

ETHICS IN BUSINESS AND FINANCE: THE GREAT POST-CRISIS CHALLENGE

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This book, *Values and Ethics for the 21st Century*, is the fourth in the series published annually by the BBVA, aimed at disseminating knowledge at its best. And, as in previous years, I feel extremely gratified, as well as proud, of the calibre of the authors who have collaborated with us and of the quality of their contributions. I should like, before anything else, to warmly thank all the authors of this year's book.

Each year we have had the privilege of being able to count on world-class researchers and authors, who have presented rigorously and objectively, but in language and with a focus understandable to non-specialists, the advances in knowledge and the state of scientific debate on the key issues of our age.

The first of these books, *The Frontiers of Knowledge*, coincided with the launching of the prizes of that name, awarded by the BBVA Foundation. It seemed timely to us at that juncture to address the recent developments and the fundamental challenges of research in the eight areas in which prizes are awarded: biomedicine; ecology and conservation biology; climate change; information and communications technologies; the economy, finance and business management; development co-operation and contemporary arts.

The main theme of the second book was globalization; through it we sought to present a view of the many facets of this complex and controversial phenomenon which is influencing every dimension (economic, political, social, cultural, religious), as well as the lifestyle, of the people of the 21st century in the entire world.

The third book was about innovation, as the chief factor capable of promoting economic growth and improvement in people's standards of living in the long term, by applying the almost infinite possibilities of the scientific and technological revolution to meeting the major challenges facing the human species: inequality, poverty, education, health, climate change and environmental degradation.

In parallel with these initiatives, and encouraged by the success of this series of books, this year we have embarked upon a new and exciting project: OpenMind (<http://www.bbvaopenmind.com>), a website aimed at disseminating and sharing knowledge. The purpose of Openmind is to provide a community base for sharing and discussing knowledge, ideas and opinions on the most vital issues of our times.

OpenMind incorporates all the books we have published until now and will also contain those to be published in future; they can be read, downloaded, commented upon and evaluated by a much wider public than that which may have access to books. But, above all, it is a space for authors, together with other specialists and any interested reader, to interact in an open and multi-disciplinary framework, in which general topics can be addressed from different points of view—a framework, in short, suitable for debate and the generation of new ideas and new ways of spreading knowledge. We hope that OpenMind will become a valuable instrument to help us, together with our publishing projects, to fulfill our vision: “BBVA, working for a better future for people.”

For this fourth book we have chosen ethics and values as the main topic. That is because we need shared values and ethics, they are vital for the proper functioning of the economic, political and social network and, therefore, for the well-being and development of the potential of every world citizen. It has always been like that in every society, but today it is more than ever necessary that ethical values be reviewed and reaffirmed.

The world we live in is changing at an accelerated pace, driven by technological development and globalization. The speed, depth and scale of the changes to which today's people are subject continually cast doubt on many things that we believed or knew until now (or believed that we knew).

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This process generates uncertainty, imbalances and conflicts both socially (by confronting sectors which adopt different attitudes and views regarding change) and personally. And this worry has been exacerbated by the economic and financial crisis which, among other global problems, has revealed ethical deficiencies in the actions of many institutions, and has again placed values at the forefront of people's demands, as a guide for dealing with uncertainty and as a factor of stability in facing up to the crises and conflicts.

Our intention with regard to this book is to discuss how we can understand and avail ourselves of universal ethical principles in order to

meet the great challenges that the 21st century has placed before us. It is, of course, a very complex and demanding task, and it is quite possible that the reader can get lost among the intricacies of abstract and specialized discourse.

But, one of the book's basic contributions lies precisely in how this problem is tackled. The authors have made a great effort, without diminishing the rigor, to offer clear views of the major ethical challenges in their respective areas, and even tangible and comprehensible proposals for dealing with some of the immense ethical issues of our time. Of course, their views and their solutions can legitimately be debated. However, it is not a matter here of settling questions with definitive and dogmatic replies. Rather, on the contrary, it is one of putting forth points of view, arguments and proposals that stimulate individual thinking and collective debate.

The book is divided into five parts: ethics in a global world; ethics in science and technology; ethics, development, poverty and the environment; ethics in business; and, finally, ethics in finance. None of these areas is more important than the others. In fact, and this is probably not surprising, there are many interconnections between them.

We decided that the book should start with a survey of some of the major "global" ethical questions of our time, because globalization in all its many forms (economic, social, political and cultural...) is undoubtedly contributing in a decisive manner to shaping the world in which we live today.

Globalization confronts us with a multiplicity of new phenomena, for the management of which we shall have to provide an ethical response. Formulating a coherent response is particularly difficult because, although the world is increasingly global, it is certainly not more uniform.

People and social and national groups are faced with this phenomenon from the perspective of mental schemas and views of the world that are very different, forming part of very different cultures.

Nevertheless, the answers to these questions raised by globalization will be fundamental for global stability and prosperity in the future.

Hans Küng starts this section with a global ethical scheme for the guidance of economic activity in the form of a “Manifesto for a Global Economic Ethic.” It is not a conceptual document or a vague declaration of good intentions, but rather a collection of tenets based on moral values shared by all cultures and sanctioned by practice over the course of the centuries. It constitutes a valuable document for essential reflection by all readers on the principles that would enable globalization to lead to sustained and sustainable growth and improvement of the well-being of the people of the world.

In any event, the drawing up and effective application of commonly-accepted ethical criteria to manage this global world require an improvement in global governance and the institutions that administer it. Mervyn Frost, in his article “Ethics and Global Governance,” proposes a scheme for evaluating the more-or-less ethical nature of these mechanisms and institutions, based on reciprocal acknowledgement of the norms, duties, rights and freedoms of the participants in all areas of global governance.

Globalization broadens and makes much more frequent the contacts between people with very different views of the world. A large number of these differences is associated with religious beliefs and practices. This is the issue addressed by Charles Taylor in his article; in it he proposes channels for managing social multiculturalism that favors the integration (not the assimilation) of different cultural groups through the

establishment of “secularizing” policies and attitudes. By “secularization” he means not the “control” of religion, but rather the handling of the diversity of religious or philosophical convictions (and also non-religious or anti-religious convictions) fairly and democratically.

One of the most notable features of globalization is the enormous increase in migratory flows. The International Organization for Migration estimates that there are 200 million emigrants and/or immigrants in the world, mainly people from the developing countries seeking a better future in the richer countries. Joseph Carens examines different ethical matters linked to immigration in his article. These are access to citizenship, problems of inclusion/exclusion, admission criteria, irregular immigrants, refugees, family reunification, etc. to which he gives answers reflecting a commitment to democratic values.

Scientific and technological progress is probably the phenomenon that is most decisively shaping our age. We all perceive how the limits of what is possible are being extended in science, industry and people’s lives to a degree that only a short while ago was unthinkable. But together with the enormous opportunities of this scientific and technological revolution that we are experiencing, a large number of new and difficult ethical questions is emerging. And in this situation the attitude expressed in Elvin Stakman’s famous maxim: “Science cannot wait until ethics catches up with it, and nobody should expect scientists to think of everything for everybody.” is not valid. We need a more constructive approach, along the lines of that of Heinz Pagels: “Science cannot resolve moral conflicts but it can help to better formulate the debates on conflicts.”

The second part of our book provides an overall view of these problems. It starts with the article by Carl Mitcham which sets out the role of “responsibility” (a notion rarely mentioned in ethical discourse) in the exercise of scientific research, as well as in the development of its

multiple applications. The growing capacity of science and technology to affect people's lives (for better or for worse) must go hand in hand with responsibility, which is also growing.

The following chapters discuss these ethical issues applied to the most characteristic scientific and technological developments of our time. Andy Miah analyses human improvement. Matters such as scientific and technological applications for changing specific "natural" physical characteristics, as opposed to those employed strictly for health needs or the entering of humankind into a "transhuman" era in which biology can be manipulated at will, provoke very thorny ethical questions that are far from being resolved. For that, it would first of all be necessary to lay down some general principles as a guide for conduct related to human enhancement and these principles would have to be subscribed to on a global scale.

For her part, based on her experience in the first case of in vitro human fertilization, Mary Warnock addresses the ethical issues raised by embryology, which are the object of lively debate on matters as crucial as cloning, research on stem cells and assisted reproduction.

Internet is surely the most omnipresent and characteristic technology of our time. Its genuinely global, open nature, free of regulations, controls and transnational powers gives special complexity to the ethical problems that it poses. Robert Schultz proposes the principles necessary for addressing these problems, both for the individual and in the social and global spheres.

The third section of the book is devoted to the ethical issues related to some of the greatest problems that must be confronted by humanity as a whole: economic development, poverty and environmental degradation. Moreover, these are problems on which the impact of technology and globalization are highly controversial.

Technological progress and globalization are fostering global growth at rates that were probably never previously known in history. But, at the same time, it is seen how this growth involves growing pressure on the global ecosystem, which can be seen in phenomena such as climate change, deforestation, the loss of biodiversity and the deterioration of water quality, which endanger the sustainability of the planet. At the same time, the prosperity is shared unequally: whereas some emerging areas are able to maintain persistently high rates of economic growth, others—such as Sub-Saharan Africa—are on the fringes of development, with living standards increasingly far below those of developed regions. Greater inequality in wealth distribution is even taking place within the nations themselves.

Scientific and technological progress undoubtedly improves our ability to deal with all these problems and, together with the opening-up of markets and the enhanced competition and efficiency that accompany globalization, constitutes a tremendous opportunity to sustainably raise the levels of prosperity and well-being of world populations as a whole, while at the same time preserving the environment.

However, this requires a cultural adaptation that is passed on to the institutional and regulatory structures. And this cultural change will only be effective—that is, will only contribute to progress and general well-being—if it is constituted based on firm ethical values that are accepted globally.

Within this framework, the following articles are about the ethical foundations on which we must build solutions for the great problems of our times.

Peter Singer, who in our 2009 book presented a brilliant survey of the ethical problems of globalization (Singer, 2009), in this book focuses on

ethical issues concerning the reduction of extreme poverty. He examines the reasons why developed countries and their people should contribute more for this purpose and argues that the elimination of poverty is a common benefit in which ethical requirements and the interests of the people of the developed countries converge.

For his part, Bernardo Kliksberg sets out the broad outlines of his proposals for an ethical agenda for the economy, which guides the action of governments and companies and promotes voluntary work by the people. He also describes some experiences along these lines in Latin America.

The article by Kristin Shrader-Frechette addresses ethical issues relative to the environment and criticizes some maximalist concepts that are very widespread among its defenders. She proposes three key principles for formulating the environmental ethics of our times, based on “traditional” ethical rules and the making of human rights and public health compatible with the protection of the environment.

The imbalance between the degree of current technological progress (with the possibilities that it offers in the area of the economy) and the cultural and institutional framework in which we move—developed within the framework of a generation of older technologies and industries—is a fundamental factor underlying the present deep economic and financial crisis, as shown by Francisco Louça in his magnificent article in the previous book in this series (Louça, 2010).

This imbalance has been clearly reflected in the regulations and control mechanisms of the economic system, but also in the main principles commonly applied in decision-making in companies. As a result, ethics, values and principles in business have justifiably become a crucial aspect in the broad and lively debate on the crisis.

Richard De George opens the fourth section of this book with a historic review of the concept of ethics in business, arriving at the conclusion that companies' views of ethics are substantially different according to different times and geographical areas, reflecting the particularities of each socio-economic situation. And although in many countries conceptualization has attained a high degree of maturity, the development of global ethics in business is still at an embryonic stage.

Edward Freeman maintains that we need a new approach relative to how companies really function. The concepts of *stakeholders* and *reputation* are fundamental to this new approach, which is starting to emerge as a result of the crisis. The interests of clients, employees, suppliers, financiers and consumers to a large extent merge together. All these interest groups and a firm's reputation are an integral part of the business model; therefore executives must take on their role as reputation managers, responsible for creating the greatest possible value for the stakeholders.

Based on his research on international comparison, Geert Hofstede shows that whereas national cultures differ substantially with regard to values, corporate cultures show their main differences in their practices. Consequently, the companies' cultures can be created and modified more easily. Establishing, adapting and monitoring correct practices throughout an organization in order to ensure unity and proper functioning are part of management's key tasks.

Corporate governance in recent years, and most especially following the crisis, has been the object of renewed attention and the centre of lively debate. Thomas Clarke advocates an approach for corporate governance in which decision-making becomes a moral exercise that must go further than internal control of the company and abidance by the regulations, in order to cover the company's environmental and social impact.

For her part, Mollie Painter-Morland discusses gender issues, leadership and organization. In her article she shows how discriminatory practices are “hidden” in a company’s daily practices; in order to combat them she advocates new models of leadership that enable women as well as men to explore and avail themselves of all their potential.

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The finance industry is at the centre of the crisis that we are experiencing: the origin of the crisis is financial, and certain ethically objectionable conduct in some institutions clearly contributed to its unleashing. Therefore, we devote a special section in this book to ethics in finance. In it, particular attention is given to risk management—one of banking’s very specific functions, which has been shown to be determinant in the crisis.

In his article, John Boatright discusses the differential role of risk management in the current crisis, linked to the complexity of the mathematical models and tools that have been developed in recent decades to assess portfolio risk. These tend to reduce the transparency and accountability of decisions taken within the framework of the specific interests of each company and its shareholders, but they can also deeply affect much larger groups of people or even society as a whole. The great ethical challenge of the crisis is how to use risk management in a socially-responsible way.

In the second article on this subject, Peter Koslowski argues that one of the reasons for the failure of risk management is the lack of understanding of the values associated with the taking and avoidance of

risks. Complete deregulation has not worked. But the overcoming of the crisis must not lead to excessive state regulation and control. The ethical commitment of managers, expressed in self-regulation, should play a crucial role in the future of the industry.

Finally, to end this section and the book, Reinhard Schmidt describes the development of microfinance. He concludes that the microfinance institutions, being obliged to maintain their commercial and financial skills, have had to focus on the needs of the lower-middle classes in developing countries (who are poor in comparison with European standards, but not with local standards). This is a function that is socially and economically vital for the development of these countries but, in turn, requires the experts and social entrepreneurs to find new ways to attend to the needs of people in a state of extreme poverty.

COMPANIES FOR A MORE ETHICAL WORLD

There are now more than 70,000 multinational companies in the world, which generate 25% of world production. Over the past two decades, the “foreign” investment of these companies, i.e., that which they make outside their countries of origin, has greatly surpassed all the official development aid. These large companies have enormous weight, penetration and social impact: they create high-quality jobs, generate relevant and reliable demand for local suppliers, provide new or better services and products for their customers and, what is even more important, disseminate new and better technologies, more modern and effective management methods and commercial practices and, in more general terms, the values associated with advanced democratic societies as a whole.

Thus they have become essential instruments for the creating of a global economy and society and can—and must—be very powerful

catalysts of a transformation to a more prosperous, balanced and sustainable world.

The companies are not part of the world's problems. On the contrary, they have to constitute an essential element for their solution. In the 21st century a company has to be responsible; it has to respond to the legitimate demands of its environment and make commitments to the societies in which it is located. And it has two very important motives for doing so, which are conviction and its own interest: conviction because ethics and positive values must constitute the core of its corporate culture; and interest because companies have to deal with an increasingly well-informed and demanding society and therefore need greater legitimacy to engage in their activities in the medium and long term. Furthermore, a more prosperous and stable society is, at the same time, a condition for and a result of the proper running of companies,

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If that is so for all companies, much more is it so for banks. That is because the financial industry is at the centre of the economy and of society. Its function is to help companies and people to implement their projects, by offering essential payment, savings and investment services, apart from supplying a growing range of other increasingly specialized products and services, mainly linked to the different forms of risk management.

For all these reasons, banks are fundamental to development. And therefore banking should be a basic referent of the trust of employers and

unions, in a dual sense: in that of taking care of the legitimate interests of all the stakeholders, and also in the sense of prudence and professional competence.

Professional competence and ethics are two essential attributes (which in many aspects are related) and which every financial institution, as well as the system as a whole, must zealously safeguard.

It has always been like that, but the crisis has brought about a serious loss of credibility of the entire economic system, and in particular a substantial deterioration in the reputation of the banks.

In a parallel development, the scrutiny of public opinion and media pressure have become stricter, while shareholder activism and that of a multitude of non-governmental organizations and more-or-less formal platforms presenting claims have been stepped up. In the final analysis they demand deep-seated changes in the management and control of political, economic and financial decisions.

There has undoubtedly been mistaken, unwise or plainly fraudulent conduct in many institutions, as well as major errors in the system and very serious deficiencies in regulation and supervision, which have to be corrected. But not all the responsibility, nor even the greater part of the responsibility can be attributed to regulation and supervision. There is no such thing as perfect supervision, and nor is financial regulation that foresees all situations and determines all decisions possible, or desirable. It is not possible because the environment, the institutions and the markets are in a constant state of flux—to a large extent in order to respond to regulation itself. And nor is it desirable because, even if this “total” regulation were achieved, it would be counterproductive: it would severely limit competition, and with it efficiency, creativity and innovation in industry, with the consequent decreased usefulness for users and loss of growth for the economy.

In this way, the current anxiety and dissatisfaction (which are quite justified) involve very relevant risks for the functioning of the system and the future well-being of the population: over-regulation and excessive interference by the public sector in economic and financial activity can lead to a serious deterioration in the efficiency and capacity for generating growth and employment.

We undoubtedly need better regulation, but not more regulation. Moreover, and above all, we need more principles, more ethics in business in general and in the financial industry in particular. That is because ethical principles ensure proper conduct by participants in innumerable situations not covered by law (or not strictly regulated by the institutions in charge of enforcing them). As Earl Warren, for many years Chief Justice of the U.S. Supreme Court, once said, "In civilized life the law floats in a sea of ethics."

The crisis can be the point of inflection for setting up a more efficient and productive economic system, which is at the same time more stable, more just and more aligned with the legitimate interests of the world as a whole. In short, the crisis can become an immense opportunity for everyone. And in order to achieve it, the key is ethics.

For that we must formulate widely-shared principles which address the ethical issues arising from changes in our times. We must also succeed in making many more people aware of the moral challenges facing us all, as consumers, as part of the productive system (as workers or entrepreneurs), as participants in the political system and members of civil society. And we also need many more companies to understand that ethics are not only desirable, but also profitable. Companies must be solvent, efficient and innovative, and at the same time apply solid moral principles in their relations with their stakeholders. They must also assume a commitment to the societies in which they operate, and to the

aspirations and concerns of their people. The large multinational companies—and among them very significantly the banks—can make a very relevant contribution to this task.

BBVA: A PROJECT BASED ON PRINCIPLES

The importance of ethical principles for the stability of institutions and the economic and financial system as a whole was made very clear by the disparity between the effects that the crisis has had on different institutions. Not all banks have been the same, not all have behaved similarly, and consequently not all are having the same results.

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Since the summer of 2007, throughout all the successive episodes of a long crisis that is having negative impacts on very different kinds of businesses, markets and geographies, BBVA has been able to remain, quarter after quarter, year after year, on a path of positive results. This contrasts with the extreme volatility in the results of most banks and has made BBVA one of the few large world banks that has not needed any state aid whatsoever, nor has been forced to resort to a capital increase in order to restore its equity to the levels required by the regulations. This is because it has been able at all times to generate the necessary capital internally.

This is the result of a multiplicity of factors: an adequate diversification of our business and of the markets in which we have a presence, and a very efficient model of universal banking oriented towards our clients and

supported by the best technology and a very cautious risk-management culture. And all that is summarized and explained in a single concept: our principles.

For some time now, several years before the crisis, we at BBVA have been determined to set up a project based on firm business ethics, with the conviction (which our manner of proceeding vis-à-vis the crisis is proving to be the right one) that “ethics are not only desirable, but are also profitable.”

We have three basic principles: the first is transparency; the second is integrity; and the third is prudence. They are required of any company but even more of a bank, which has a fiduciary duty to its clients that must above all be reflected in risk management.

These principles constitute the very essence of our business model. In the financial industry the most advanced management models use Risk-Adjusted Profitability (RAP) as the tool for creating value. BBVA's management model is even more demanding because it requires fulfillment accompanied by strict ethical criteria. That is, it also incorporates Profitability Adjusted to Principles. This is because we believe that by acting in this way we contribute value to our interest groups—along the lines described by Professor Freeman in his article in this book.

The cornerstone of BBVA's project is corporate governance. Regarding this issue we place the focus on establishing appropriate incentives and controls so as to achieve a balance between both functions, and avoid conflicts of interest, for the ultimate purpose of ensuring optimum conduct by the bank relative to all its interest groups.

For a decade now BBVA has been working to establish cutting edge corporate governance, stricter than that acceptable under international

standards. Already in 2002 decisive steps were taken in that direction, consolidating two fundamental pillars: the independence of the Board by means of an ample majority of independent Board members supported by a minority of executive members with wide knowledge of the Group; and transparency and rigor, orchestrated through rules, criteria and regulations that involve demanding, public and verifiable commitments.

In successive years we have made new adaptations and improvements to a process that we never consider finished, precisely because we want to keep BBVA at the forefront of the best international practices.

On this basis of excellent corporate governance, we at BBVA avail ourselves of all the instruments that can help to make a company based on principles. Among them, our codes of conduct are prominent. They must be assumed by all and become part of established conduct. The same applies to the international codes of reference to which BBVA is a party, such as the United Nations Global Compact, the Universal Declaration of Human Rights, the International Labour Organization and many others. As a financial institution, we also attach special relevance to the Equator Principles and the U.N. Principles for Responsible Investment.

All these principles, codes and standards are useful, but the key lies in progressing from declarations to action. To achieve this, two fundamental elements are necessary: the first is proper organization, which sets up the system of corporate governance and the systems of enforcement, risk management and corporate responsibility, incorporates ethical principles and standards into BBVA's strategy, and ensures that they become known and adopted by the entire organization. The second is leadership that is publicly committed to our principles and values and actively disseminates them.

Moreover, our principles are summed up in BBVA's vision: "working for a better future for people" and are expressed in definite commitments to all our interest groups:

to our shareholders: to create higher long term sustainable value;

to our clients: to find the best solutions for meeting their needs, on the basis of a relationship of trust in the medium and long term;

to our employees: to develop a management style that generates enthusiasm and promotes training, motivation and personal and professional development;

to our regulators: to act with integrity and transparency, strictly abiding by the law;

to the companies with which we work: to contribute actively to their sustainable development and well-being.

Obviously these commitments must be met, basically by performing our daily activities as well as possible. But at BBVA, we go even further, with the establishment of a Strategic Corporate Responsibility Plan to which the BBVA Group allocates a large amount of assets (in 2010, 76 million euros, equivalent to 1.6% of its attributable profits) and which has three major divisions: financial inclusion, responsible banking, and education and knowledge.

Our financial inclusion programs propose solutions for a serious global problem: currently fewer than 1,000 million people (15% of the world population) are bank clients. And there are at least 2,000 million people who do not have access to these services because the conventional banking model is not efficient enough to make the provision of financial services profitable, to those with levels of income below a certain threshold. However, access to financial services would greatly increase the

opportunities of these people to improve their well-being and quality of life and would improve the prospects of growth and development of the societies in which they live.

At BBVA we aspire to making access to financial services universally available. We want to provide “banking for all.” BBVA is developing an ambitious plan of access to banking services, by developing innovative models that are simpler and more efficient in offering financial services. In this way we have succeeded in incorporating more than five million new clients in Latin America since 2007.

At the same time, we established the BBVA Microfinance Foundation in 2007, with an initial endowment of 200 million euros. It is a non-profit institution aimed at promoting productive microfinance—that is, facilitating access to credit and financial services for people with low incomes who undertake productive projects. The Foundation’s strategy is focused on alliances and the acquisition of shares in microfinance institutions with proven local experience.

In mid-2011, the Microfinance Foundation was already operating through eight branches in six countries: Colombia, Peru, Chile, Panama, Argentina and Puerto Rico. It had about a million clients (63% women, two-thirds of whom with incomes of less than 10 dollars a day), with an average microcredit of 737 euros. And it continues to grow and consolidate as the largest microfinance network in Latin America and one of the largest world-wide.

The model of our Foundation is genuine and innovative: it opens up a third way for the dilemma described by Professor Reinhard Schmidt in his article, between excessively commercialized microfinance institutions, which apply very high interest rates, and other more socially-inclined institutions with lower rates but with management and efficiency problems and difficult access to financing in the capital markets.

The Foundation's contribution of capital and knowledge allows for the establishment of a professionalized and efficient model, with important synergy between the different branches of the network. And thanks to the lack of pressure to obtain short-term results—more than ensuring the model's sustainability—it is possible to apply lower interest rates and reach the areas and groups of most difficult access, thereby creating much more long-term value.

The dissemination and general adoption of shared moral principles by everyone is essential in order to take advantage of the enormous opportunities offered by progress

“Responsible Banking” is a transversal course of action that involves all aspects and all people in the organization. Its aim, above all, is to guarantee compliance with all the rules and regulations to which we are subject, as well as our own codes of conduct and the international commitments which we have undertaken on different matters.

In addition to fulfilling the minimum requirements specified under the regulations, BBVA undertakes projects to improve ethical management vis-à-vis our clients, employees, suppliers, regulators and society at large. These initiatives include projects such as the development of a Plan for Gender Equality, a Global Plan on Corporate Volunteer Work, the Group's Global Responsible Procurement Policy, the Global Eco-Efficiency Policy, a demanding policy for financing projects with a high social or environmental impact and one for financing controversial sectors such as arms and the launching of an ambitious program for the Prevention of Fraud.

Finally, education and knowledge-generation and dissemination programs account for approximately two-thirds of the resources allocated annually

by the BBVA Group to social action. We follow this policy because we understand that these programs are the most powerful levers for promoting economic development and well-being, as well as stability, in all the societies in which we work.

A large part of these resources is assigned to financial education, which is of great value for people and societies because it enhances people's financial position, improves risk management, promotes savings and strengthens the financial system. We are implementing the Global Financial Education Plan at BBVA; it is endowed with 26 million euros for the 2009-2011 triennium and has more than a million beneficiaries.

BBVA is also implementing other important general-education projects in Latin America, such as the program "Niños adelante" (Children Forward), to which 15.4 million euros were allocated in 2010 and with which the social integration of 60,000 boys and girls of marginalized families is achieved every year, mainly through the awarding of scholarships for schooling. Moreover, BBVA has launched, together with the Organization of Ibero-American States (OIS), "Metas Educativas 2021" (Educational Goals 2021)—an ambitious project that will benefit more than 8 million people in the region over the course of the coming decade.

The Knowledge-Promotion policy has a prime mover in the Group—the BBVA Foundation, which focuses its activity on the generation and dissemination of knowledge through support for cutting-edge scientific research and the most innovative artistic creation. The best-known of the Foundation's activities is the BBVA Foundation Frontiers of Knowledge Awards, conferred for the first time in 2008 and which in only four years have taken their place among the prizes of greatest international relevance. But it is also sustained by constant support for numerous research projects, for advanced and specialized training and for the communication and dissemination of knowledge, as well as recognition for

researchers and professionals who contribute significantly to the advancement of knowledge.

Our annual series of books and the OpenMind website were conceived along these lines. This year's title was planned as a contribution to knowledge and debate on a fundamental issue of our times: the role of ethics in the 21st century's global society. We firmly believe that the dissemination and general adoption of shared moral principles by everyone is essential in order to take advantage of the enormous opportunities offered by scientific and technological progress in favor of the well-being and quality of life of people all around the world—those of our generation and of the generations to come. I hope that readers will enjoy it and will benefit from it as much as we have done in the task of publishing it.

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>> Businesses in the 21st century have to be responsible; they must respond to the legitimate demands of their environment and make commitments to the societies in which they have a presence. They have two very important motives for doing so: conviction and their own interest: conviction because ethics and positive values must constitute the nucleus of their corporate culture; and interest because companies have to relate with an increasingly better-informed and demanding society and therefore need greater legitimacy to successfully engage in their activities in the medium and long term. We need better regulation, but not more regulation. Moreover, we need more principles, more ethics in business and in the finance industry. That is because ethical principles ensure proper conduct in an innumerable number of situations not covered by the law (or not strictly regulated by the authorities responsible for enforcing it). As Earl Warren, Chief Justice of the U.S. Supreme Court for many years, once said, “in civilized life, the law floats in a sea of ethics.”

FRANCISCO GONZÁLEZ

BBVA