. It is elected by the GA every three years. Candidates should have expertise in the economic and financial domain, an understanding of urgent environmental and energy challenges, knowledge of the social economy and cooperation, digitalization and data privacy management, and strong social and communication skills to engage the younger generation. Being a member of the bank is not mandatory but strongly recommended.<sup>36</sup> Each member can be reelected for a maximum of three consecutive terms.

In all these structures, democracy – understood as equal representation in the spirit of cooperation – is ensured through the “*One member, one vote*” principle that applies to the General Assembly. In the other decision-making bodies, decisions are made by an absolute majority of the participants.

The **Ethical Code**<sup>37</sup> (*Codice Etico*) represents the guiding document for BE's members. Approved in 2010 by the GA, it outlines the ethical horizon to which the Bank aspires in its activities, defining criteria of fairness and justice, reference values, general principles, and behaviors that guide the bank in its relationships with stakeholders: centrality of the person, equity, responsibility, transparency, cooperation, solidarity, participation, sobriety, efficiency, and effectiveness.<sup>38</sup> To ensure its implementation, the **Oversight Body** (*Organismo di Vigilanza*) has been established. It is responsible for verifying the implementation and compliance of the Management and Control Model aimed at preventing crimes according to the law, as well as for monitoring the status of implementation of the Ethical Code. It periodically reports to the BoD and the ECon on the status of the implementation of the Code of Ethics and eventually proposes to the BoD, after consulting the EC, any sanctions for serious violations. It is composed of five members and renewed every three years: one independent member is appointed by the BoD; one is appointed by the Board of Statutory

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<sup>35</sup> Banca Etica Statute, Regulations of the Ethical Committee.

[https://www.bancaetica.it/app/uploads/2022/04/Regolamento\\_Comitato\\_Etico.pdf](https://www.bancaetica.it/app/uploads/2022/04/Regolamento_Comitato_Etico.pdf)

<sup>36</sup> If the candidate elected is not a member, (s)he generally become a member within the first few months after the election.

<sup>37</sup> Ethical Code <https://www.bancaetica.it/app/uploads/2022/01/codice-etico-banca-etica.pdf>

<sup>38</sup> For more on the ethics of BE see Carabini, C. (2014). Ethics in cooperative banks. *International Review Cooperation*, pp. 18-31

Auditors, the Internal Audit manager, and the Compliance manager; and one member is appointed by the Ethics Committee.

Another institutionalized gathering that ensure members' active participation in strategic discussions is the **Network Meeting**. The Network Meeting is held annually and it is open to all types of members. It is the occasion for members to gather together, to discuss strategic issues and the bank's activities by meeting with the President of the bank, the Board, Management, and other representatives of the Group and the Ethics Committee.

In addition to these formal avenues, there are several **informal channels** through which members connect and establish a sense of community. Active members often belong to similar social circles and may participate in other non-profit organizations, so they tend to meet and network outside of scheduled events. Moreover, they use social media to communicate among themselves on issues that often go beyond the banks' dilemmas, strengthening their friendship and solidarity. These informal channels offer crucial opportunities for members to come together, share ideas, and build relationships.

### 3.3 Other elements of governance

What is interesting is that BE transformed ethical principles into rules and regulations that ensure the practices will respect those principles. For example, one of the ethical finance principles is the concept of frugality, which **imposes a cap on the highest salary earned**. The remuneration policy is formalized through a document approved by the General

**BE transformed ethical principles into rules and regulations that ensure the practices will respect those principles. For example, ...The remuneration policy... requires that the highest salary – typically that of the CEO – does not exceed the lowest salary by more than a factor of six.**

Assembly and recently updated.<sup>39</sup> Specifically it requires that the highest salary – typically that of the CEO – does not exceed the lowest salary by more than a factor of six.<sup>40</sup>

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<sup>39</sup> Policies and Practices of Remuneration within the Banca Etica Group  
[https://www.bancaetica.it/app/uploads/2022/09/Politiche\\_e\\_prassi\\_di\\_remunerazione\\_del\\_Gruppo\\_Banca\\_etica.pdf](https://www.bancaetica.it/app/uploads/2022/09/Politiche_e_prassi_di_remunerazione_del_Gruppo_Banca_etica.pdf)

<sup>40</sup> Additionally, in accordance with the Ethical and Sustainable Finance Act, the highest salary must not exceed the average remuneration by more than a factor of five, as provided for in Article 111bis of the Consolidated Banking Act, which defines the subjects of Ethical and Sustainable Finance in Italy.

The net profit of Banca Etica is allocated partly to the **Legal Reserve** and partly to the **Statutory Reserve**, with a quota decided every year by the General Assembly of no less than 10 percent of the net profit. The remainder of the profit is allocated to charitable or social purposes (through the two foundations), or to increase the fund for the purchase or redemption of shares. BE shares are not listed on a regulated market, nor traded; there is only one type of share and it is the one held by any type of member; each share is registered and indivisible; share value correspond to the nominal value plus any premium established by the GA. As it is a decision to be taken at the GA as provided for in the statute, members have always chosen not to redistribute the bank's profits in the form of dividends, so shares do not provide financial rewards.

Banca Etica is also the first bank in Italy that has rewritten its bylaws in a **gender-neutral language**. In 2022, Banca Etica reported that

women accounted for 45 percent of its workforce and 37 percent of its management positions, confirming the necessity to close the gap.<sup>41</sup> The bank also reported that women accounted for 41 percent of women in social organs and 47 percent of its members, indicating a relatively balanced gender distribution in terms of its ownership. In terms of policies, Banca Etica has implemented several **initiatives to promote diversity and inclusion**. These include formalizing an "equal opportunities policy" to ensure such opportunities are available for all employees, regardless of gender, age and other diversity considerations; "gender pay equity", regularly audited by the Organizational Well-being Group Team;<sup>42</sup> diversity and inclusion training and workshops; work-life balance policies to help employees balance work and personal responsibilities; and finally, the establishment of

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**Banca Etica has implemented ... diversity and inclusion training and workshops; work-life balance policies to help employees balance work and personal responsibilities; and ... the establishment of external partnerships...that promote gender equality and diversity.**

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<sup>41</sup> Balance Sheet 2022 <https://www.bancaetica.it/app/uploads/2023/04/Bilancio-Integrato-Banca-Etica-2022.pdf>

<sup>42</sup> The "Gender Observatory" monitors possible gender discrimination through a set of indicators - this function should be overtaken by the newly formed Diversity & Inclusion Team, as of late 2023. Since 2022, the Group has obtained two certifications (ISO 30415:2021 and UNI PdR 125:2022), which have allowed them to establish a precise management system, an action plan, and a set of indicators to monitor, including internal control functions and the gender pay gap. (Manager, personal communication, 22 May 2023)

external partnerships with organizations and initiatives that promote gender equality and diversity.

## 4 Participatory processes

In order to maintain members' control on the decision-making process, it is key to understand participation as a process that is constantly in the making. When compared to the traditional banking sector, BE's decision-making processes are decentralized, as stakeholders participate in strategic activities. Members are represented within the associative structure through a multistakeholder governance system that ensures they can formally express their opinions through democratic elective processes. However, the impact members can have in decision-making bodies within Banca Etica is not always equally distributed and depends on various factors: members' engagement may vary according on region of residence, quality and quantity of connections with the headquarters, and maturity of associative relationships.

**...it is key to understand participation as a process that is constantly in the making. When compared to the traditional banking sector, BE's decision-making processes are decentralized, as stakeholders participate in strategic activities.**

All member can and are encouraged to attend the GA, which is considered central to maintaining democratic member control. Over the course of the past five years, the member turnout rate has ranged from three percent to 12.95 percent. While the percentage may appear low at first glance, it is quite consistent when considering that it involves more than six thousand people. The emergence of the Covid-19 pandemic has coincided with a trend toward greater remote participation, which has resulted in an overall increase in member engagement. Remote access has proven to be an effective facilitator of participation.<sup>43</sup> The task of conveying the importance of active participation to new members often falls to branch employees, who may not always be successful in generating enthusiasm. For individuals who are not active

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<sup>43</sup> Figures comparing turnout from 2014 to 2019 and 2019 to 2022: the range spanned from 12.95 percent in 2019 (when the new Board of Directors was elected) to three percent in 2018.

members, attending the GA is complicated by scarce interest in engagement and a lack of access to information.

Nevertheless, an increase in the availability of remote access may help facilitate engagement among a greater number of newcomers, as it allows for easier access to assembly documents and to voting. GITs also endeavor to raise awareness and motivate members within their respective regions to engage them in the Assembly. They offer opportunities for dialogue and involvement on relevant topics between GAs, fostering a sense of active participation. In general, the online platform has enabled more participation but, as in many large cooperatives, the percentages remain low, demonstrating that more work is needed to engage the active participation of more members.

Participatory processes are very often initiated when strategic issues require discussion. An illustrative case is the formulation of the Strategic Plans, a process that has evolved through stakeholder engagement since 2010. The most recent Group Strategic Plan 2021–2024<sup>44</sup> was developed through a stakeholder engagement process which involved over 1,300 members –

**The most recent Group Strategic Plan 2021–2024 was developed through a stakeholder engagement process which involved over 1,300 members – ... The process comprised 60 meetings in both Italy and Spain and ensured that a diverse range of perspectives were included.**

three percent of the social base. The process comprised 60 meetings in both Italy and Spain and ensured that a diverse range of perspectives were included. Members had the chance to meet with the BoD as well as with the managers of the bank, to not only gather deeper insights but also to have a say on the priorities of the bank's strategies for the incoming years.<sup>45</sup>

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<sup>44</sup> BE's 2021–2024 Strategic Plan.

[https://www.bancaetica.it/app/uploads/2022/11/Sintesi\\_piano\\_strategico\\_2021\\_-\\_2024\\_...def.pdf](https://www.bancaetica.it/app/uploads/2022/11/Sintesi_piano_strategico_2021_-_2024_...def.pdf)

<sup>45</sup> Balance Sheet 2021. [https://www.bancaetica.it/app/uploads/2022/05/Bilancio\\_Integrato\\_2021.pdf](https://www.bancaetica.it/app/uploads/2022/05/Bilancio_Integrato_2021.pdf)

Members are invited to engage in constructive conversation on an ongoing basis, with the belief that conflicts can be resolved peacefully through dialogue and active listening. To facilitate effective communication and knowledge-sharing, the bank employs a blend of virtual and in-person channels. Emphasizing the value of face-to-face meetings, these gatherings offer opportunities for members to connect, exchange ideas, and forge strong personal bonds.

**Members are invited to engage in constructive conversation on an ongoing basis, with the belief that conflicts can be resolved peacefully through dialogue and active listening.... these gatherings offer opportunities for members to connect, exchange ideas, and forge strong personal bonds.**

A wide range of resources is made available through a members-only platform accessible on the bank's website. These include access to Board meetings and General Assembly minutes spanning from the bank's establishment to the present day. Furthermore, a community blog serves as a hub for members to initiate and engage in discussions concerning pertinent issues ranging from social impact evaluation to ethical quandaries and electoral processes. Each GIT maintains its own page on the bank's website, which members can utilize to communicate. Moreover, members share information via email newsletters or Whatsapp groups – these are among the preferred modes of interaction. When in-person meetings are organized, strategic issues are often at the center of discussion – members share a common desire for the power of “having a say” over important issues. The fact that they “have spoken several times with people in high positions within the bank, including the President”,<sup>46</sup> leads them to believe that they have a greater capacity as members for interaction and expression.

**Education and training** play a crucial role in keeping the cooperative governance processes alive and dynamic. Members express their pleasure in “receiving all this free training because it's personal enrichment that is given for free”.<sup>47</sup> Providing financial education to members has been an integral part of the bank's strategy since its

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<sup>46</sup> Member, personal interview, 22 August 2022.

<sup>47</sup> Ibid.

inception, especially because its original social base stems from an associative and non-financial background, and therefore members needed training in the topic. Each year, GIT Coordinators undergo dedicated training sessions to enhance their understanding of cooperative governance complexities. The bank has also developed training packages focused on communication channels and tools for GIT members. Ongoing training is provided to social evaluators which covers matters of great relevance, including sensitive sector analysis, new regulations, and standards. Financial education courses are organized for members, serving as self-training opportunities for GITs, as well as for the general public through podcast platforms. At the GA, the bank proudly announces the number of hours and how many members have trained each year.

Although the bank does organize numerous activities and meetings, members holding elected positions in any level of the complex governance structures are most likely to attend and participate. Encouraging greater participation by non-elected members would enhance inclusion and diversity.

## **5 Change management dynamics**

External and internal factors influence members' evolving needs and goals in the cooperative. As the governance structures and processes will be impacted, the cooperative as a cooperative itself must be adaptable to change to remain relevant and successful.

Several forces can lead the bank towards reduced member participation and a greater reliance on corporate governance models. These include national and international regulations, power imbalances among members, and the need for professionals who are also ethically committed.

Among the external forces, we have first of all the national legislation that pertains to popular banks. In 2014, then-Prime Minister Matteo Renzi modified the Italian legislation requiring all cooperative-based popular banks to transform into joint-stock companies once they accumulate capital of eight billion euros.<sup>48</sup> BE has not yet reached one billion, but the BoD is aware of this legislative reform and intends to start a discussion with stakeholders about possible courses of action if and when the threshold is reached. The question is not

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<sup>48</sup> The law had been considered partly unconstitutional by the Italian Court of Justice. However, on July 16th 2020, the European Court of Justice claimed it was lawful. (European Court of Justice; Case number = [C-686/18](#))



just technical as the transformation into a joint-stock company threatens the cooperative governance principle of “one member, one vote”.

By promoting a one-size-fits-all approach based on traditional banking models, European and international financial regulations make it increasingly challenging for cooperative banks like Banca Etica to maintain their unique governance systems. Imposing stricter requirements for candidates seeking positions on the BoD places an increasing emphasis on specialized knowledge within the banking sector.<sup>49</sup> This heightened focus on expertise may be perceived as a potential threat to the representative nature of a bank whose membership is drawn from a diversity of civil society and third-sector organizations, where individuals might not possess extensive financial knowledge or expertise.

It is crucial however to recognize that the bank itself is a robust financial institution requiring skilled professionals capable of effectively guiding the organization. At the managerial level, the bank needs to balance hiring professionals

with great financial and banking acumen who also share BE's moral principles and values. Many employees agree that hiring professionals also committed to the bank's mission and the promotion of ethical finance is important to

**...hiring professionals also committed to the bank's mission and the promotion of ethical finance is important to maintain internal cohesion and democracy...**

maintain internal cohesion and democracy: *only committed employees become worker-members, and thereby key stakeholders of the bank.* In this regard, beyond the mandatory legal and specialized banking training, BE offers cross-functional training programs that address topics like gender diversity appreciation.<sup>50</sup> Managers have access to courses focusing on performance evaluation and competency enhancement, and newly hired employees follow an integrated value-based training program.

Internally, one dynamic that influences the governance system is the power that certain members can exert over the BoD. From the point of view of individual members, certain reference organizations have emerged as influential entities, exerting their power through

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49 The new requisites for the members of the Board have been discussed and approved by the General Assembly in the new Electoral Policy document :

[https://www.bancaetica.it/app/uploads/2021/11/00\\_Composizione\\_qualitativa\\_e\\_quantitativa\\_organismi\\_sociali\\_Banca\\_Etica\\_ITA.pdf](https://www.bancaetica.it/app/uploads/2021/11/00_Composizione_qualitativa_e_quantitativa_organismi_sociali_Banca_Etica_ITA.pdf)

50 In 2022, there was a 9.95 percent increase in the training provided to workers compared to the previous year. However, it still slightly exceeds the contractual projections for hours per capita, with 42.29 hours compared to the forecasted 32 hours of paid training.

the presentation of qualified candidates for the BoD. The dynamics of this phenomenon are thus defined by the ability of these ROs to promote their preferred candidates, thus consolidating their sway over the bank's decision-making processes. These power dynamics can be seen as a problem even by active members themselves – some claim that the same persons continue to hold power positions within the stakeholder representative structure, leading to a lack of diversity and fresh perspectives. A proposed solution is in the new Stakeholder Policy (2021), approved by the GA in 2021, which establishes a maximum of two terms for all elective positions within the stakeholder bodies (i.e. consumer-members GITs, Area Coordination, and worker-members coordination). It is crucial to address these dynamics and foster a more inclusive and diverse governance system that enables the organization to recognize and leverage the strengths of its entire membership.

Stock remuneration is also a particularly sensitive issue among the social base, creating contrasting and even opposed positions. It has been a political choice of the bank to not remunerate stocks, but this is put into question from time to time. On the one hand, members are aware of how vital it is for the bank to be able to rely on a continuous process of capitalization from the grassroots level, although this requires continuous involvement and dialogue between the bank's stakeholders. On the other hand, some members consider the payment of a dividend a fair incentive for members to buy more shares and contribute to the bank's capitalization.

Generational change is another governance challenge the bank must address. In 2021, Banca Etica donated 85 shares (*azioni sospese*) to 15 young people and one association as recognition for their activism in promoting ethical finance. This donation financially helps and facilitates youth to become members of the bank and to continue to engage politically in promoting ethical and sustainable finance. Moreover, BE organizes training, communication, and social media campaigns aimed directly at youth. However, BE still needs to create a succession plan that ensures the continuity of its ethical principles and values after the current membership retires or steps down.

Finally, a perplexing internal dynamic is the place of voluntarism in societal change. If a significant number of the older members experienced a society where voluntary activities were widespread, the current cultural, technological, and economic changes may necessitate reevaluating voluntary strategies, especially for engaging younger generations.

This socio-cultural shift poses questions about how to recover or reprise a voluntarist spirit when imagining stakeholder engagement in the future.

## 6 Future prospects

Banca Etica faces several immediate and longer-term governance challenges that must be addressed to maintain its cooperative values and principles. Guaranteeing that processes and debates are dynamic as well as allowing more members to have a say is a central strategy for the bank. The bank's membership is composed of diverse and distinct voices that need to be brought into greater harmony and given a platform from which to speak, so as to ensure a cooperative and inclusive approach to governance. To put it in the words of one member, the bank's governance must be "polyphonic".

**The bank's membership is composed of diverse and distinct voices that need to be brought into greater harmony and given a platform from which to speak, so as to ensure a cooperative and inclusive approach to governance. ...the bank's governance must be "polyphonic".**

If the bank was not polyphonic, it would have problems in managing its complexity. There is an inevitable tension in the bank between the members' complexity and the desire to simplify [decision making]. On the one hand, the operational structure will always try... to work more quickly... [by] simplifying [processes]. However, this is a tendency that must be resisted with all means, in my opinion. Because the moment in which the bank simplifies [decision making], the bank will put its identity at risk. I say this harshly, but I am truly convinced of it.<sup>51</sup>

The new European banking regulations favour the big banks with important effects on BE activities, from credit disbursement to ESG rating. The bank should maintain its economic stability, to preserve its autonomy from the possibility of big capital investments that might eat it, and its autonomy will preserve its coherence to its ethical and cooperative value to safeguard its independence from potential large capital investments that could threaten its integrity. This independence, in turn, ensures the bank's alignment with its ethical and cooperative principles.

The challenges are related to the constantly evolving regulations which leave increasingly limited leeway for banks. We are subject to banking regulations, guidelines, treaties, and international agreements that require us to perform various assessments, integrate risk profiles. It's a vast landscape, and in my perspective, it appears to favor

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<sup>51</sup> Member, personal interview, 4 July 2022

larger entities over smaller ones. We must exhibit skill and strategic acumen to uphold our autonomy, bolster our capital and engagement to substantiate this autonomy, and safeguard our coherence. The challenge is, in my view, exogenous not endogenous.<sup>52</sup>

Another critical challenge that the bank faces in the long term is the democratic decision-making process for deciding what to do if and when the bank reaches eight billion euros of capital. Whether it will transform into a limited company, split into two different cooperative banks, or find another creative solution, it will be a decision taken through a democratic and participatory process.

I believe the primary challenge for all large cooperatives lies in sustaining active member participation. Even Banca Etica faces certain difficulties in this regard. While it maintains a strong identity in terms of impact assessments and an active engagement at the local level, there appears to be less enthusiasm or interest in understanding the dynamics of governance. It would be beneficial to explore innovative approaches to encourage greater involvement... I don't believe the solution lies in creating micro-zone groups... This is an issue that needs to be addressed because, otherwise, there's a risk of diluting a system where it's possible that worker-members, rather than customer-members, bear the brunt of certain messages. This is a risk that we are currently facing.<sup>53</sup>

Addressing these challenges will require BE to strengthen its internal governance structures and processes, to build a sustainable culture based on ethical principles and values, and to ensure that its business model aligns with its mission and vision. Despite these external and internal pressures, Banca Etica remains committed to its cooperative governance model and to constantly discussing it with the social base. The bank's leadership and members are actively working to navigate these challenges while remaining true to their cooperative values and principles.

## 7 Conclusions

Cooperative governance is not a one-size-fits-all endeavour: it needs to be flexible to changing circumstances, demands, and organizational needs, as well as being adaptable to the unique needs of each cooperative. Banca Etica sets itself apart from other ethical banks around the world by emphasizing its cooperative dimension. This allows members to constantly question and negotiate what "ethics" stand for. BE's governance practices show

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<sup>52</sup> Worker-member, personal interview, 8 September 2022.

<sup>53</sup> Worker-member, personal interview, 8 August 2022.

that democracy is an ongoing process constantly negotiated through cooperative dynamics.<sup>54</sup>

Moreover, Banca Etica's multistakeholder governance procedures offer valuable insights for other large cooperatives seeking to enhance their governance structures. This unique cooperative governance structure is unparalleled in the banking landscape, in Italy, and globally. It is the result of constant dedicated work to rethink the polyphonic governance model, combining the spirit of participation typical of associations with the concept of "social responsibility" from a corporate perspective.

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For expanding cooperatives such as Banca Etica, the task of participatory governance lies in effectively managing growth amidst regulatory, digital, economic, and social challenges. Navigating this complexity through a polyphonic approach is an invaluable advantage, yet it also presents a challenge that must be embraced for ongoing enhancements and the discovery of more impactful and innovative strategies to fulfill the mission.

The Navajo People in Mexico are famous for their weaving skills. In their rugs, a Navajo weaver deliberately leaves a mistake in each piece because it is understood as unethical to simulate God's perfection by creating something that is perfect. The error, as a woman's signature in the piece of art, represents the soul of the artisan who wove the rug. This can serve as an analogy for the importance of people in cooperative structures. While cooperatives should provide structures and processes to promote democracy and decentralization, information sharing, and communication, the success of a cooperative ultimately depends on the individuals who are members. Like the intentional imperfection in each Navajo rug, members of a cooperative must recognize their own humanistic limitations and work together to achieve their goals. This means valuing diversity, embracing different

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<sup>54</sup> Carabini, C., & Raffaelli, P. (2022, July 13-15). Financial Cooperatives: between local communities and global forces [paper presentation]. ICA CCR European Research Conference 2022, Athens, Greece. [https://ica-ccr-athens.gr/wp-content/uploads/2022/07/Financial-Cooperatives\\_abstract.pdf](https://ica-ccr-athens.gr/wp-content/uploads/2022/07/Financial-Cooperatives_abstract.pdf)

perspectives, and striving towards a shared vision. Only by doing so can the “soul” of the cooperative truly emerge, with each member contributing their unique skills and experiences to create something greater than the sum of its parts.

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