



Inter National Bank Corporate Responsibility Strategy

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Abstract

This project's objective was to create a Corporate Responsibility (CR) strategy for Inter National Bank (INB), a regional community bank in southern Texas, US. A modified CR strategy framework from the International Institute for Sustainable Development was adopted to guide the creation of a customized CR strategy for INB, resulting in a four stage approach. This staged analysis consisted of preliminary industry and CSR background research, on-site interviews, and capability testing, all of which informed the final stage: strategy creation. The analysis revealed three recommendations for INB. First, INB should develop initiatives centered on focus areas that are both proven and implementable. Second, INB should invest in an organizational structure to maintain the implementation of these focus area initiatives. Finally, INB management should revisit the four stage strategic process periodically to ensure that its CR strategy remains a relevant part of the organization's business operations.

In our survey to gauge INB employees' understanding of CR, 78% of respondents provided a description that included community commitment, illustrating that a community focus should play a central theme in any of INB's future CR plans. However, CR is often seen as a volunteer activity and gets pushed aside in favor of other business needs. As such, to execute our CR strategy recommendations, INB should internalize two overarching themes into its culture. First, CR generates less visible, but very tangible long term value for the bank. And second, CR goals need to be effectively and clearly communicated because a positive appreciation for CR can lead to increased customer and employee satisfaction. These two themes are critical for INB to build a strong foundation for a sustainable CR strategy.

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Introduction

Corporate Responsibility (CR) – defined as the commitment of organizations to balance financial performance with contributions to the quality of life of their employees, the local community and society at large – is gaining worldwide value as a tool for businesses to grow stronger and make a positive social impact. CR includes a broad range of practices and initiatives, from charitable donations and cause branding, to environmental stewardship and business strategies that address human rights and equitable labor practices. The benefits from supporting such initiatives include accessing new markets, mitigating organizational risk, and increasing employee morale which can lead to increased productivity and lower employee turnover. The success of a CR program is unique and customized to every company; it depends on a number of factors including a company’s culture, industry, business model, and organizational structure. Furthermore, for CR to have the intended impact – strengthening the organization and making a positive social impact – CR activities pursued by organizations must be properly aligned with core business activities. [1]

Background

Grupo Financiero Banorte

Based in Monterrey, Mexico, Grupo Financiero Banorte (Banorte) became the third largest bank in Mexico, and the largest bank not owned by a foreign company, after it merged with Ixe in 2011. The bank provides banking, lending, investment, and money exchange services through more than 1,300 branches. It serves the retail, corporate, and government markets; loans for the retail and manufacturing industries make up a large part of its lending portfolio. Banorte subsidiaries offer pension management, insurance, annuities, leasing, and factoring services. The group has grown quickly through big-ticket bank acquisitions, including Bancrecer, Bancentro, and the state-controlled Banpais. In 2007, Banorte acquired a 70% stake in South Texas-based Inter National Bank (INB). In 2009, Banorte completed its acquisition of INB. [2] This particular acquisition was prompted by Banorte’s desire to increase its cross-border services and to build its brand in the U.S. market.

In 2010, Banorte engaged University of Michigan graduate students from the School of Natural Resources and Environment to develop a CR strategy, which resulted in Banorte’s four pillars of sustainability, which it uses as a framework for the bank’s CR agenda (**Appendix A**). Banorte has used the four pillars to develop and implement a number of firm-wide initiatives and has begun to explore executing similar programs across its affiliates and subsidiaries. One of these subsidiaries is INB. Banorte believes that a robust CR strategy can provide a number of benefits to INB including growing cultural cross-border integration, complying with International Finance Corporation’s commitment to sustainability and leveraging sustainability as a source of innovation and competitiveness in the communities that INB serves.

Inter National Bank

Inter National Bank (INB) is a regional bank based in McAllen, Texas. The bank has twenty locations, most of which are located along the Texas-Mexico border, and close to four hundred employees. INB’s unique strength comes from cross-border banking – roughly 42% of the total number of deposit

accounts is held by foreign nationals. Currently, the bank does not have a formal CR program. However, as the integration between INB and Banorte continues, INB has recognized that developing a CR strategy could strengthen this relationship and allow it to better serve its clients across both borders.

Project Objectives

The goal of our project is to create a Corporate Responsibility (CR) strategy for INB. Since INB and other Banorte affiliates have been managed as independent entities, Banorte would like to use CR as an initial bridge to bring these affiliates closer and minimize existing organizational gaps. Banorte is also interested in developing an approach to developing a CR strategy that can be used by its other subsidiaries. The CR strategy will incorporate a blend of environmental, social, and economic considerations and will serve as a platform to launch short-term initiatives with long-term goals in mind.

The team will focus on leveraging aspects of Banorte's corporate sustainability strategy and engaging key stakeholders at Banorte and INB to create a unique CR strategy for INB. Additionally, the team will focus on external market opportunities for INB that align with the bank's business strategy.

Key deliverables for this project include:

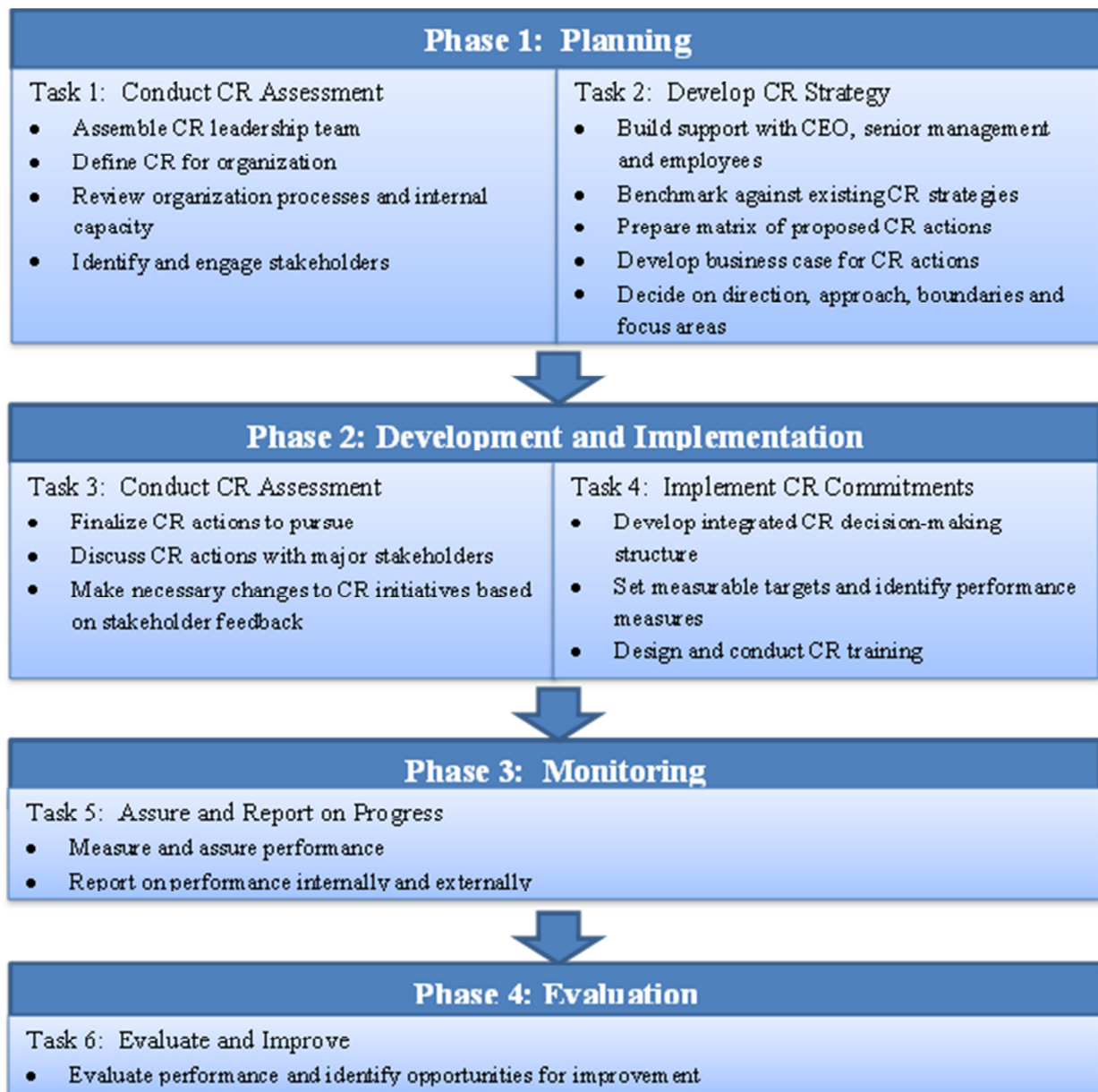
- Assessment of INB's current CR efforts and capabilities including site visit, interviews with senior management and CR pilots;
- Evaluation of processes to integrate INB and Banorte's sustainability strategy and best practices;
- A CR strategy for INB that will serve as a platform to develop CR initiatives in the short and long term;
- Key recommendations for the successful implementation of strategy

Corporate Responsibility Framework

Organizations across sectors seek to deliver value to their customers through a diverse offering of products and services. Organizations, therefore, operate in very different manners to meet their customer needs, making it challenging for those interested in developing a CR strategy to do so as each organization faces unique challenges based on its particular goals for CR as well as the sector's particular structure and dynamics. [3]

The International Institute for Sustainable Development (IISD) developed a general framework to help organizations develop a CR strategy. This framework is summarized in **Table 1** below: [3]

Table 1. International Institute of Sustainable Development Corporate Responsibility Development Framework



As proposed, the IISD's framework highlights a number of critical tasks necessary to develop a CR program. However, given that CR can fundamentally change how an organization performs its core functions, a modified framework was developed that focuses initial efforts on industry analysis with respect to CR, stakeholder engagement, and capability testing prior to developing and integrating a CR strategy into the organization's overall strategy. Elements of the IISD framework were adopted and modified to develop a more customized, robust and sustainable CR strategy. The details of the modified framework are discussed next.

A New Corporate Responsibility Framework

The purpose of the proposed CR framework is to develop a CR strategy that can be used by any organization regardless of industry, organizational and geographical culture, and internal capacity. The resulting strategy from the framework is one in which CR is integrated into the organization's core functions. In other words, the CR strategy will ultimately incorporate CR into the organization's overall business plan and will not become a list of additional activities that a firm performs. In addition, the strategy should help build, maintain, and strengthen a firm's identity, its market and its relationships with major stakeholders.

Scotiabank is an example of an organization that has successfully integrated CR into its overall business strategy (**Appendix B**). Its CR report describes this integration as follows:

Scotiabank's [five-point business] strategy supports its core purpose of helping customers become financially better off by providing practical advice and relevant solutions. It defines where the Bank is going and how it is going to get there. The strategy guides the Bank's success and its focus on customers, diversity, strength and stability. Scotiabank's CSR priorities are fully integrated into the Bank's five-point business strategy, enriching it through key CSR initiatives. [4]

The modified CR framework for integrating CR into an organization's core strategy consists of the following four phases:

- Phase 1: Preliminary Research
- Phase 2: Stakeholder Engagement
- Phase 3: Capability Testing
- Phase 4: Strategy Advancement

Phase 1: Preliminary Research

During this initial phase, the organization should develop a thorough understanding of CR in the context of its industry, community and organization. Therefore, research on the following should be conducted:¹

- CR Best Practices for Industry

¹ Other relevant topics should be researched such as the use of CR by competitors as a source of competitive advantage, CR strategies of organizations in a different industry/sector that operate in the same region, CR initiatives that are ongoing and led by the local community in the region.

- Major Stakeholders²

The findings from this research will be valuable throughout the process for a number of reasons. First, organizations can learn various approaches of a successful CR strategy that are most relevant to them. Second, organizations can leverage such information to benchmark their current performance with industry standards. Third, organizations can develop a basic understanding of some of the challenges that they face and opportunities that they will have through CR. Lastly, the suggested research will help develop a level of expertise in CR that can be used during stakeholder engagement (Phase 2), for capability testing (Phase 3) and to inform their CR strategy development process (Phase 4).

Phase 2: Stakeholder Engagement

Stakeholder engagement is one of the most critical activities in developing a CR strategy. Since CR is usually not viewed as a core function such as marketing, manufacturing, or HR, garnering support from internal and external stakeholders is particularly important. One of the key challenges that organizations must overcome is ensuring that major stakeholders not only understand the organization's CR vision but that they also share the organization's vision for CR. Stakeholder engagement requires a strategic approach since stakeholders can provide valuable resources for developing a CR strategy in the form of capital, expertise, personnel and channels for communication.

The goals for this phase are to:

- Educate major stakeholders on CR vision³
- Secure buy-in and build support from major stakeholders
- Identify ongoing CR activities⁴
- Obtain thorough understanding of challenges and barriers to CR adoption
- Identify CR champions⁵

It is suggested that the above tasks be completed by conducting interviews (preferably face-to-face) with stakeholder representatives to gather the necessary data. The findings from these interviews can

² Stakeholders are defined as individuals and organizations who are affected, influenced or impacted by businesses or any particular business and those with potential themselves to influence, impact or affect business. [67] Stakeholders include but are not limited to employees of all levels in the organization, school district, community leaders, local non-profits, charities, elected officials, parent company and subsidiaries.

³ CR has gained mainstream acceptance as evidenced by the number of organizations developing CR strategies. Some organizations have formalized CR responsibilities by appointing and/or hiring an individual whose primary or sole responsibility is to develop and support CR activities. In spite of these recent trends, educating major stakeholders on an organization's CR vision remains challenging and organizations that are interested in pursuing CR activities should not underestimate the importance of educating stakeholders nor the magnitude of the challenges involved in educating stakeholders.

⁴ Identifying ongoing CR initiatives at the firm prior to developing a CR strategy is important since adopting a CR strategy requires, in many instances, major organizational culture changes. Identifying and assessing the performance of ongoing CR initiatives can be used to assess the organization's current internal capacity for conducting CR activities including resource capabilities and employee interest.

⁵ Champions could help drive initiatives forward and help make the business case for CR.

be used to develop a survey to be distributed to all major stakeholders (likely internally to all employees of the organization).⁶

At the conclusion of this phase, the organization should have a clear understanding of the internal and external factors that will drive success for its CR strategy. Also, depending on the organization's current CR activities and level of understanding of CR, it should be evident what the firm's primary areas of interest within CR are. Lastly, CR champions should be identified to help the organization through capability testing (Phase 3) and strategy advancement (Phase 4).

Phase 3: Capability Testing

During Phase 3, the internal capabilities of the organization for conducting CR activities will be tested. The goals for this phase are to:

- Assess the internal capabilities for the firm to support CR activities
- Build capabilities to integrate CR into firm's core operations
- Excite employee base about CR
- Demonstrate value of CR to senior management/decision makers

We propose that these goals be accomplished by piloting a few CR activities. The process of pilot development is as follows:

- Brainstorm a list of potential CR initiatives to pilot⁷
- Engage stakeholders to select CR activities for pilot⁸
- Identify champion(s) for each initiative⁹
- Develop an implementation plan for pilots¹⁰

At the conclusion of this phase, the organization will know its current capabilities for implementing CR activities. Pilots should be evaluated to identify:

- Key barriers to and drivers of success for CR activities¹¹
- Pilot return on investment

⁶ As part of the survey we suggest asking employees of the firm for CR initiatives that they feel strongly about. These results can be used to identify CR activities to pilot during Capability Testing (Phase 3).

⁷ Ideas for potential CR activities to pilot can be derived from research conducted during Phase 1 and data gathered during Phase 2 (interviews and survey).

⁸ It is critical to seek feedback from major stakeholders for CR activity selection. Involvement of stakeholders during the selection process helps with buy-in and ensures accountability.

⁹ Champions are defined as an individual or individuals who will take ownership of CR activities for the duration of the pilot.

¹⁰ Implementation plan includes specific activities to be conducted during the pilot, individuals involved in the process, goals for the pilot and key metrics to measure performance against.

¹¹ Barriers to success include lack of resources, commitment by champions, buy-in from stakeholders (senior management, community leaders, etc) and expertise. Drivers to success include proactive champions, sufficient resources allocated to CR activities, support from senior management and successful engagement of external stakeholders.

While we do not expect huge returns on these pilot initiatives for the firm, benefits from successful CR activities should be leveraged to gain momentum with senior staff, employees of the firm and external stakeholders. Results from this phase will be used to inform the firm’s CR strategy, particularly any capacity building necessary to support CR in the future – capital, expertise, management support, etc. – as well as specific CR activities that are likely to succeed within the firm culture.

Phase 4: Strategy Advancement

Following completion of Phase 3, all information collected throughout the preceding phases (Phases 1-3) will be used to develop a customized CR strategy for the organization. The diagram below summarizes the steps for CR strategy development:

Figure 1. Corporate Responsibility Strategy Advancement Process



Step 1. Define CR Pillars

The first step to creating a CR strategy for a firm is to define CR pillars. These pillars are categories that serve as the foundation of a firm's CR strategy because they guide activities to be pursued both in the short and long term. For a CR strategy to be sustainable over the long run, these pillars should represent values that the firm and major stakeholders identify with.

The Council for Corporate Responsibility (CCR) suggests that companies committed to CR create value for their customers, employees and communities in which they operate. In order to do so, companies should take a holistic approach to developing their CR strategy. The CCR suggests seven pillars (CR categories) that companies should base their CR strategy on to develop this holistic approach: [5]

- Diversity and Inclusion
- Environmental Sustainability
- Global Enrichment
- Governance
- Organizational Health
- Philanthropy
- Supply Chain Integrity

See **Appendix C** for more detailed definitions of each of these seven pillars.

Organizations can use CCR's seven pillars as a reference point and do not need to adopt all seven pillars. The following are examples of organizations that have adopted CR pillars as part of their CR strategy – some of the pillars adopted by these organizations come right from CCR's seven pillars:

Walmart Corporation [6]

- Environmental Sustainability
- Hunger and Nutrition
- Women Economic Empowerment
- Diversity and Inclusion
- Ethical Sourcing
- Veterans and Military Families

Wells Fargo and Company [7]

- Ethical Business Practices
- Product and Service Responsibility
- Team Member Engagement
- Environmental Stewardship
- Community Investment

Intel [8]

- Environment
- Our people [Intel employees]
- Supply Chain
- Society
- Governance

Each of the aforementioned firms developed its CR strategy around specific pillars. These pillars serve a specific purpose to achieve goals through CR that will enhance each of its business functions.

Step 2. Desired Results from CR Activities

After defining CR pillars, the organization should define clear business goals that it plans to accomplish through CR.¹²

Some goals that firms might consider include:

- Reduce employee turnover
- Develop innovative products
- Increase employee productivity
- Enhance firm reputation
- Identify new markets
- Increase lifetime customer value
- Lower operation costs

Much thought should be given to these business goals since these will later be used to develop strategic objectives that will result in the integration of CR into the organization's overall strategy.

Step 3. Identify Strategic Objectives

According to Galbreath et al [9], organizations are likely to pursue CR in order to achieve the following three objectives: (1) market expansion; (2) risk mitigation; and (3) operational efficiency. Market expansion refers to CR strategies that will grant firms access to new markets, foster innovation through social product offerings and/or repositioning existing products/services to serve a social need. Risk mitigation includes actions that could enhance the firm's reputation or mitigate risk in the presence of regulatory changes addressing social issues. Finally, operational efficiency refers to the firm's ability to capture the benefits of operational activities specifically related to a given social issue along its value chain. While these objectives described are not collectively exhaustive to develop a robust CR strategy, firms should have a clear vision of what their CR strategy will help them accomplish.

We suggest that the organization develop strategic objectives as follows:¹³

¹² These goals should be identified using information gathered during any of the preceding phases.

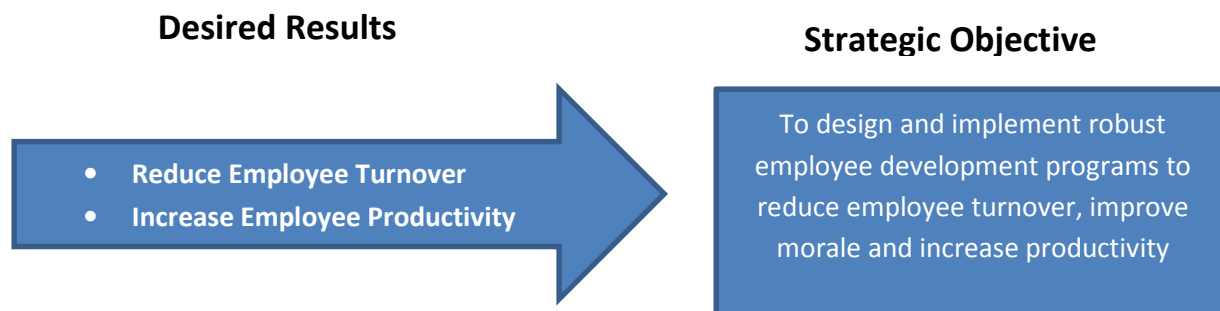
¹³ Use goals defined during Step 2.

Step 1: Group goals into common themes

- Reduce employee turnover
- Develop innovative products
- Increase employee productivity
- Enhance firm reputation
- Identify new markets
- Increase lifetime customer value
- Lower operation costs

Step 2: Define strategic objectives that incorporate CR goals into firm's strategy

Figure 2. Defining Corporate Responsibility Strategic Objectives



Step 4. Develop Focus Areas

After the organization develops its strategic objectives, it must develop CR-pillar influenced Focus Areas to help support these objectives.

The organization can accomplish this by performing the following activities:

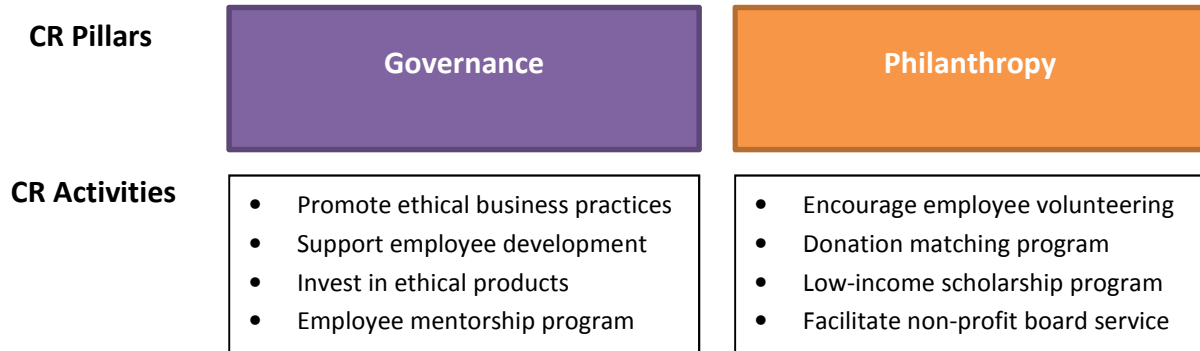
- Develop a list of possible CR activities to pursue and categorize these initiatives under each of the pillars defined¹⁴
- Group CR activities that are similar
- Develop CR Focus Areas

¹⁴ Leverage data collected during Phase 1 and 2 to develop a list of possible CR activities to pursue.

An example of developing focus areas is illustrated below:

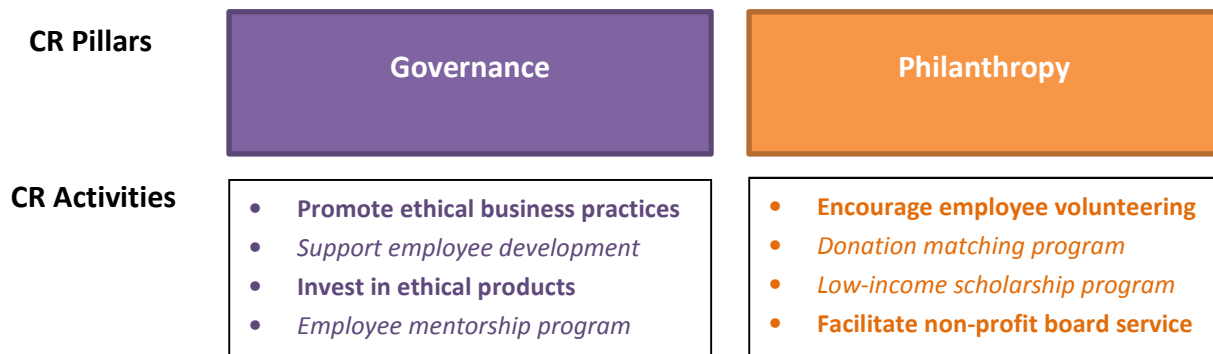
Step 1: Identify CR activities under each of the CR pillars

Figure 3. Identifying Corporate Responsibility Activities under Corporate Responsibility Pillars



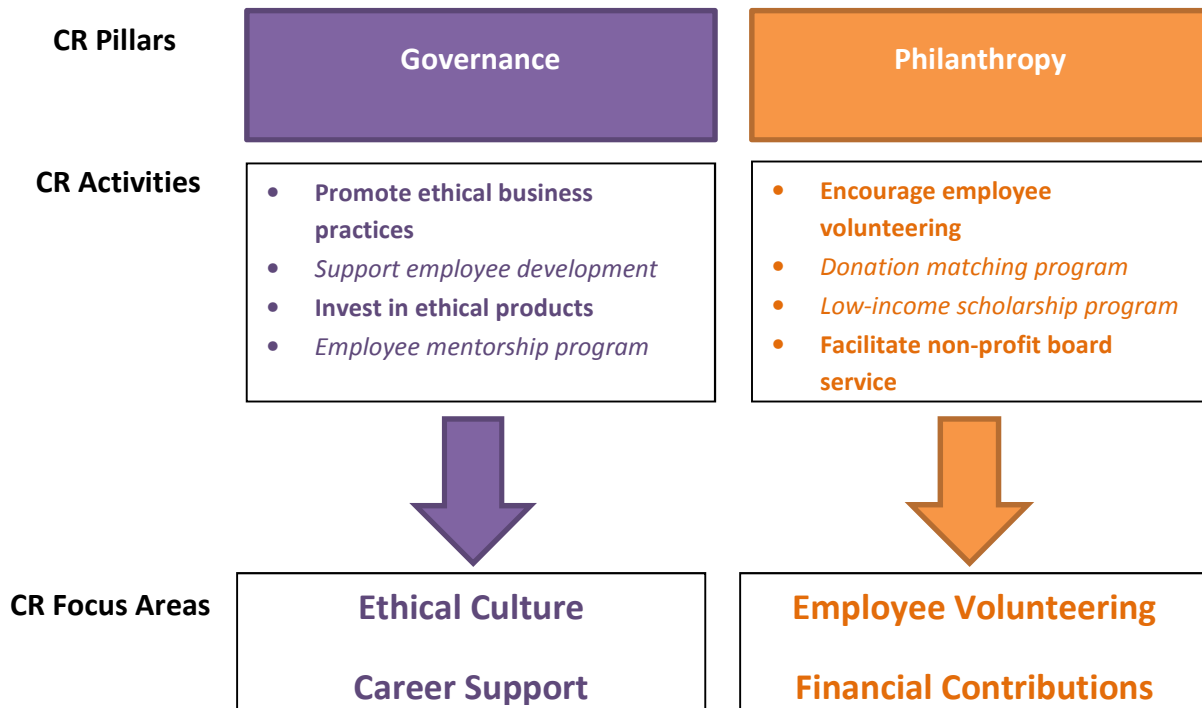
Step 2: Group similar CR activities together

Figure 4. Grouping Similar CR Activities Together



Step 3: Develop Focus Areas for CR

Figure 5. Develop Focus Areas for CR



Step 5. Prioritize Focus Areas

Following formation of CR Focus Areas, the organization should identify and prioritize which CR Focus Areas are most relevant for the organization to accomplish its strategic objectives. CR Focus Areas will be prioritized by:

- Benchmarking Current CR Performance for each Focus Area
- Evaluating Focus Area using Key Metrics (Heat Mapping)
- Identifying initial Focus Areas for Strategic Objective

Benchmark Analysis of Current CR Performance for each Focus Area

According to Chuck Wise, Global Lead of Accenture Benchmarking Solutions, benchmark analysis is an invaluable tool that organizations should use when planning for transformational change, which creating a CR strategy certainly is. [10] Mr. Wise describes four key benefits for organizations from benchmarking. The first is an understanding of current best practices. The second is identification of key elements of a strong foundation for transformation programs. Third is a strong basis for continuous improvement. In other words, benchmarking helps foster the type of culture that embraces improvement by measuring against metrics. Fourth is development of a common language for key aspects of an organization's processes.

For CR strategy development, benchmark analysis should be conducted by:

- Evaluating CR initiatives from organizations that are similar in size and function¹⁵
- Defining norms and leaders for each focus area
- Evaluating the organizations current status and identify next logical step(s).

¹⁵ Data for benchmark analysis could be leveraged from research conducted previously in any of the phases.

A matrix similar to the one displayed below can be a useful tool for benchmark analysis:

Table 2. Matrix for CR Benchmark Analysis

Focus Area	Norm ¹⁶	Leader ¹⁷	Firm's Status ¹⁸	Next Step for Firm
Ethical Culture	<ul style="list-style-type: none"> ➤ Require ethical training for employees ➤ Promote ethical business practices 	<ul style="list-style-type: none"> ➤ Invest in ethical products ➤ Ethical conduct incorporated into employee reviews 	Leader ✓ Requires ethical training for employees ✓ Developed mechanism to invest in ethical products	Develop performance metrics that incorporate ethical conduct into performance goals
Career Support	<ul style="list-style-type: none"> ➤ Tuition reimbursement ➤ Skills building workshops 	<ul style="list-style-type: none"> ➤ Mentorship program to develop future leaders ➤ Allow employees to allocate time to work in functional groups outside current group 	Norm ✓ Tuition reimbursement program in place ✓ Conducts skills building workshop	Formalize mentorship program to develop future leaders of firm
Employee Volunteering	<ul style="list-style-type: none"> ➤ Employees volunteer at local non-profits 	<ul style="list-style-type: none"> ➤ Employees lead major charity campaigns for local non-profit ➤ Employees serve on non-profit boards 	Norm ✓ Employees volunteer at local non-profits	Develop partnerships with a select number of local non-profits and facilitate employee volunteering
Financial Contributions	<ul style="list-style-type: none"> ➤ Donation matching program in place ➤ Organization makes financial contributions to non-profits 	<ul style="list-style-type: none"> ➤ Establishes foundation to provide sustained financial support to non-profits 	Norm ✓ Has donation matching ✓ Makes routine financial contributions to non-profits	Lead fundraising efforts for local non-profit

Evaluating Focus Area using Key Metrics (Heat Mapping)

Heat Mapping is a powerful analytical technique that is used to rank-order variables from the most to the least important. [11] We use this technique to prioritize CR Focus Areas by evaluating each focus area against a number of key metrics. Examples of key metrics include but are not limited to:

- Stakeholder interest
- Capital requirement
- Return on investment
- Internal capabilities

¹⁶ Norm is defined as typical status for an average organization (similar in size and function) within each focus area.

¹⁷ Leader is defined as the status of an organization that has progressed beyond the norm through each focus area. Current leaders are organizations that have been successful in setting precedents for performance for each focus area.

¹⁸ Evaluation of the organization's current status within each focus area. Organizations give themselves a designation such as *Below Norm*, *at Norm*, *Above Norm* or *Leader* for each CR Focus Area.

- Parent company interest
- Ease of measurement
- Relevance to long term strategic objectives
- Potential for differentiation

An example of a Heat Map analysis is shown below:^{19,20}

Table 3. Example of Heat Map Analysis

Metric	Total	Stakeholder Interest	Capital Requirement	Ease of Measurement
Ethical Culture				
Career Support				
Employee Volunteering				
Financial Contributions				

Most Desirable	Least Desirable		

The results from the Heat Map above demonstrate that the CR Focus Areas rank as follows from most to least desirable: Ethical Culture > Employee Volunteering > Financial Contributions > Career Support.

Step 6. Identify Initial Focus Areas for Strategic Objective

Following Benchmark Analysis and Heat Mapping, the organization needs to identify a number of CR Focus Areas to initiate its CR program. We suggest that the organization identify these initial Focus Areas by:

- Identifying most desirable Focus Areas from Heat Map analysis results
- Deprioritize focus areas in which the organization already exceeds the norm

¹⁹ Numbers can be used to rank-order each of the initiatives across key metrics. The weighted average of each metric can be calculated to determine the final ranking of each Focus Area.

²⁰ In the case that an organization is prioritizing among a large number (10+) of Focus Areas, the organization can use Heat Map analysis to narrow down the number of Focus Areas for immediate consideration to a more manageable number.

For illustrative purposes, this process is shown below:

Table 4. Example of Matrix used for Identification of Initial Focus Areas

Metric	Benchmark Analysis Results	Heat Map Results	Action
Ethical Culture	Leader		Eliminate
Career Support	Norm		Pursue
Employee Volunteering	Norm		Pursue
Financial Contributions	Norm		Pursue

In this example analysis, the results suggest that the organization should hone in on the following three Focus Areas: Employee Volunteering, Financial Contributions and Career Support. Ethical culture is excluded because INB is already a leader in this category, and hence would see less return in pursuing this area further. As such, areas in which the organization already exceeds the norm are deprioritized so that larger ROI could be achieved by focusing on the “low hanging fruit” and below norm focus areas.

After identifying the three focus areas, the organization must plan for CR activities in each focus area to pursue. We suggest using the *Next Step* identified during *Benchmark Analysis* as CR activities to begin with even though the organization may consider alternative and/or additional CR activities to pursue. At the conclusion of this exercise, the organization should be able to define Strategic Objective(s) which will integrate CR into the company’s overall strategy and CR activities that will enable them to achieve this Strategic Objective(s):

Table 5. Summary of Process for Identifying CR Activities

Strategic Objective	Focus Areas	CR Activity
To design and implement robust employee development programs to reduce employee turnover, improve morale and increase productivity	Career Support	Formalize mentorship program to develop future leaders of organization
	Employee Volunteering	Develop partnerships with a select number of local non-profits and facilitate employee volunteering
	Financial Contributions	Lead fundraising efforts for local non-profit

Steps 2-6 from Strategy Advancement phase (Phase 4) should be performed periodically to monitor and evaluate the performance of the organization’s CR program, assess the organization’s internal capabilities for conducting CR activities, prioritize CR objectives and activities and plan for future CR activities.

Application of New Corporate Responsibility Framework

PHASE 1: Preliminary Research

Our primary objective for Phase 1 was to gain a deep and thorough understanding of corporate social responsibility (CSR) in the financial services industry including recent trends and best practices (note: during phase 1-3, we included both CSR and corporate responsibility (CR) activities however for phase 4, we broadened our scope to CR to go beyond social aspects). Our goal was to understand how a CR strategy for a community or regional bank such as INB differs from a CR strategy for a national or multinational financial institution such as Bank of America.

Therefore, we conducted research on the following:

- Corporate Responsibility (CR) in the Financial Services Industry
- Major Stakeholders of INB
- Corporate Responsibility (CR) Activities of Major Competitors

Results from our research are summarized in the next sections.

Corporate Responsibility (CR) in the Financial Services Industry

CR can at first appear to be more difficult for financial services companies than for corporations operating in other industries. Banks have compressed value chains, with few inputs beyond staff and real estate and financial product outputs that exist mostly as signed documents and electronic records. Traditional CR value chain projects, such as moving towards closed loop manufacturing or optimizing distribution networks, have low resonance for a services-oriented firm. Nonetheless, leading financial institutions have moved to aggressively address issues in environmental sustainability and leverage strengths along the value chain in order to become stronger companies and better corporate citizens. Financial institutions have also put forth considerable effort to build stronger ties to the community, diversify their workforce and manage risk in order to better serve their customer base.

Environmental Sustainability

Greening Operations: Efficiency in an already sleek business

As with most greening efforts, banks generally start reducing their impact by reducing energy use. The most obvious step is to improve energy efficiency at corporate and branch locations. Deloitte recently estimated that retrofits to older buildings can reduce energy use (and energy costs) by 30-60%. [12] However, as banking requires increasing computing power, data centers have become primary energy users at most financial firms and they have become the target of energy efficiency efforts. At Wells Fargo, where data centers represent 15-17% of the company's energy use, researchers at the bank's power and thermal optimization lab found that they could increase the maximum temperature allowed in server facilities to as high as 85 degrees without altering performance; this change could significantly reduce energy use by server facilities and save the company \$2 million annually in energy costs. [13]

Even with the limits of a business model that requires significant energy intensive computing power and many locations, banks are stepping up to mitigate the impact of this footprint. For example, Bank of

New York Mellon made a 5-year commitment in 2010 to offset 75% of their domestic energy use by purchasing Renewable Energy Credits, the functional equivalent of ensuring that 75% of the energy used by the Bank comes from renewable sources like wind turbines or photovoltaic panels. [14]

Another way that financial institutions have effectively lowered their environmental and social impact is through paper use reduction. Innovations such as improved imaging software and increasingly well-designed and easy-to-use electronic payment systems have allowed banks to significantly reduce their paper waste. 20-25% of bank accounts in the US are currently managed through e-statements. [15] These types of reductions have proven to help more than just a financial institution's environmental footprint. For example, Unisys helped one large US Bank "go paperless" resulting in an expected 30-50% reduction in process redundancy. [16] The same initiative could also reduce processing time by 65% and enhance productivity, providing financial and customer service benefits far beyond the reduction in paper used.

The leadership that financial services companies have shown in energy use and carbon emission reduction is most clearly demonstrated in the list of leading companies involved in the Carbon Disclosure Project (CDP). CDP is the leading depository of information about how companies are responding to the risk of climate change, containing self-reported data from thousands of companies around the world. [17] Internationally, two of the top ten firms across sectors according to both disclosure and performance are financial services companies; in the United States, five of the top ten are in the financial sector. [18] The visibility of the environmental commitment made by these companies, which represent some of the most respected and recognizable brands in the U.S. and worldwide, has the power to help continue the effort to make greening efforts mainstream across industries.

Leveraging the Value Chain: Green Lending and the Equator Principles

In addition to greening their own footprints, leading American banks are using the power of their financial products to encourage business that have positive social and environmental impact. In 2012 alone, this has included:

- A commitment by Wells Fargo to lend a minimum of \$30 billion for "wind and solar energy, clean technologies, energy efficient buildings, environmental innovation, and environmentally public financing" by 2020. [19]
- A pledge by Goldman Sachs executives that the bank will target a minimum of \$4 billion each year over the next ten to renewable energy projects. [20]
- An initiative by Bank of America designed to provide \$50 billion over 10 years to projects that "address climate change, reduce demands on natural resource and advance lower-carbon economic solutions." [21]

The availability of money for projects with positive environmental or social outcomes throughout the world is a powerful signal that these types of projects are valuable investments based on the analysis of experts at top financial institutions.

While these pledges are partially designed to improve the image of an industry that has struggled with a poor reputation over the last several years, they are neither empty promises nor initiatives designed

solely to improve bank reputations. They instead represent the newest, biggest step in targeting a lending sector where major banks have already found significant success and solid returns.

Bank of America's new commitment to green financing was announced in 2012 primarily because its previous commitment to lend \$20 billion dollars over 10 years beginning in 2007 will be satisfied by the end of 2012. Of the \$17.9 billion Bank of America had already lent as of mid-2012 under this original program, \$8.4 billion has gone to energy efficiency projects, \$5 billion to renewable energy projects, and over \$1 billion to consumer loans for hybrid cars. [22] Bank of America's commitment is both a good CR strategy for a company that wants to be seen as a good corporate citizen and good business for a company looking for promising returns in a growing sector.

As lenders increasingly understand the opportunity in socially responsible lending, they are starting to do the research required to find new markets in this sector. For example, Deutsche Bank recently commissioned a study to explore energy efficiency retrofits in low-income, multi-family residential buildings. [23] They found that in over 230 buildings across New York City, retrofits could help buildings reduce fuel consumption by 19% and electricity consumption by 7%, providing savings of nearly \$300 per unit in energy costs. Researchers determined that if banks included cost and savings projections for energy efficiency projects in their underwriting analysis, they would find that additional borrowers would have the necessary future cash flow to repay loans for building upgrades, estimating that annual repayment shortfalls across a portfolio of building loans would be less than a fifth of a portfolio where this cash flow was not taken into account. Benchmarks like the ones provided in this study allow financial institutions to expand socially responsible lending efforts.

Building Stronger Communities through Corporate Responsibility

Communities can provide myriad benefits to organizations from providing access to a wider customer base, to lowering the risk for the organization and providing resources for innovation. [3] Therefore, CR activities designed to help support and develop communities are common in most CR programs. In addition to building stronger ties to their communities, organizations have found that strengthening ties to the community also results in stronger ties to their own employees. In its 2012 Global Workforce Study, Tower Watson reported that one of the key factors for employee retention has to do with the overall quality of the work experience that each employee experiences. [24] Therefore, organizations that support non-profits and charities that their employees care about could result in more engaged, productive and satisfied employees. CR activities that financial institutions have developed for community building include financial contributions to local non-profits and charities, volunteerism, financial literacy workshops and impact investing.

Financial Contributions

Virtually all CR programs across sectors include financial contributions to non-profits and charities as one of the CR activities. In the Financial Services industry, particularly, organizations are well positioned to make a large impact through financial contributions since they can leverage their ability to access capital for the purposes of making these contributions.

Scotiabank, for example, has been able to make meaningful contributions to the communities in which it operates through its Bright Future Program. [25] In 2011, Scotiabank made contributions amounting to CDN\$ 50 million to various organizations.

Wells Fargo established the Wells Fargo Regional Foundation to improve the quality of life for families living in low-income neighborhoods in New Jersey, Delaware and eastern Pennsylvania. [26] Through the foundations Neighborhood Planning Grants (\$25K - \$100K), Neighborhood Implementation Grants (\$100k - \$750K) and Neighborhood Implementation Renewal Grants (up to \$150K) the foundation makes it possible for members of these communities to fund neighborhood revitalization projects. The bank's intention with these grants is to encourage members of these low-income communities to take a stake in their own community by creating and implementing plans to revitalize their communities.

Volunteerism

In-kind contributions in the form of volunteer hours are another way that financial institutions have demonstrated support for their communities.

For example, employees from Bank of America contributed over 1.5 million volunteer hours during 2011 to organizations such as Habitat for Humanity, ServiceNation and Operation Homefront among others. [27] The bank has gone one step further by developing a program to educate high school students about the value of community service called Student Leaders. Through this program the bank awards high school junior and seniors who have demonstrated leadership in their community with paid internships at local nonprofit organizations. [28]

Financial Literacy

Financial literacy is the set of skills that allows one to make informed decisions regarding how to manage one's financial resources. [29] According to the National Bureau of Economic Research, as financial markets have grown more complex and individuals are faced with an increasing number of financial products, financial literacy is ever more important for individuals to navigate our financial system. [30] Proper knowledge of financing could have a large impact on a person's quality of life since major life decisions such as pursuing higher education, buying a home and retiring require proper management of financial resources.

Financial institutions are in a good position to educate the community – most of which are or could become their customers – on financial management. Educating the community on financial management benefits the customer and the organization. The customer will be equipped with the knowledge necessary to plan his finances and position himself better achieve life goals – pursue higher education, buy a dream home, or enjoy a long deserved vacation. Financial institutions also benefit because providing financial education could expand their customer base, lower their risk, and possibly get a better understanding of their market which could lead to product innovation.

Charles Schwab for example, has developed three programs to promote Financial Literacy that the organization offers through the Charles Schwab Foundation: [31]

- **Money Matters: Make It CountSM**. The Money Matters: Make It CountSM program was designed to teach basic financial skills such as saving, budgeting and managing debt. The program is offered through the Boys & Girls Clubs of America. The program first launched nine years ago and to date, more than 400,000 teens have completed the program.
- **Finances 50+SM**. This program was developed in partnership with AARP Foundation. Through this program people aged 50 and over receive financial education and mentoring. Topics covered in the program include budgeting, managing credit and debt and protecting assets. Small group workshops and one-on-one follow up with Money Mentors are offered on select locations.
- **Schwab MoneyWise[®]**. Through Schwab MoneyWise[®], Charles Schwab offers multiple resources to help families plan their finances. Some of the resources include guides for retirement saving, estate planning, budgeting and investing among others.

Impact Investing

Impact investment has become an increasingly popular vehicle for individuals and institutions to channel large-scale private capital to help address some of the world's most important social problems. Impact investing is different from charitable contributions in that investors seek to invest in companies and portfolios that can demonstrate a measurable social and environmental benefit as well as return a profit. [32] In 2007, J.P. Morgan Chase launched J.P. Morgan Social Finance. Through this initiative, the bank has made a number of investments on funds that provide capital for development of bottom of the pyramid (BoP) communities such as the African Agricultural Capital Fund, Bridges Social Entrepreneurs Fund and LeapFrog Financial Inclusion Fund. [33]

Diversity and Inclusion

As financial institutions increase operations in different regions and their customer base grows more diverse, diversity within organizations plays an increasingly important role. A workforce that is representative of its customer base will lead to products and services that better meets its customer's needs.

For example, Barclays has developed a diversity and inclusion strategy that includes increasing female Board-level representation to 20% by the end of 2013 and 25% by the end of 2015; a Diversity Awareness Employee Network to support employees with disabilities and to educate employees that are interested in learning more about disabilities; and Cultural Awareness Employee Networks to help employees from different cultures connect within the organization and foster an organizational culture that celebrates, understands and leverages these cultural differences to deliver value to its customers. [34] Wells Fargo has also sought out ways to connect with its diverse customer base through its Corporate Supplier Diversity program in which the bank has built relationships with certified minority-, women-, and disadvantaged-owned business enterprises. [35]

Emphasis on Governance and Risk Management

Corporate governance in the financial services industry has received increased attention recently. As the smoke clears from the recent financial crisis, many have asserted that unethical practices by financial institutions are in large part to blame for the crisis. Grant Kirkpatrick reports that weaknesses in corporate governance, whose purpose is to safeguard against excessive risk, contributed to the severity of the financial crisis. [36] Financial institutions have responded by driving efforts through their CR programs that will enhance their image and restore trust with those who have lost confidence in these institutions. For example, Bank of America created an International Governance and Control Committee that created and implemented a new governance framework for the bank. The framework was designed to increase transparency of internal processes, clarify relationships among the enterprise, the region and individual markets and ensure greater connectivity and cooperation between lines of business, risk and legal management. The committee has worked diligently to reduce (from \$16.6B in 2010 to \$15.3 B in 2011) the bank's exposure to risky economies in Europe such as Greece, Ireland, Italy, Portugal and Spain while ensuring continued service to their customers and clients in those countries. [37] Scotiabank has taken steps to prevent individuals and/or criminal organizations to use its products, services and channels for illegal activities. The bank has appointed a Chief Anti-Money Laundering Officer who reports to senior management and the Board of Directors and whose responsibilities include implementing Anti-Money Laundering and Anti-Terrorist Financing policies and procedures at the bank. [4]

In addition to funding socially or environmentally focused projects in their home markets, financial service companies worldwide are leveraging the financial power of the products they produce to encourage responsible business in other sectors in developing countries. The leading example of this effort is the Equator Principles, a credit risk management framework designed to assess environmental and social risk in major infrastructure and industrial development construction projects. [38]

The Equator Principles specify required social and environmental standards, assessments, action plans, management systems, and disclosures for projects based on expected social and environmental impact or risks. They also require a robust grievance mechanism for borrowers from non-OECD or non-High-Income countries, specific convenient language in loan documents requiring compliance with local standards, and provide for independent monitoring and review for projects in the highest risk categories. [39] 75 leading financial institutions from across the world, including Banorte, have pledged to comply with the Equator Principles for projects with capital costs exceeding \$10 million. [40]

The Equator Principles are currently going through a review to update and expand their impact. Major changes in the draft version include an increased focus on human rights as well as the risks associated with climate change. This new version of the Equator Principles would also expand the scope to include project related corporate loans exceeding \$100 million and bridge loans that will be refinanced by a project loan. [41]

Corporate Responsibility in Community Banks

In the Financial Services Industry, larger banks such as Bank of America, Wells Fargo and Charles Schwab are able to leverage their capital and operations in multiple regions to develop Corporate Responsibility

strategies that cover multiple pillars, which can be quite impactful across regions and social issues. One would think that without access to same levels of capital, community banks would have limited impact through their CR efforts. The truth is, however, that smaller banks have been able to have an outsized impact on the communities in which they operate in through CR initiatives such as revitalizing urban neighborhoods, supporting and encouraging volunteerism, and expanding financial literacy in the local community.

Two examples of community banks that are making a big difference in their communities are highlighted below:

Green Choice Bank (Chicago, IL)

Green Choice Bank is a first-of-a-kind community bank with three locations in Chicago. The bank has incorporated environmental sustainability to every aspect of its business. Two of their three locations are LEED certified and the third is currently seeking LEED certification. The bank has developed a very robust paperless strategy that includes electronic document distribution, image-based check processing, online banking and e-statements. Debit cards issued by Green Choice Bank are also made from 100% recycled plastic. As a point of differentiation, Green Choice Bank is the only bank that is currently participating in a program called Energy ImpACT Illinois, which is a residential loan program to provide financing for residential retrofits that include boiler or furnace replacements and other home improvements that results in energy savings of 15% or more. In addition, through its website, the bank provides resources on how to incorporate sustainability into one's daily life. [42]

Bank of Texas (Dallas, Houston, Fort Worth, TX)

Bank of Texas is a bank that operates out of three locations in Texas. The bank has distinguished itself from other banks in the region through its commitment to the local community. The bank's community development vision includes three key goals:

- To take a leadership role in the community to help guide important local and regional causes
- To financially support key civic activities that are critical to the viability of the community
- To encourage and support employee volunteerism

To accomplish these goals, Bank of Texas has developed meaningful relationships with over 600 nonprofit partners, community leaders and elected officials to identify, understand, and address the unique challenges that the community faces. The bank also makes in-kind donations in the form of computers to elementary schools and office furniture to halfway houses. Employees from the bank are also committed to fulfilling the bank's community commitment vision. Employees contribute to local non-profits by lending their expertise through non-profit Board Service, strategic planning, financial education and tax preparation. Lastly, Bank of Texas, through The BOKF Foundation, is making sustainable financial contributions a priority to organizations that focus on Health and Human Service, Education, Community Improvement and Arts and Culture. [43]

The key distinction between CR strategies for larger financial institutions compared to those of smaller or regional financial institutions is that larger financial institutions tend to develop CR strategies that

support a broader set of CR activities across multiple pillars whereas smaller institutions tend to develop CR strategies around fewer pillars. In the two examples highlighted above, it is very clear that each bank is focusing its CR efforts on select CR activities. Green Choice Bank is positioning itself as a “green bank” and is thus focusing efforts in CR activities that support environmental sustainability. Bank of Texas, on the other hand, has focused CR efforts on activities to help support and develop its community.

A comprehensive list of community banks that are recognized leaders in CR can be found in **Appendix D**.

Major Stakeholders of INB

Major stakeholders are defined as organizations or entities that have the ability to influence or provide resources to INB for business operations and/or executing CR activities. We identified the following as major stakeholders of INB: Banorte, INB employees and the community.²¹

Banorte²²

In 2010, Banorte partnered with a Masters Project Team from the University of Michigan to develop its CR strategy. The team conducted benchmark analysis to develop what became Banorte's four pillars of sustainability (**Appendix A**) – a CR framework that is tailored for Banorte and that is currently in use to guide and prioritize CR goals and activities. [2]

One of the main drivers for Banorte's success in implementing CR was the identification, by the team, of six "low-hanging fruit" CR initiatives that represented quick wins for the bank, had executive buy-in and would allow the team to make the business case for CR. The team piloted two of these CR initiatives, of which a paperless initiative was one. Through this paperless initiative, the team was able to successfully implement best practices for paper reduction, including tactics for culture change and identification of CR champions, which resulted in the successful adoption of the initiative. In addition, the team made a compelling business case for paperless by projecting that a 50% reduction in paper use could result in over P\$6 million in savings a year. [2]

The key takeaways from Banorte's approach to developing a CR strategy are:

- Importance of focusing on "low-hanging fruit" initiatives to make the business case for CR
- Buy-in and sincere commitment from all relevant stakeholders is a big driver for success
- Managing culture change required to support a CR strategy is critical

Since the team's implementation of Banorte's paperless strategy, the bank's CR program has grown immensely with multiple initiatives across pillars (**Appendix E**). As a result of its surging success through CR initiatives, the bank has received the following recognitions among many: *Great Place to Work*, *Inclusion into BMV Sustainability Index* and *Sustainable Bank of the Year Cross-Regional (Latin America)*.

In addition, Banorte hired two of the Master Project team members as Director of Sustainability and Director of Sustainable Finance. This is a clear indication of the bank's perceived value of CR and its recognition that proper CR infrastructure is key to the continued success of the CR program.

The Community as a Stakeholder

The community in which an organization operates in is a major stakeholder because it has a vested interest in decisions that could affect its community. Therefore, a critical component to developing a

²¹ Even though employees at INB were identified as major stakeholders, the majority of the research conducted during Phase 1 resulted in the findings summarized in the "Introduction" section under "Background". More information regarding INB stakeholders will be discussed in summary for Phase 2.

²² Background information on Banorte can be found in the "Background" portion of the "Introduction" section.

successful CR program is developing a thorough understanding of the communities in which the organization operates in. In particular, organizations must seek to understand who the members of the community are, what the community values, what the goals of the community are, which stakeholders are most affected by their decisions and which stakeholders they can help by leveraging their operating strengths. [3] An important component of a well-designed CR strategy is the organization's external stakeholder identification and engagement strategy. According to the International Institute for Sustainable Development, external stakeholders can help firms accomplish the following: [3]

- **Build social capital:** Accumulation of social capital is believed to enhance the organization's reputation over time
- **Reduce risk:** Organizations will be able to detect and respond to stakeholder concerns prior to them becoming issues
- **Drive innovation:** Community stakeholders could help firms develop and prioritize the organization's CR objectives by providing ideas and expertise; stakeholders can also leverage their own resources to help organizations accomplish their CR objectives, monitor progress and improve CR strategy
- **Integrate management:** Stakeholders could help organizations align their strategic, financial, R&D, product development, supply chain, marketing and communication functions with the organization's CR objectives

Scotiabank's CR program highlights how organizations can engage stakeholders to inform their CR strategy. Scotiabank is a Canadian-based bank and some of the bank's operations are in aboriginal lands. As part of its stakeholder engagement strategy, the bank requested feedback from employees, suppliers, businesses, non-profits, trade-based and investor organizations and aboriginal organizations to identify CR initiatives that will help Scotiabank integrate into the communities that it provides services to. [4] Out of this stakeholder engagement, Scotiabank created the Aboriginal Financial Services Program. [4] This program contains a number of initiatives including the Martin Aboriginal Education Initiative, which connects Scotiabank employees, as mentors, to secondary school students. [4] Another initiative is the On-Reserve Youth Entrepreneurship Program which exposes students to entrepreneurial experiences. [4] Students who participate in this program also get the opportunity to start their business using start-up funding from Scotiabank. [4] In this example, not only is Scotiabank leveraging stakeholders as resources to inform its CR strategy, but it is likely to develop a loyal customer base that can, over time, contribute to its financial and social wellbeing.

The City of McAllen

INB has twenty locations along the Texas-Mexico border. The bank, however, has headquarters in the city of McAllen and the majority of the bank's branches are located in or around the city of McAllen. Therefore, for the purposes of this project the city of McAllen was chosen as representative of the community in which INB operates in.

The city of McAllen is the largest city in Hidalgo County, which is located in the Rio Grande Valley (**Appendix F**). McAllen is part of the McAllen-Edinburg-Mission Metropolitan Statistical Area (MSA). Key demographic information for the MSA is summarized in the table below: [44] [45]

Table 6. McAllen-Edinburg-Mission MSA Demographic Data

Median Age (MSA)	Median Income	Avg. Household	Population (MSA)	Population (McAllen)	Distribution of Hispanic (of any race)		Education			
					MSA	Texas	High School Graduate		Bachelor's Degree	
							MSA	Texas	MSA	Texas
26	\$33,200	3.6	774,769	129,87	88%	32%	20%	25%	8%	16%

McAllen has experienced explosive population growth, from 106,414 in 2000 to 129,877 in 2010. This growth in population has been fueled by the city's booming economy. [44] In 2008, Forbes.com ranked McAllen first in job growth and second in income growth. [45] The economic growth is in part due to the city's young workforce and geographic proximity to Mexico, which is an attractive location for many companies that want access to international markets. [44] There are currently more than 100 global manufacturers that operate out of McAllen or the city of Reynosa, Mexico, which is located thirty miles south of McAllen. [44]

Another factor contributing to McAllen's economic prosperity has been the city's retail industry. McAllen is considered the retail center of South Texas and Northern Mexico, drawing traffic from a customer base from a 200 mile radius. [45] Even though McAllen's population represents 18% of Hidalgo County, it accounted for 48% of all retail sales totaling \$3.6 Billion in 2006. The retail industry also accounts for 27% of the city's workforce. [45]

An additional driver of traffic to McAllen is the city's biological diversity, particularly birds. Birdwatchers from all over the United States congregate at sites in McAllen such as Quinta Mazatlan to enjoy birdwatching. [45] The resulting tourism from birdwatchers is important for McAllen as it helps support the city's retail industry. [45]

In spite of McAllen's growing economy, the McAllen MSA was reported to have the highest poverty rate (33.4%) among large metropolitan areas in the country. [46] One reason for this high poverty rate is the influx of foreign-born poor into the area, who make up 35.4% of the population living below the poverty line. [47]

In terms of education, McAllen's Independent School District (ISD) has enjoyed some recent successes. The class of 2008-2009 was the recipient of a record \$14 million in scholarships; in 2008, the McAllen ISD was a finalist for the 2008 HEB Excellence in Education Award for Best School District; and in 2009, McAllen was home to the Texas Elementary Teacher of the Year. [45] Even though the McAllen ISD is generally well-regarded, the percentage of citizens in the McAllen MSA with high school and college degrees is 20% and 50% lower, respectively, when compared to the rest of the state (Table 6). One contributing factor could be the influx of immigrants from Mexico who do not have formal education and choose to not continue their education once they become situated in the McAllen MSA. Another

reason for this statistic could be that students who do well in the McAllen school district, and are recipients of scholarships to undergraduate institutions, leave the McAllen MSA and do not return upon graduation.

The data summarized above characterizes McAllen as a young, predominantly Hispanic, blue-collar city that is dependent on the retail and manufacturing industry, its young workforce, proximity to Mexico and the city's natural beauty for economic stability. Challenges still remain in education as the percentage of citizens in the McAllen MSA with high school and college degrees is below the average for the state of Texas (**Table 6**).

Major Stakeholders in the City of McAllen

As indicated earlier, an important element in developing a CR strategy is to identify and engage external stakeholders. External stakeholders can help firms determine what the community values and what the goals for the community are. In order to learn about possible CR initiatives in McAllen, our team contacted the McAllen Chamber of Commerce and an organization called Keep McAllen Beautiful (KMB). Through our conversations we learned that the Chamber of Commerce, KMB and the McAllen's City Manager office are all championing initiatives aimed at reducing waste, encouraging recycling, educating citizens on sustainable living, and conducting programs to beautify the city. Through additional research we found that the McAllen ISD, is spearheading a number of initiatives to promote the value of education among citizens in McAllen. Brief descriptions of a number of these initiatives are provided below:

Keep McAllen Beautiful

Keep McAllen Beautiful (KMB) is a non-profit whose mission is to educate the citizens of McAllen about litter prevention and to promote the city's beautification. [48] KMB also serves as one of the city's "Green" departments. KMB, has developed and supported a number of initiatives such as: [49]

- **Palm festival** : the festival is held every October and is attended by close to 35,000; part of the festival has been devoted to educating citizens of McAllen about recycling
- **Project Clean Neighborhoods**: in 2008, Project Clean Neighborhoods organized 34 cleanups, yielding 628,540 pounds of debris, 258,000 pounds of recyclables and 2,267 tires
- **Project Trees: *Keep McAllen Green***: this initiative resulted in the planting of 50 trees
- **Paint McAllen Beautiful**: through a partnership with Habitat for Humanity and with the help of 75 volunteers, Paint McAllen Beautiful initiative was responsible for beautifying four homes of low income, disabled or elderly residents

Chamber of Commerce

The City of McAllen Chamber of Commerce has also taken a leadership role in spearheading activities to educate and promote sustainability among businesses and citizens. Two such initiatives are described below: [50] [51]

- **Green living festival**: the festival teaches citizens of McAllen how to live more sustainably; topics include energy reduction, water conservation, transportation alternatives and air quality among others

- **Green hotel program:** the purpose of the program is to educate hotels in the McAllen area about sustainable practices; as part of the program, the Chamber has put together materials that guide hotels in the area on actions that they can take to reduce their energy and water consumption and reduce their overall waste

City Manager Office at the City of McAllen

The City Manager office is currently spearheading a number of initiatives to beautify McAllen and to promote alternative fuel vehicles for public transportation. The following initiatives are two of a number of initiatives that are proposed for the 2012 – 2013 fiscal year (Item 1):

- **Electric bus demo:** the city will administer a grant of ~\$2 million to develop an electric bus pilot project in 2013
- **Plant 1,000 Native Trees:** the city will plant 1,000 five gallon trees that it received from an Apache tree grant in various locations

McAllen Independent School District

The McAllen ISD is promoting education through a number of initiatives: [52]

- **Partners in Excellence Program:** through this program, the McAllen ISD collaborates with local businesses, service clubs and other organizations to create educational opportunities
- **Mentor Program:** adult residents of the city are paired up with high school students to promote the value of education and to aid these students in career and life planning

Through a number of organizations – KMB, the Chamber of Commerce, and the City Manager Office, McAllen has put forth considerable effort to become a more sustainable city. These same entities are important stakeholders that INB could potentially include in its decision making process as the bank develops its CR strategy. McAllen has also focused on developing a reputable school district and in promoting education. Therefore, The McAllen ISD is another potential external stakeholder that could provide valuable feedback to INB.

Our preliminary assessment of McAllen suggests that CR initiatives that align with furthering the city's goals around sustainability or education would garner support from external stakeholders. INB could develop and leverage relationships with external stakeholders to, for example, sponsor a citywide cleanup using INB employees as volunteers. Through stakeholder engagement, INB could identify organizations to partner with or CR initiatives to develop that could help INB inform its CR strategy while helping the city accomplish its goals.

Corporate Responsibility (CR) Activities of Major Competitors

INB currently has banking centers in Brownsville, Edinburg, El Paso, Laredo, McAllen, Mission, Pharr, The Woodlands and Weslaco; all located in the state of Texas. As part of our background research we investigated CR initiatives that competing banks are conducting in INB operated areas. A summary of CR initiatives from competing banking institutions is provided in the table below:

Table 7. CR Activities of Competitors

Banking Institution	CR Activities
BBVA Compass	<ul style="list-style-type: none"> • BBVA has “greening” initiatives in place for energy reduction, electronic recycling and sustainability education initiatives.²³ • The bank has a formal CR strategy that includes: Community Giving, Employee Involvement, Financial Education, Diversity and Inclusion, Environmental and Natural Resources and Responsible Practices. [53]
Falcon International Bank	<ul style="list-style-type: none"> • Employees volunteer on non-profit boards such as the American Cancer Society, American Heart Association and March of Dimes among others. [54] • Falcon International bank developed an online education center. [54]
First National Bank	<ul style="list-style-type: none"> • First National Bank supports organizations such as the Ronald McDonald House and United Way by organizing toy and food drives. Employees are encouraged to participate in these community service initiatives organized by the bank.²³
Frost Bank	<ul style="list-style-type: none"> • Frost Bank makes charitable contributions to local non-profits. [55] • Employees volunteer their time and expertise to non-profits. [55]
International Bank of Commerce	<ul style="list-style-type: none"> • The bank hosts a Customer Appreciation Day BBQ in which bank employees educate the community on finances.²³ • The bank was recognized for community volunteering and received a number of awards such as Cornerstone Award, Governor's Volunteer Award, and George Washington Honor Medal [56]
Lone Star National Bank	<ul style="list-style-type: none"> • Employees volunteer in events such as: Charro Day Festival, Collectors Stroll, Vamos Golf Tournament. [57] • The bank has a donation request and event sponsorship mechanism in place with a focus on health, education, community awareness. [57] • Lone Star National Bank developed a number of online videos to educate customers on the various financial products. [57]
Rio Bank	<ul style="list-style-type: none"> • Employees routinely volunteer in the community. The bank highlights employees who participate in community service in their Community Spotlight newsletter. [58]
Wells Fargo Bank	<ul style="list-style-type: none"> • CSR efforts are focused in 5 strategic areas: ethical business practices, product and service responsibility, team member engagement, environmental stewardship, and community investment. [59] • CR Committee meets at least 3x/year, chaired by Judith Runstad, (Wells Fargo board director since 1998) along with five additional directors.

The data collected suggests that with the exception of BBVA Compass and Wells Fargo, the majority of the banks operating in the southern Texas region have not developed formalized public CR strategies, nor have they been able to distinguish themselves through CR efforts. This represents an opportunity for INB as it could develop a CR strategy that could potentially help it bank differentiate itself from competitors in the region.

²³ The following initiatives were obtained from information provided by INB employees who worked at these institutions prior to joining INB.

Summary of Findings

The key findings resulting from research conducted during Phase 1 are: 1) INB's CR strategy is likely going to be focused around one common theme, or a single pillar, to begin with. The bank will have to use this opportunity to build capabilities necessary to support a more comprehensive CR strategy as the CR program develops; 2) Banorte's approach to building its CR program applies to INB. In other words, INB should build the business case for one or a number of "low-hanging fruit" CR initiatives to gain buy-in from key stakeholders and build initial capabilities for implementing CR activities; and 3) there isn't a dominant CR leader in the region in which INB operates in, potentially making CR a source of competitive advantage.

PHASE 2: Stakeholder Engagement

After completing Phase 1 and discovering best practices for CR in the banking industry, we moved towards Phase 2. This phase uncovered the existing initiatives at INB and revealed the interests and capabilities for future CR projects that were present at INB.

Phase 2 consisted of two major activities:

- Site visit to INB headquarters in McAllen, TX
- Follow up communication and survey

Interview Summary

In March 2012, the University of Michigan School of Natural Resources team visited INB headquarters in McAllen, Texas, and its surrounding local branches in the Rio Grande Valley. We interacted with executives at INB and learned about the strategic direction of the bank. We presented our initial project plan and existing Banorte initiatives during a Senior Executives meeting on March 12, 2012.

We spoke with many of the employees, both at the officer and non-officer levels, and learned what CR means to INB and the general McAllen area. We created initial potential CR initiatives to implement and identified potential champions for those projects. Finally, we established points of contact and ongoing communication protocols with Marketing (Michelle Garza), HR (Horacio Cortez) and Banorte (Jeremy Taub).

The key points from the interviews were as follows:

- The prevailing theme throughout our trip was the **receptiveness of CR activities** in both INB and the McAllen regional area. We noted an employee culture with a genuine, personal interest in many areas which could be considered CR. Most notably, we noted a high interest in the Rio Grande Valley **community**. Many employees expressed a desire for the bank to continue organizing **community enrichment activities**, such as a charity drives and 5K walks.
- From an environmental perspective, we learned that McAllen is a **regional environmental leader**. We found many employees engaged in the city's recycling efforts during their personal time. We also found many initiatives in place that could be classified as environmental initiatives, such as e-statements, IT server upgrades and building enhancements.

- Finally, we observed how many of the past successes at Banorte could be applied at INB. The paperless strategy implemented at Banorte was a major initiative that has many elements that could be quickly integrated at INB.

Detailed summaries of our discussions are included in **Appendix N** of this report.

INB Survey

In April 2012, we conducted a company-wide survey to gauge the current interest and awareness of corporate responsibility at INB. The survey was reviewed by the Banorte and INB teams and distributed via several company-wide emails from the office of the CEO.

The INB Corporate Social Responsibility Survey was completed by a total of 169 individuals out of the approximately 390 INB employees, representing a **43% response rate**.

Demographic Survey

The survey was completed by a range of employees across the INB organization. Most respondents were full-time employees (96% full-time), with more responses from females than males (65% female). Respondents tended to be younger, with more than 55% under 35 years old, but only 20% were students (11% part-time students and 9% part-time students). There was relatively even response from employees that were new to INB and those that had been with the firm for many years (see chart to the right).

Years at INB	%
1 year or less	21%
1-2 years	19%
3-4 years	16%
5-9 years	29%
10+ years	15%

Responses were well balanced between branches and corporate offices (51% of respondents from the corporate office, 43% from branches, and 7% from the regional headquarters), including both officers and non-officers (31% officers, 69% non-officers). Respondents worked throughout INB, with more than 5 responses from employees working in Sales and Service, International Lending, Strategic Initiatives, Finance, International Banking and Sales, and Lending.

Understanding of Corporate Responsibility (CR)

INB employees have a strong understanding of the Community Commitment component of CR. Respondents were asked to rate statements describing many different aspects of CR for believability, with the highest rated statement being that “Organizations perform best when they play a strong role in the communities in which they operate.” The statement that “Organizations should go beyond money making and contribute to broader society” also rated highly. Additionally, when asked to describe what corporate responsibility means to them, 78% of respondents gave a description that included Community Commitment, with few responses that included Employee Engagement (15% of responses) or Environmental Responsibility (2% of responses), and not one mentioning Value Chain.

INB employees believe that good CR strategy can help a company be more successful. The second most believable statement about CR, as rated by respondents, was that “Organizations that exhibit good corporate responsibility are likely to gain a competitive advantage.” INB employees believe that the

benefit of CR to INB in particular will come from improved INB reputation, customer confidence, and employee loyalty.

The Four Pillars

Consistent with the values previously expressed in the survey, INB employees were most interested in Community Commitment. 74% indicated their preference for this pillar, with 61% expressing interest in Employee Engagement, and only 52% indicating interest in Environmental Responsibility or Value Chain.

Also of note is that despite the fact that 52% expressed interest in Environmental Responsibility or Value Chain, it is inconsistent with our findings of employees' understanding of CR. When asked for a description on CR (detailed in the section above), there was little reference to environmental responsibility or value chain related activities suggesting that there is disconnect between CR definitions and employee interests.

Respondents gave relative ratings to possible initiatives in each of the four pillar areas. Under Environmental Responsibility, INB employees were most interested in paper use reduction and least interested in replacing Styrofoam cups with reusable cups. With Community Commitment, they preferred INB-sponsored community events (like walk-a-thons or 5K runs) to less specific events such as organized volunteering days. In terms of Equality and Governance, there was a strong preference towards a formal mentorship program for ambitious employees, and lower interest in participating in external programs such as Leadership McAllen. Finally, INB employees were more interested in the opportunity to provide special rates to community organizations (such as McAllen Affordable Homes) than they were in purchasing of supplies from companies with good environmental reputations (average rank of 1.81 vs. 2.72).

Employee Engagement

INB employees are already involved in their community. One third of employees indicated that they volunteered (23% volunteer on their own time, and 10% volunteer through INB), mentioning more than thirty local, national, and international organizations they already commit to, including medical nonprofits, school or youth sports groups, and church or religious organizations. INB employees were most interested in participating in fundraisers or donation collections (53% of respondents), and appreciate internal events that recognize their hard work or improve employee cohesion (21% of respondents). Little direct interest was expressed in volunteer events (7% of respondents) or educational events (4% of respondents)

INB employees believe that there are many ways that INB could help encourage or enable their participating in CR-related activities. The most popular option is, unsurprisingly, incentives such as additional pay or another give-away, like a t-shirt, mentioned by 14% of respondents. However, more than 10% of surveyed employees also indicated that INB could help by giving them time to volunteer, doing a better job communicating about community opportunities and taking care to schedule them at convenient times, doing a better job educating staff and customers about how they can help out, and soliciting employee feedback in determining which initiatives INB supports.

Existing INB Initiatives

Through our discussions with INB employees and the results of the company-wide CR survey, we uncovered a variety of CR initiatives already happening at INB. These initiatives helped identify areas where INB was already succeeding. It also gave insight into the types of initiatives that would be interesting to INB, and the momentum that we could build upon.

E-statements

The e-statements program at INB was very successful. At the time of our March 2012 interview, 60% of all INB accounts had switched to e-statements. Headquarters organized a competition among branches to see which could sign up the most customers to e-statements, and gave step-by-step benchmarks on how to reach enrollment goals. Customers received \$5 for making the conversion, and the bank recovered this cost in three months. INB chose not to advertise the environmental aspect of the e-statements program because it did not want to misrepresent the initiative: although there are environmental benefits to e-statements, the decision to implement e-statements was primarily cost savings.

INBudget

Three INB employees collaborated in 2011 to participate in Banorte's annual Ingenio competition, a contest within the bank for the best corporate responsibility ideas. They pitched the INBudget idea to Banorte senior management in Mexico and won first place.

INBudget is a program to promote financial literacy among high school students. One of the major issues in McAllen, and a continuing driver of poverty in the area, is the overwhelming household debt in the community. INBudget allows INB employees to volunteer to speak at local high schools about personal finance. The team created a standard set of materials for the volunteer teachers and the program was rapidly expanding while we were onsite.

Recycling & Keep McAllen Beautiful

Keep McAllen Beautiful is a leading recycling program in the city of McAllen. Given the finances of exporting trash from the McAllen area, recycling is heavily pushed and very successful in McAllen. In fact, McAllen has a stronger recycling program than in any other Texas city, beating out progressive cities such as Austin. Some of INB's employees were active with Keep McAllen Beautiful, representing on various boards and assisting at the organization's volunteer events.

Within the office, recycling was starting to become an issue but had a long way to go. Styrofoam cups were still very popular, but signs were being put up requesting that only one cup be used per day. Recycling was also being put in some of the break rooms on certain floors.

Electronic Records

The office was using much more printing to PDF, largely due to the built-in feature from the Office 2010 upgrade. For the first time ever, INB provided federal regulators with a CD of documents rather than bundles of paper, which saved paper and reduced privacy concerns. This was a trend in the banking industry, but INB was uniquely capable of providing it due to high quality scanners in the branches. All fax machines were eliminated and replaced with digital fax capabilities. Wire transfers and bank

statements were converted to electronic. The measures greatly cut down on paper usage for internal functions.

Server Virtualization & PC Energy

In recent years, INB drastically reduced the number of servers by moving to virtualization. Server virtualization allowed INB to go from 60 different servers to just 3, drastically reducing power consumption yet also increasing the system resiliency. Previously, they also used to have 2 units to cool the server room, but moved to an APC solution that left the server room very hot, but the actual servers cool. This newly installed system was expected to reduce cooling needs by 25-40%.

Energy consumption was cut down by deploying scripts that shuts down computers at the end of the day. INB was on average, swapping out each computer every 4 years. Once a computer was swapped out, IT replaced the computer with one that had a more efficient power supply.

Charity Drives (Races, Donations, etc)

Employees stepped up regularly to lead small INB teams to participate in certain community charity events, however there was no central community outreach or volunteer coordinator. Employees willingly accepted these responsibilities with little or no formal incentive to do so on behalf of the bank. For example, at each Christmas, a group of INB volunteers adopted a community organization; in 2011, INB adopted an orphanage in Reynosa and in 2012, they adopted a United Way family. INB also supported many large charity groups, such as March of Dimes and Relay for Life.

People also had their personal community interests, such as Bowl-A-Thons, walks, or organizations such as the Rotary club or the Chamber of Commerce. The bank was doing a good job promoting some of these events, but INB currently has no structure to further community engagement initiatives as do banks that have a formal CR program.

PHASE 3: Summer Pilot

Phase 1 of our project determined the best practices for CR across the banking industry. Phase 2 uncovered the existing initiatives at INB and provided insight to the interests and capabilities for future CR projects at INB. Completing these two phases built a sense of what was possible for CR in the banking industry and where we thought INB could be most successful. Through Phase 1 and 2, we developed several ideas on what a full CR strategy could look like for INB. Phase 3 was to test some of these ideas and adjust the final recommendations as necessary.

The pilots were designed to accomplish four goals:

1. Test internal capabilities of INB
2. Build capabilities towards integrating CR
3. Excite the employee base
4. Gain momentum with engagement

We aimed to run two pilots at INB that would address different dimensions of sustainability. We wanted to test capabilities and interests, and the best measure was to use pilots vastly different from each other. However, we wanted to ensure that we didn't overwhelm INB and discourage them from future CR initiatives.

Pilot Development Process

To develop the summer CR pilots, we crafted potential CR initiatives from four primary sources:

- Peer regional banking industry

As a regional bank, it was important that INB's CR plan was comparable to its peers. CR initiatives that were too ambitious or never seen in the regional banking industry were not appropriate for INB. Given INB's existing strategy and financial constraints, striving to differentiate off of exceptional CR performance was not appropriate. At the same time, falling behind the industry with respect to CR posed potential threats to the future of the bank. As CR becomes more commonplace and expected of all industries, customers may begin to flee INB for more responsible competitors. Additionally, future threats such as climate change are requiring that banks think more deeply about how to price in future risks and volatility into their existing operations. Ignoring this trend poses direct financial risk for INB.

- Previous Master's Project

In 2010, the Master's Project team working with the Banorte CR department developed a comprehensive list of potential CR initiatives. Ultimately, this led the bank to pursue two of the most promising initiatives in more detail for its final report, PyMES (loans for small businesses) and paper reduction. For our project, knowing what worked with the parent bank gave us insight into the priorities of the parent bank's (Banorte) priorities, both as a bank wholly and for its CR department. Additionally, the previous team had to narrow down its long list of initiatives and determine what was best for Banorte at the time. Even though some of the previously proposed initiatives were not the best for Banorte at the time, they may now be more relevant, and may fit better with INB's priorities. An example of this was the University Partnerships initiative proposed by the previous team. Although it was not selected for our final pilot, it was a fitting initiative for the McAllen area.

- Current Banorte CR plans

By better understanding Banorte's current CR plans and activities, it presented an opportunity to take advantage of people and resources already actively involved in specific initiatives. This could potentially reduce the cost of the initiatives for INB if they could share resources with Banorte. This also better aligns INB's activities with Banorte's, which was a key goal of the CR strategy and Banorte's acquisition of INB. One of the interesting transferrable initiatives at Banorte was the paper reduction initiative. Our client understood paper and printing capabilities very well and actively participated in discussions during our meetings with the IT staff. Finally, by aligning INB's CR initiatives with Banorte's set of initiatives, it increased recognition of INB's efforts. This was demonstrated in the past year with INBudget's win of the annual "Ingenio" CR award at Banorte.

- Existing employee-driven initiatives at INB

Evaluating existing employee-driven initiatives at INB allowed us to see what would be the easiest initiatives to implement at INB. This would increase recognition of activities that employees were already doing. Next, one of the difficulties we discovered about implementing CR initiatives was finding the proper champions to drive the initiatives. By formalizing previous employee-driven initiatives, this eliminated the need to find a new champion. Finally, this would help create buy-in for the CR initiatives by demonstrating a dedication to pursue initiatives that were important to people at INB and in the McAllen community.

We used the above mentioned four inputs to create a list of initiatives that we thought would be good fits for the summer pilots. Any initiatives not used could be transferred to the end strategy recommendation. The list we developed is as follows, and is further detailed in **Appendix G**:

- Paper Reduction Program
- Volunteer Hour Reporting System
- CR Education at INB
- External CR Marketing Campaign
- INB Peer Support Program
- Payroll Donations to Charity
- INB Scholarship Fund
- INB Transportation Planning
- Energy Reduction Initiative

After creating the list of initiatives and high level visions for each initiative, we presented it to our Banorte client team (Jeremy Taub) and then the INB team. We then scheduled several follow-up conversations, first for the opinion of Banorte and later the opinion of INB.

Banorte Viewpoint (4/24/2012)

On 4/24/2012, we discussed the list of 9 potential summer initiatives with Banorte.

Given what we had learned about INB's recent push for better printing and e-statements, combined with the types of steps Banorte was doing internally for paper reduction, the team collectively decided that the paper reduction strategy was likely not the best use of the summer. We also decided against the INB Transportation Initiative. Since Texas is already generally sparsely populated and almost everybody drives a car, we concluded that it would be difficult to convert anybody to other forms of transportation. Biking is difficult in the area because of the hot climate most of the year in Texas. Carpooling is also difficult since people live in various corners of the McAllen metro area and have different work schedules. Alternative transportation was diverted to perhaps be a more long term project.

Jeremy expressed moderate interest in volunteer hour reporting, external CR marketing, and payroll donations. Although these were good things for the bank to do, they did not have enough strength to

be very exciting summer pilots. Additionally, they wouldn't be able to prove what INB could or couldn't do, since much of these were one time projects with limited champion involvement.

INB Viewpoint (4/26/2012)

On 4/26/2012, we discussed the list of potential summer initiatives with the CR team at INB, led by Michelle Garza. The INB team was given the list ahead of time and had narrowed it down to three potential options for the summer: volunteer hour reporting, CR education and energy reduction.

In the volunteer hours discussion, INB was interested in the details of the initiative, in particular the administrative aspects of it. INB thought it may be difficult to capture volunteer hours from its employees – would a new system need to be built, how would employees be held accountable, etc. It also raised questions on whether employee volunteering should be mandatory or not. Through the discussion, Michelle indicated that she was already tracking hours informally. The process could be improved, but it worked at the moment.

In the CR education discussion, the focus was on whether the education would be internal or external facing. INB showed particular interest in educating its customers to be more “green”. This would have been difficult during the pilot phase, since external facing initiatives needed to be refined and more resources would be needed if customers were to see it. Ultimately, the concept of a pilot for internal CR education seemed attractive. It could help instill a culture within INB that recognized CR and make possible a high quality, external facing CR campaign at some point. It could also build capability, by encouraging the creation of CR materials that could later be reused in an external campaign.

The energy reduction campaign was received very well. Energy cost savings were consistent with what INB was already doing and there was a direct financial benefit from the pilot. INB wanted this pilot to be a way to build employee engagement around energy efficiency and liked the idea of competition among branches on which could save the most energy. This would be difficult to do, especially in the earlier pilot stage, due to seasonality in the short time frame and other differences between branches and timing.

Our discussion resulted in the selection of the CR education and energy reduction pilots for our summer pilot. Our action item was to develop these two pilots in more detail, and provide set implementation plans for the summer.

Selected Pilots

On 5/19/2012, we presented the two summer pilots to INB. Both plans were accepted as described. Implementation was to be led by Enrique De La Mora and Rosendo Martinez, who were a part of Horacio Cortez's group.

CR Education Initiative

The CR Education Initiative intended to educate INB employees about CR and the current bank initiatives that could be categorized as CR. The plan was for it to be led by INB management and supported by a team of four employees who demonstrated interest championing initiatives based on the guidelines from Banorte's four pillars of sustainability.

The key goals of the CR Education Initiative pilot were to:

1. Develop the first CR champions (CR team) at INB who will lead the final initiatives
2. Excite employee base about CR initiatives
3. Determine whether there is a better understanding of CR at conclusion of pilot

A description of the CR Education Initiative, summer implementation timeline, and training activity is detailed in **Appendix H**. **Appendix I** contains a sample application to become a part of the INB CR team.

Energy Reduction Initiative

The Energy Reduction Initiative was to help INB devise no-cost and low-cost strategies to reduce energy use at its retail bank branches. The plan for the pilot was to begin with two branches and the results from this test were to be used to determine whether any of the strategies could be scaled across all of INB's retail branch locations. The monthly electricity bills from Hudson Energy were to serve as an objective measure of energy consumption by kWh and overall dollar amount for the retail branch.

The key goals of the Energy Reduction Initiative were to:

1. Develop formal energy efficiency (EE) programs at INB retail branch locations
2. Create meaningful CR stakeholder relationships at retail branch locations that can help with future CR initiatives
3. Identify challenges and barriers to implementing standard practice no-cost and low-cost EE strategies
4. Determine whether no-cost and low-cost EE strategies could be scaled to all INB retail locations

A description of the Energy Reduction Pilot Initiative, summer implementation timeline, and list of potential energy savings steps is detailed in **Appendix J**.

Pilot Results

CR Education Initiative

On 8/20/2012, Mayra Hernandez and Jeremy Taub from Banorte's CR department presented to a group of 20 INB employees at INB Headquarters in McAllen, TX. In this session, the two covered Banorte's four pillars of sustainability and presented examples of initiatives that could fall under these pillars. We then conducted a follow-up survey, of which 14 participants responded. Results of the survey are shown in **Appendix K**.

In every pillar, at least 12 of the 14 participants indicated they had a good understanding of the pillar and its associated initiatives after attending the training. Even more excitingly, 12 of the 14 respondents found the CR training either "very useful" or "extremely useful" to their current responsibilities. Analyzing the anecdotal comments, it further reinforced our belief that community involvement was most valued for INB and its community. Surprisingly, the environmental initiatives also stood out in the minds of employees, even some related to paper usage.

Energy Reduction Initiative

After the conversation on 5/9/2012, the team at INB quickly mobilized to implement the energy reduction pilot. On a check-in call on 6/21/2012, Enrique at INB revealed that they had identified the two branches (10th Street, Nolana) they were going to target for the summer and had already begun the process. They assigned the branch managers as the energy champions for the summer and made several key upgrades to the branches already. By the time of our conversation, they had already installed programmable light switches and motion sensors in those branches. They also implemented a new list of best practices that was now being checked every day. These included lowering all the shades during the day and asking employees to turn off their electrical equipment at the end of the day.

The summer pilot ended with the INB team excited about the progress. Enrique, the summer pilot champion, gave a presentation to the CR committee at INB about the success of the energy reduction pilot. He laid out a four phase plan for energy efficiency, named the BIG Project (Banorte INB Green Project), that would see subsequently more aggressive energy efficiency measures being implemented in each phase. In order to isolate variation created by the pilot (versus variation causes by changing weather or seasonality), Enrique compared data from the pilot period to data at the pilot locations during the previous year in the same period. He found that there was a 3% drop in energy costs at both branches where the pilot was run for July and August 2012 bills. See **Appendix L** for INB's analysis of the summer energy efficiency pilot.

We then took the raw data from all INB branches and used the data from non-pilot locations to normalize the results reported by Enrique, and to analyze the actual energy use change as result of the pilot. Because of the variation within the data (the bills for each branch come due at a different part of the month and measurement periods vary depending on when meter readings were taken), the data was aggregated by quarter, with bills from the third quarter of 2012 (July, August, and September 2012 representing energy usage for June, July, and August 2012, as each bill is for the previous months electricity charges) mapping on the pilot period. Year-over-year changes were also calculated for the three previous quarters (the fourth quarter of 2011 and the first and second quarters of 2012) in order to determine the natural variation in energy usage and energy cost at the pilot branches.

This normalization process involved developing a year-over-year percentage change for each of the pilot branches, as well as for all non-pilot branches, for each quarter. Then, the percentage difference between the change at the non-pilot branches and the change at each pilot branch was calculated, resulting in a normalized variation of each pilot branch from the non-pilot control group. For the third quarter of 2012, this normalized variation includes normal variation plus variation due to the pilot activities. For previous quarters, this represents only normal variation.

	Change in electricity used		Change in electricity cost	
	10 th Street	Nolana	10 th Street	Nolana
Q3 2012 (Jul-Sep) – Pilot Period	-3%	-1%	4%	4%
Q2 2012 (Apr-June)	-5%	-6%	-5%	-1%
Q1 2012 (Jan-Mar)	-14%	-7%	-11%	-1%
Q4 2011 (Oct-Dec)	2%	-3%	4%	2%
Q3 2011 (Jul-Sep)	-2%	-11%	-	-

During the pilot period, normalized results show a drop in electricity usage by 3% at 10th Street and Nolana, and 4% increase in electricity costs at both locations. However, both results are easily with the variation at both locations indicating that the changes at the pilot locations cannot be attributed to the pilot. Similarly, electricity costs actually rose at both locations despite having fallen during two of the previous three quarters year-over-year. Therefore the results of the electricity pilot are inconclusive.

Pilot Takeaways

Overall, the energy efficiency pilot was the more effective of the two. The efficiency pilot started almost immediately after it was introduced. The pilot was fully owned by an internal INB team, made visible progress and even had measurement and verification. On the other hand, the CR education pilot started much slower and didn't achieve all the steps that were planned. Fortunately, Banorte team members were able to step-in near the end of the pilot and facilitate the training program.

The two pilots exposed several key takeaways that were taken into consideration when forming the final recommendations.

1. Pilots are most successful when single or pair of employees take ownership of the initiative

The energy efficiency pilot required an individual to take ownership and implement energy efficiency measures at two branches. By selecting only two branches, the size was manageable enough to allow a single person to take ownership. Although the plans called for a member of leadership (Michelle or Horacio) to choose the locations, this was easily delegated to a motivated employee.

With the CR education plan, it called for a group of 4 to be selected by Horacio or Michelle. Getting the team of four people ended up being challenging, and was the reason for the slow start to the pilot. Ultimately, Banorte provided the CR education program. Future considerations are to start with one or two people as champions of any individual initiative.

2. INB is more interested in matters that directly impacts the bottom line

With the energy efficiency pilot, it was easy for INB to show a financial return from the initiative. At the end of the summer, Enrique, the leader of the energy efficiency pilot, created a presentation for management with calculated financial returns of the initiative. Existing employees are well versed in the link between energy consumption and cost. The building manager, Sal, and the new energy expert, Mario Garza, have shown an understanding of INB's daily energy consumption and desire to learn more.

3. CR initiatives competes with other business priorities

One of the major barriers we encountered over the summer was a competing focus on pulling the bank out of OCC observation. The housing crisis affected McAllen and INB quite hard, and the solvency of the bank had to be proven. This was highlighted when Horacio mentioned during a call that we shouldn't have too many expectations on getting personnel, since they were preoccupied with passing the government stress test. For CR to succeed, it must be given similar urgency as other priorities occurring at the bank and senior management can help make these decisions involving trade-offs.

4. Bank employees are engaged with sustainability

The energy efficiency pilot showed that there were employees willing to take charge of sustainability initiatives, even if they weren't very exposed to the subject. In the CR education pilot, there were an impressive number of participants who showed up to the training session. In the follow-up survey, what stood out was an interest in learning more about CR and recognition of its importance.

5. Prior expertise is a key indicator of future success

One reason the CR education pilot stumbled initially was a lack of expertise internally about what a CR program would look like. With a faint understanding of CR, employees were uncomfortable progressing with the pilot. By having Banorte lead the initial education pilot, it is possible that we built enough expertise at INB to go along the CR theme in the final project. With the energy efficiency pilot, prior expertise with building energy usage contributed to the success of that pilot. The facility manager involved with the energy pilot, Sal Hernandez, had worked previously with Banorte's CR team on the CDP. This gave him familiarity with the energy goals set at the Banorte level, and provided some ideas on how to reduce energy consumption.

PHASE 4: Strategy Advancement

Relevance: Developing Strategic Objectives

The first step in specifying a strategy for INB was to identify desired results for the ultimate CR effort, and develop strategic objectives based on those desired results. An exhaustive list of desired results was created based on all of the team's previous activities, including conversations with INB executives, managers, and staff, Banorte sustainability team staff, local community stakeholders, as well as analysis of the two completed CR pilots (see results presented in **Phase 3**).

Each item on the list was one of two different types: either a top level result that expanded or improved the quality of INB's banking business, or a bottom level result that lowered the cost of INB's business. These two categories provided the basis for two strategic objectives. See **Table 8** for these objectives and associated desired results.

Table 8. CR Strategic Objectives and Desired Results

Strengthen community relationships to improve, expand, and lower risk of business	Optimize internal processes to improve productivity and lower costs
Enhanced image in community	Improved data management
New customers identification	Enhanced customer experience
Leveraging external resources for marketing and market research	Increased employee productivity, creativity, and satisfaction
Increased lifetime customer value	Reduced environmental footprint
Product innovation	

These strategic objectives provide an overarching framework for the CR strategy recommendation, and help ensure that INB's CR strategy is directly relevant to INB's business strategy.

Identifying Potential Focus Areas

In order to provide further detail for the strategy, the team developed an exhaustive list of possible focus areas for a CR strategy. This list was non-evaluative, and meant to be inclusive of any type of responsibility initiative or project that the team had encountered at other banks, big or small. To ensure that the list covered a wide range of areas, it was built from the bottom up, grounded in the exhaustive review of CR programs at financial services companies small and large, American and international, as summarized in **Table 7**. This ultimately led to the identification of a total of sixteen possible focus areas for an INB strategy, ranging from energy efficiency to impact investing. Of these sixteen, fifteen could be primarily associated with one of Banorte’s four pillars. The final potential focus area, CR reporting, is by definition cross-functional and was therefore not associated with one of the Banorte pillars. See **Table 9** for a complete list of identified focus areas.

Table 9. Potential Focus Areas, by Primary Banorte Pillar

Community Commitment	Environmental Responsibility	Equality and Governance	Value Chain	Other
Customer Education	Employee Transportation	Career Support	Impact Investing	Corporate Responsibility Reporting
Employee Volunteering	Energy Efficiency	Diversity Opportunities	Impact Risk Valuation	
Financial Contributions	Paper Use Reduction	Ethical Culture	Partnerships	
Social Products	Recycling		Supplier Units	

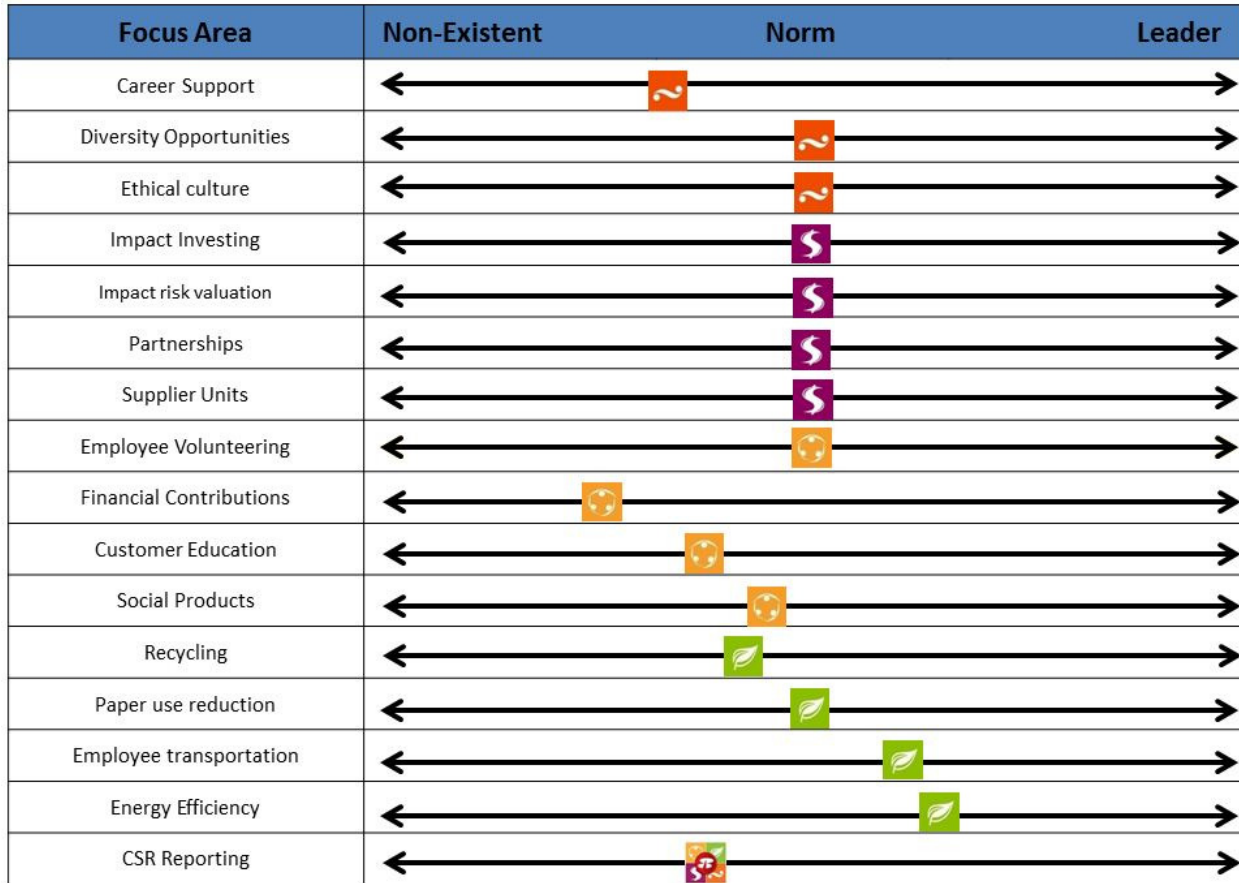
The team then evaluated the sixteen focus areas, benchmarking INB’s progress in each area against peer banks and evaluating INB capacity and engagement on each focus area, in order to identify which focus areas are appropriate for INB’s strategy going forward.

Proven Opportunities: Industry Benchmarking

The team then performed a benchmarking activity to evaluate INB progress in each area against other community banks, with the goal of identifying focus areas in which there are the best, already existent proven opportunities for INB. INB’s capacity for initiatives is largely determined by its size and footprint as a small, American community bank, so INB’s progress was benchmarked against other community banks from throughout the country. This effort was strongly informed by the information summarized in **Phase 1** on CR in the financial services industry.

For each focus area, the team first created a framework designed to summarize average and exceptional progress in each focus area for firms across the community bank industry. To do so, we defined characteristics of the “norm” and of a “leader” in each of the area. See **Appendix O** for a summary of the qualities that were defined as typical and leading in each area. We then evaluated INB progress on each area, locating INB’s progress on a spectrum from nothing, to industry norm, to industry leader. For example, in Diversity Opportunities, INB was placed at the norm. The bank is an equal opportunity lender, with a workplace that largely reflects the diversity of the communities in which it operates, however it does not have any specific Diversity Employment programs. See **Figure 6** for a visual summary on INB’s current status in each focus area.

Figure 6. Benchmarking INB against other community banks



Focus areas where INB was below the industry norm were identified as areas where there were clear, proven opportunities from the community bank industry for INB to become more responsible. These areas included: Career Support, Financial Contributions, Customer Education, Social Products, Recycling, Paper Use Reduction, and CSR Reporting. INB was at the industry norm in all focus areas under Banorte’s Value Chain pillar, but there were real opportunities in all other areas.

Implementable Opportunities: Evaluating Capacity and Engagement

To evaluate stakeholder interest and INB capabilities to effectively implement initiatives within each focus area, the team then performed a heat map analysis to determine the focus areas that could be successfully implemented most quickly. In order to do so, the team created a total of six metrics, by which each of the sixteen focus areas would be evaluated.

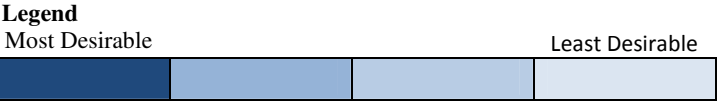
The INB Interest, Banorte Interest, and External Stakeholder Interest metrics evaluated stakeholder engagement. Stakeholder interest was defined externally but locally within McAllen and the other towns where INB operates, including community organizations and customers. For each engagement metric, higher expressed interest or excitement by the relevant stakeholders meant a focus area scored higher on that metric.

Existing Capability, Financial Feasibility, and Ease of Measurement measured INB capacity for project or initiative implementation within a focus area. Focus areas for which INB already had a high capacity, that had quick or strong expected financial returns or low initial capital requirements, or which include initiatives with easily measurable results scored more highly.

Each of the sixteen focus areas was then evaluated against the others, and given a quartile ranking on each of the six metrics. For example, Social Products was judged to be in the top quartile for Banorte and External Stakeholder Interest, the second quartile for Ease of Measure, the third quartile for Financial Feasibility and Internal Capability, and the bottom quartile for INB Interest. The sixteen focus areas were then assigned to four overall quartiles, based on their average score across the six metrics (with no distinction made among the four focus areas that ranked within a single quartile on a single metric). See **Figure 7** for a heat map summarizing this analysis.

Figure 7. Evaluating INB Capacity and Interest

Metric	Total	External Stakeholder Interest	INB Interest	Ease of measure	Financial feasibility	Internal capability	Banorte Interest
Career Support	Light Blue	Light Blue	Dark Blue	Light Blue	Light Blue	Dark Blue	Light Blue
Diversity Opportunities	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
Ethical culture	Light Blue	Light Blue	Dark Blue	Light Blue	Dark Blue	Dark Blue	Light Blue
Impact Investing	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Blue
Impact Risk Evaluation	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
Partnerships	Light Blue	Light Blue	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue
Greening Supplier Chain	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
Employee Volunteering	Dark Blue	Dark Blue	Dark Blue	Light Blue	Dark Blue	Dark Blue	Light Blue
Financial Contributions	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
Customer Education	Dark Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Blue
Social Products	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Blue
Recycling	Light Blue	Light Blue	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue
Paper use reduction	Dark Blue	Light Blue	Light Blue	Dark Blue	Dark Blue	Dark Blue	Light Blue
Employee transportation	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
Energy Efficiency	Dark Blue	Light Blue	Dark Blue	Dark Blue	Dark Blue	Light Blue	Light Blue
CR Reporting/EMS	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Blue



Focus areas that ranked the most highly, such as Employee Volunteering and Customer Education, were identified as the best fits for a near term strategy.

Identifying Focus Areas for INB

Ultimately, the results of the two focus area evaluations were used together to narrow down the sixteen possibilities to six, three associated with each of the two previously defined strategic objectives. Three focus areas per strategic objective was a number set by INB capacity, with the understanding that the number of focus areas might grow as INB’s CR infrastructure and experience grew.

The first step was to identify highly ranked focus areas by capacity and engagement: the results of the heat mapping exercise. Then, focus areas in which INB already exceeds the norm (suggesting a higher barrier to further achievement and progress) were deprioritized, based on the results of the benchmarking. This process continued until the requisite six focus areas were identified. **Table 10** summarizes suggested focus areas for INB.

Table 10. Suggested INB Focus Areas

Strengthen community relationships to improve, expand, and lower risk of business	Optimize internal processes to improve productivity and lower costs
Customer Education	Career Support
Employee Volunteering	Paper Reduction
Financial Contributions	Recycling

The team also identified suggested first projects within each focus area. This was done based on the analysis used to benchmark INB against other community banks, and appeared to be the easiest impact project that INB could be accomplish in that area. **Table 11** lists suggested first projects in each area.

Table 11. Recommended Projects with Recommended Focus Areas

Focus Area	Recommended Project
Customer Education	Develop online financial products education toolkit
Employee Volunteering	Partner with non-profit to promote volunteering
Financial Contributions	Develop employee donation matching program
Career Support	Establish internal mentorship program for employees
Recycling	Develop paper reduction process
Paper Reduction	Create robust and consistent recycling program

Recommendations

Our recommendation for INB can be summarized in the following strategic statement:

*Adopt **socially and environmentally** responsible business practices to strengthen **local community relationships** and enhance the **customer’s experience** through product innovation*

As detailed in Phase 4, there are three key components that INB should consider in pursuing this strategy.

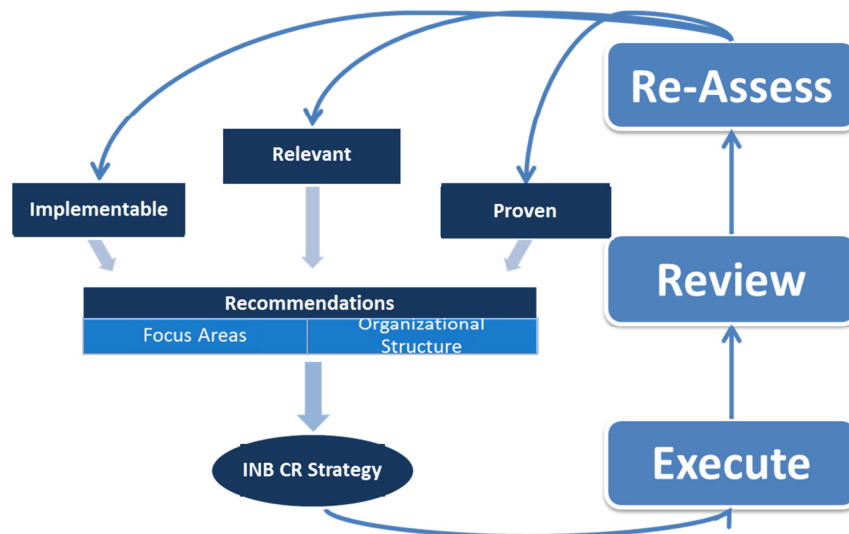
1. Achieve these objectives by developing initiatives determined by focus areas that are both proven and implementable
2. Invest in an organizational structure to maintain the implementation of these focus area initiatives
3. Management revisits strategic process periodically (Iterative Process)

Iterative Process

INB's initial corporate responsibility strategy is the first step and will yield relevant, implementable and proven results for INB. The long-term value of corporate responsibility for INB should be enhanced by ongoing, iterative updating of the strategic plan..

The iterative process teaches INB to re-use the thought framework we used in creating the initial strategy. This allows INB to create sustainability initiatives and strategy on its own in the long term. It also builds on success and corrects for lessons learned, in future iterations of CR strategy refinement.

Figure 8. Iterative Process for INB CR strategy



Step 1: Execute

The first step is to execute the strategy laid out, implementing the six initial recommendations and making the relevant organizational changes. This stage should last a couple of years, enough time to properly execute all the steps of the initiatives and to produce measurable results.

Executing this strategy will reveal strengths and weaknesses with how this CR strategy fits in with the organization. It will also reveal which initiatives gained traction and which needed more organizational support.

Step 2: Review

After executing the strategy and observing its results, the CR team should do a thorough review of the CR strategy. It should carefully analyze and document what went right and what could be improved in a future CR strategy.

The review should happen internally first. After a run through, this would be an excellent opportunity to once again deeply engage the parent Banorte CR team. This allows Banorte to see how well its subsidiaries are performing in CR and make strategic changes to ensure that its CR mission properly trickles down to subsidiaries. Banorte should clearly define the guidelines for this interaction beforehand, and should progress towards more autonomous subsidiaries.

Step 3: Re-Assess

Finally, it should reassess its next iteration of the strategy. This means going through the same process we've detailed today: determine what's implementable, what's relevant for the business at that moment, and what's proven in the industry at that time. The framework that was used to develop the initial strategy will necessarily be adapted as INB's goals for corporate responsibility change from iteration to iteration. For example, the initial strategy focuses on areas where INB is below the norm compared to other community banks. Once these areas of opportunity have been addressed, a new iteration of the strategy should focus on improvement in areas where INB is at the norm or a leader. In all cases, the idea should be to use benchmarking and heat mapping as tools to identify opportunities that fit best into INB current strategic goals for its corporate responsibility efforts.

By completing these three steps, INB will independently create the next iteration of its CR strategy. This level of independence better utilizes CR experts across the organization, and not just the expertise of Banorte's CR team or the University of Michigan SNRE team. By going through this process, it also creates local CR experts at the INB level who can retain CR expertise for the organization. Finally, by enabling people at INB to create the next CR strategy means that people most knowledgeable about INB and the McAllen area will customize solutions that best fits their customers and their organization.

By repeating the CR strategy brainstorming process, INB can ensure that corporate responsibility remains an important part in shaping the bank as an ally in the community and as a highly efficient bank.

Conclusions

Over the 12-month SNRE Master's Project experience, our team was able to craft a realistic, actionable corporate responsibility plan for INB. We continued the organization momentum originally built up during a previous Master's Project for Banorte and sustained by the project members now working full-time at the bank. Our approach then took into account academic literature on CSR, interviews and surveys of the current state of CR at INB and the results of the summer pilot to craft the final strategy.

In the end, the team incorporated elements of what was most implementable, relevant and proven into the final CR strategy. We delivered six initial initiatives as the first iteration of the CR strategy along with a recommendation on organizational changes needed to attain these goals. Finally, we showed that this thought process was repeatable, and for the organization to sustain itself as a CR leader, it needed to execute this iterative process.

Throughout the process, we learned some key overarching takeaways to be kept in mind. We've grouped these into two categories: takeaways INB must consider when executing the CR strategy, and takeaways for future Master's Project teams attempting to implement CR at a bank such as INB.

SNRE Team Takeaways

The Master's Project team's most important takeaway was that corporate responsibility must fit within the context of the organization. Although it is possible that organizations can stretch themselves during times of prosperity, any non-essential or less relevant initiatives will disappear during times of hardship. This was most apparent with INB. During our initial discussions and our conversations with CEO Sam Munafo, it was clear that being a good corporate citizen was a key part of creating the "perfect bank". However, in reality, there are always fiscal, political, and resource constraints that require trade-offs. To shield these trade-offs, CR leaders must continually demonstrate how their initiatives add value to the overall mission of the organization. Our four key takeaway lessons center on this lesson.

1. Sustainability programs must be customized for the community

Banorte's four pillar structure suggests a roughly equal emphasis on all four areas: environmental responsibility, community commitment, value chain and equality and governance. We first approached a sustainability strategy for INB with this structure, believing that a holistic CR approach would bring the most strength. As we experienced McAllen and the Rio Grande Valley area, we realized that such a broad approach would be difficult to implement. There was a lack of understanding of what some of the pillars even were. When we explained some of the types of initiatives that could be under a certain pillar, there was a lack of urgency and interest in some of the ideas.

A much stronger approach for CR is to customize it based on the needs of the community. McAllen is the poorest metro area in the country and its citizens greatly value community support. Problems such as lending for renewable energy and green products, or more aggressive environmental initiatives, such as alternative transportation, were difficult to pursue. Because of the financial situation of the area, there was far more interest in immediate community assistance, which makes the community commitment pillar far more attractive.

2. Corporate responsibility in banking requires creativity

CR initiatives in financial services are not as obvious and easily implementable as many other industries. Environmental initiatives at banks do not have the large impact that they would at manufacturing or other material good industries. The easiest environmental initiatives involve paper reduction or energy consumption, all of which are more difficult to get gains in at banks, which already have a low environmental footprint.

From a consumer products or value chain perspective, CR is once again difficult to reach at a bank. Opposite to the problem with environmental initiatives, value chain initiatives can have an enormous downstream effect. For example, if banks had favorable lending terms for green projects, they could greatly accelerate the adoption of renewable technology. Unfortunately, these types of innovative CR products are very hard to implement. Banks must manage risk and create favorable returns for its

shareholders. If managers pursue too many green loans or other products with CR as their main focus, they can create more risk for the bank. Even though value chain moves would have the most impact, they are extremely difficult to promote.

Because of this, our team had to think of more creative solutions that had similar impact, but would be attractive to the banking business model. Our initiatives fit the need to be challenging, satisfying the CR perspective, yet sensitive to the banking industry, allowing them to succeed in a financial services climate.

3. Balancing parent-subsidiary stakeholders is challenging

One of the challenges of any CR department is communicating the value and urgency of CR initiatives to supporting departments. Typically, CR departments may identify interesting new product opportunities or areas of operational improvement, but require the involvement of other departments (marketing, operations, etc.) to carry them out. This becomes even more challenging with the parent and subsidiary relationship.

In our case, Banorte's CR department's goals were to have INB adopt initiatives under its four pillars, so it could be better incorporated into the overall Banorte CR vision. However, our INB stakeholders' primary goals were to ensure financial viability of the bank. The difference was very challenging to balance at times and required us to carefully manage messaging and value propositions depending on which party we were communicating with.

4. Corporate responsibility must tie into business results

While all organizations strive to be responsible businesses, these considerations come with fiscal requirements, especially after times of financial distress. For INB, the current timing was difficult, and CR initiatives would only work if they could directly impact the bottom line.

This was a strong consideration for us and led us to pursue CR initiatives that demonstrated identifiable, short-term gains. This is the reason why an initiative such as energy efficiency was very attractive for INB because the results could immediately be tied to a reduction in energy bills. At the same time, a pilot such as CR education is a longer term action, one that probably results in better customer satisfaction and higher revenues in the long-term.

Takeaways for INB

In order for INB to be successful at CR, it must ensure that its CR initiatives directly correlate with the larger goals of the organization. For INB, CR is an opportunity to communicate how it is addressing the concerns of its customers. By empathizing with its customers, INB can better understand and address the deeper needs of its customers. In other words, CR can be a great philosophy and driver of better customer satisfaction, and ultimately, better business for INB. INB's lessons focus on how CR can be used to better the customer experience for INB.

1. To engage employees in CR, incorporate it into formal role descriptions

Corporate responsibility is often seen as a volunteer activity and gets pushed aside in favor of other business needs. To make sure that CR gets implemented, it is very important that INB incorporates CR responsibility into the formal roles of the responsible employees. This makes it a direct part of annual performance evaluation and rewards the careers of those who try to shape a more responsible bank.

2. CR initiatives generate less visible, but very tangible, long term gains

CR initiatives can drive additional revenue growth and drive down operational costs. Much of CR revolves around resource efficiency: less energy usage, less paper usage, etc. While these types of initiatives are thought of as quick wins and often more as environmental than financial, they do provide cost savings. And by squeezing out efficiency today, it creates a more efficient bank going forward, which provides long-term savings.

3. Communicating CR breeds customer and employee satisfaction

Organizations must also realize the benefit of communicating and educating its stakeholders on what CR is, and highlighting the areas where it is succeeding. For INB, consistently communicating that it is a responsible bank helps build its reputation as the ideal, perfect community bank. But internally, it makes employees proud of where they work and makes them feel as if they are making a positive impact. This in itself breeds more active and enthusiastic employees that pursue more CR initiatives on their own. By creating a culture where CR is important, employees and customers will reinforce that culture through their own actions.

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APPENDIX

Appendix A. Banorte's Four Pillars of Sustainability



Environmental Responsibility. Responsibility to take action in a conscious manner with respect to the environment, conserving resources used by the company and helping to create social and environmental awareness.



Community Commitment. Responsibility to interact with and support the growth of the community by linking the interests of the company and the community.



Equality and Governance. Responsibility to provide favorable working conditions and ethical standards that promote both personal and professional development within and outside of the workplace.



Value Chain. Responsibility for providing quality products and services and for influencing the supply chain so that it adopts more sustainable practices.

Appendix B. Scotiabank: Integrating Corporate Responsibility into Corporate Strategy

Figure 9. Scotiabank's Five Pillars of Corporate Social Responsibility



Figure 10. Scotiabank Incorporates Corporate Responsibility into Organization's Five-point Business Strategy



Appendix C. The Seven Pillars of Corporate Sustainability

Diversity and Inclusion

In order to be effective, Diversity & Inclusion (D&I) 'programs' cannot be treated like 'programs'. A healthy appreciation for differences is simply a part of doing business today. Differing points of view and opinion is crucial to workplace success as differing opinions, points of views, and ideas can make a company more dynamic and able to adapt to an ever changing work world. Those companies that insulate themselves from a diverse workforce only serve to insulate themselves from a larger pool of ideas that could ultimately benefit them. The D&I conversation extends far beyond issues of race, ethnicity, and gender, however. Companies that are leaders in this realm are proactively addressing business dynamics caused by: the aging workforce, generational differences, sexual orientation, creative solutions to disability accommodation, and diversity of thought and communication styles.

Many of the most successful companies in the world employ a diverse workforce throughout the company, understanding that a diverse workforce is one that understands the market in which it sells its product or services.

Environmental Sustainability

At its core, Environmental Sustainability is about the creation of harmony between humans and our earth. It is the commitment to utilizing the earth's resources in responsible ways that ensure our planet survives and endures. Many organizations are leading the way for sustainability through the creation of eco-villages, minimizing pollution creation and output, research into green technologies, decreasing their carbon footprint, and developing viable sources of renewable energy.

Global Enrichment

A staunch commitment to Global Enrichment is a key aspect of mature corporate citizenship in the 21st century. Many organizations are investing in villages and communities far beyond their domestic operations. These programs are empowering people to create a better way of life for current and future generations. Through the establishment of foundations, many businesses are playing pivotal roles in the enrichment of human life through the funding of research to cure diseases and the championing of human rights causes.

Governance

Governance is the way in which a company chooses to do business. So while a formal policy book, mission statement, and code of ethics provide insight as to what a company values, governance reflects how leaders enforce those values. Policy is the talk; governance is the walk. Effective governance serves to drive high levels of performance, encourage trust at all levels of the organization, and sustain an environment of servant leadership and employee empowerment.

Governance is highly important because without proper governance corporate citizenship initiatives may and will often fail to take shape. Corporate citizenship means nothing without the enforcement of a company's policy and value system by devoted leadership across the board of a company. With proper governance, corporate citizenship initiatives within a company can take shape and begin to make a difference.

Organizational Health

Companies that have been consistently rated as "best places to work" have higher market values and employee morale, along with lower than average employee turnover. The Council for Corporate Responsibility defines Organizational Health (OH) as an organization's ability to grow and thrive while making the needs of its employees and community its first priority. Companies with strong

Organizational Health have environments that encourage trust at all levels of the organization, and embrace the precepts of servant leadership.

As a best practice, The Council recommends that OH assessments are conducted on an annual basis. While every company may have uniquely tailored OH assessments, the areas of measurement are similar. They include: 360 communication effectiveness, employee morale, unilateral support of company mission and values, team work, availability of resources for success in current position along with access to promotional opportunities, coaching and mentorship support, visible execution (and leadership support) diversity & inclusion, work life balance programs, encouragement of community involvement, and a health and wellness focus that emphasizes whole living*.

*Whole living is the extension of traditional healthcare benefits provided by companies through programs designed to impact the mind, body, and spirit. Whole living is supported at work and home. Increasingly common workplace examples include healthy food options during meetings, smoking cessation and weight loss programs, ergonomic support, innovative work life balance programs inclusive of unique child care, elder care, and pet care options.

Philanthropy

Philanthropy in its simplest form is a financial contribution to a cause. Philanthropy is important to companies as a means to not only improve the community around them but to make the companies appear more attractive to business investors and consumers; good corporate citizenship is good for business, and any company that is socially responsible and gives back to its community is seen as being a preferred choice for consumers. Today, the gift of money is often matched or surpassed by the gift of time. Community outreach should be connected to the core values and competencies of the company, and systematically evaluated, assessed, and communicated to stakeholders. The Council routinely recognizes businesses and individuals that actively seek to provide creative solutions for community needs.

Supply Chain Integrity

Responsible supplier choices are critical to every business. While a healthy supplier diversity program is important, supply chain integrity is more comprehensive. It involves the extension of the company's values and high performance standards to those it chooses to do business with. These companies hold suppliers accountable for safely producing quality product, while complying with applicable laws and exceeding standards related to human rights and environmental sustainability.

Appendix D. Community Bank National Leaders

BankPlus (Ridgeland, MS). BankPlus has 60 locations throughout Mississippi. BankPlus's signature community initiative is CreditPlus, a program designed to help customers with little or poor banking histories to improve their credit scores, particularly those caught in the Pay Day lending cycle. Customers receive small, short-term loan products designed to help those customers develop an alternative to high-interest non-bank loan providers, and required to attend a three hour financial literacy seminar. The Bank also makes it easy to see which accounts can be made 100% online and electronic by placing a "Go Green" leaf next to any account of this kind on their website. [60]

First Interstate Bank (Billings, MT). First Interstate Bank has 71 branches throughout Montana and Wyoming. The Bank has implemented volunteer "S-Team" committees. These committees measure and reduce environmental impact of bank operations. They also review the social, economic, and environmental challenges faced by the local community and identify ways the bank's products, services, and philanthropic efforts can help. [61]

First National Bank Texas (Killeen, TX). First National Bank Texas has 284 branches in Texas, Arizona, and New Mexico. Each year, the bank sponsors the local Lemonade Day event. Lemonade Day is a nationally coordinated event where kids are taught how to start, own, and operate their own business, using the example of a lemonade stand. Students are encouraged to create budgets, set profit-based goals, and even secure investors as they become entrepreneurs. Kids keep all the money they earn, and are encouraged to spend some, save some, and share some. [62], [63]

Green Bank (Houston, TX). Green Bank has 12 locations in Houston, Dallas, and Austin. One of the bank's promises to customers is to "Act in environmentally friendly and socially-responsible ways to support and strengthen the communities where we operate." In addition to a LEED certified headquarters, Green Bank has greened its operations across the board, implementing initiatives such as the funding green development projects (including special mortgages for LEED or Energy Star certified homes), the donation of old computers to a service that refurbishes them and sells them at very low cost to disabled Houston residents, and the requirement that facility cleaning crews to use green products. Community focused touches like participation in local neighborhood revitalization efforts and a public use paper recycling dumpster at Green Bank headquarters are designed to place sustainability at the core of Green Bank's operations. [64]

New Resources Bank (San Francisco, CA). New Resources Bank has one location in San Francisco, CA. The bank is committed to financing projects at cleantech innovators, organic food purveyors, green builders, and traditional companies that adopt sustainable management practices. The bank's Planet-Smart Debit card is the default for all checking accounts, and earns cash for non-profit partners chosen each year by a staff vote. Internal staff initiatives have included resource consumption reduction and a community education initiative. [65]

One PacificCoast Bank (Oakland, CA). PacificCoast Bank has locations in Oakland, Seattle, Portland, and Illwaco, WA. The bank is dedicated to meeting the triple bottom line of financial, social and environmental impact to the community, focusing lending on sections which are “indigenous to the geographic regions in which [the bank] operates and important for creating sustainable communities:” specialty agriculture, renewable energy, green building, and low-income housing. One signature product is the Bank’s debit card, for which the Bank will share interchange fees with one of three nonprofits based on the customer’s preference (Green America, Salmon Nation, or the ReDirect Guide). The One PacificCost Bank website also highlights customer success stories, and links to customer websites in order to connect individuals interested in sustainability to sustainable businesses. [66]

Appendix E. Current Corporate Responsibility Initiatives at Banorte

Trust Sumate

Súmate is a trust fund through which voluntary donations by Banorte-Ixe employees benefit children, young adults and the elderly who find themselves in a vulnerable situation. The trust fund was a result of the Ixe Apoya (Ixe Supports) program started in 2005, in which the operation and management of the trust fund is regulated by employees who volunteer to serve on the Technical Committee.

Acciones Banorte-Ixe

While this initiative is an initiative of Banorte's Human Resources department to encourage volunteerism, it does provide opportunities for the bank and encourages a volunteer culture, which is helpful in recruiting volunteers to be part of CR core initiatives including such initiatives as SUMATE and our annual toy drive in which toys are collected by staff and customers and delivered to needy children on 3 Kings Day.

Banorte-IXE Inclusion Program

This initiative was developed to include persons with disabilities in the workplace and develop opportunities for those individuals to progress in their careers in the future while promoting diversity across the Group. Included in the initiative are both hiring of individuals with disabilities, as well as a providing training and workshops (both in person and on-line) and an internet site including these themes both within the group and for our stakeholders on the importance of these issues. As part of this initiative we have also worked to use technology in order to make the workplace friendly for all employees regardless of disabilities. Banorte-Ixe signed a formal agreement with CONAPRED (Consejo Nacional para Prevenir la Discriminación) signaling our commitment to diversity and persons with disabilities and we have also showcased the specific achievements of these persons and their contributions to our business.

Financial Education

Recognizing the unfortunate consequences associated with the lack of financial education in Mexico, GFNorte has assumed the great challenge of providing more people with the necessary tools to expand their knowledge on this topic, thereby having a positive impact on the finances of more Mexican families. Through the volunteer work of its employees, the Group has developed links with diverse educational institutions and associations in order to contribute to the development of greater financial literacy in Mexico.

Environmental Management System

The goal of this project is to implement a 3rd party software solution in order to centrally collect, analyze and create accountability and targets for KPIS related to the environment but also, social and economic factors across all of the Group's subsidiaries. This is necessary for both internal reporting and external reporting such as GRI/Annual Report/CDP/DJSI etc. and will include carbon management as one of the key components. To create efficiencies, data collection will be done through integration with existing bank-wide systems or imported through templates that allow data to be entered in batch and then analyzed.

Greening the Supply Chain

The goal of this project is to influence our supply chain, promoting sustainable and socially responsible practices, with an initial focus on our largest suppliers. We have currently included a requirement of adherence to the Global Compact in new contracts have a provision that those suppliers who are sustainable and are equal on price and quality will be favored. We are also working to assemble information on our top 50 suppliers based on their current practices and are designing a strategy to reach out to this important stakeholder category in the future. We are also working on efforts to promote women entrepreneurs and on a project with FOMIN and Walmart and FEMSA to promote sustainable SMES, which will further inform this project

Impact Investing

As defined by GIIN (Global Impact Investing Network) Impact Investing is investing in social entrepreneurs. According to JP Morgan, Impact Investing has emerged as a "new" asset class. Here in Mexico it has been gaining momentum and several institutions have been taking interest in this kind of investment opportunity. Impact investing attracts different kind of investors ranging from those who only seek financial return and see social return as a plus to their investment to those who prioritize social return above financial return. Opportunities to convene this two type of investors result in what grew to be known as ying-yang investments.

PyMES - Small and Medium Business Enterprises

There is a big opportunity to influence SME to become more sustainable. While big corporations have a great impact over the environment, it is SME's the ones that account as the major, diffuse, sources of pollution. Banorte seeks to do this by developing value added products that will help SME's to become more sustainable (e.g partnerships with CR focused consulting agencies, development of financial products, etc).

Appendix F. Metropolitan Statistical Areas for the State of Texas

Figure 11. Metropolitan Statistical Areas for the State of Texas [44]

Metropolitan Statistical Areas (MSAs)



Appendix G. INB Summer 2012 Pilot Proposals

InterNational Bank (INB) Sustainability Strategy - Integrating INB to Banorte Masters Project 2012 Summer CR Pilots

Note: All of the proposed CR pilot initiatives will require the following:

- Pilot champion
- Employee volunteers
- Development of metrics for pilot

1. Paper Reduction Program

Description of Initiative

The purpose of the Paper Reduction Initiative is to reduce paper consumption at INB. This paperless reduction pilot entails establishing a baseline for current paper consumption, collect data on paper usage during the summer, and using data gathered to establish goals for paper reduction at INB.

Activities

- Establish a Green Team
- Develop method for quantifying paper consumption at INB
- Develop and implement strategies for paper reduction, i.e., double sided printing, standardized font, electronic document archival, etc.
- Communication strategy
 - Use monthly newsletter to promote initiative; make sure to acknowledge individuals spearheading initiative
 - Report progress of initiative in monthly newsletter
- Possible tactic: place “These Come From Trees” stickers near printers to encourage employees to reduce paper consumption

2. Volunteer Hour Reporting System

Description of Initiative

The purpose of the Volunteer Hour Reporting System is to quantify the total hours that INB employees devote to volunteer activities. The system will be used by INB to establish baseline of current employee volunteer hours as well as to establish future goals for employee volunteer hours.

Activities

- Announce initiative in INB’s newsletter for recruiting and for promotion purposes
 - Highlight organizations that employees currently volunteer at through INB or on their own time (from survey)
- Develop employee volunteer hour reporting system
 - Use system to establish baseline of employee volunteer hours
- Promote system in monthly newsletter to ensure participation in pilot initiative
 - Highlight and celebrate individual employee community engagement efforts

3. CR Education at INB

Description of Initiative

The CR Education at INB will be part of INB's internal CR communication strategy. The purpose of this initiative is to highlight what INB is currently doing in CR as well as recognize individual employees that are demonstrating leadership in CR. The pilot entails developing a system to capture all that INB is currently doing in CR and communicating it to the rest of the bank, using the four pillars as a way to frame these CR activities.

Activities

- Aggregate all CR activities at INB
 - INBudget
 - Paperless
 - Walk-a-thons

Note: Use about the four pillars to frame current initiatives at INB

- Devote a section of the monthly newsletter to communicating CR initiatives at INB
 - Incorporate CR education into these monthly highlights. For example: Paperless results in X number of trees saved, emissions reduction, etc.
 - Highlight individuals that have demonstrated leadership in CR. For example: Karen Valdez's exceptional commitment to minimizing waste at INB
 - Educate INB employees about what other companies do in CR including results of these CR initiatives

4. External CR Marketing Campaign

Description of Initiative

The purpose of the External CR Marketing Campaign initiative is to increase INB's visibility in the community by promoting the bank's current CR initiatives as well as the bank's long term CR vision. The pilot entails developing marketing materials and identifying channels of communication.

Activities

- Collect information on INB's current CR initiatives
- Develop CR marketing materials for external publication
- Identify channels for communication
 - Chamber of Commerce – leverage Karen Valdez's relationship to with the chamber
 - TV/Radio
 - Banorte and INB's website
 - Other

5. INB's Peer Support Program

Description of Initiative

INB's Peer Support Program is an initiative designed to foster a stronger community at INB by encouraging employees at INB to help one another. The summer pilot entails developing a system that will both allow INB employees to post and respond to requests for assistance.

Activities

- Highlight past success of similar initiatives at INB through the newsletter, i.e., department that conducted fund raiser to pay for therapy costs of INB employee's child
- Create system for employees to request help
 - Example of employee requests:
 - My child needs therapy and I need money to pay for it
 - I got a flat tire and need to carpool to work for the week
 - Can somebody watch my dog for the weekend?
- Highlight program success in employee monthly newsletter to encourage participation

6. Payroll Donations to Charity

Description of Initiative

Payroll Donations to Charity allows INB employees to directly donate to charities, approved by INB, from their pay and receive immediate tax credits. The pilot initiative entails identifying organizations for the program and setting up the system for employees to donate to these organizations.

Activities

- Aggregate a list of organizations that INB employees currently donate to
 - Example of organizations (from survey):
 - Boys and Girls Clubs
 - The Muscular Dystrophy Association
 - Approve specific charities
- Promote initiative internally, through newsletter, and externally, through INB website and other channels
- Set donation goals for the summer and use as baseline to develop future donation goals
- Possible tactic: competition among the branches

7. INB Scholarship Fund

Description of Initiative

The INB Scholarship Fund is an initiative designed to support the local community by providing qualified high school students with scholarship funding. The goal for the summer pilot is to develop a system in which employees and customers can donate to this scholarship fund.

Activities

- Create system for employees to donate to scholarship fund
 - INB matching
- Create system for INB customers to contribute to this scholarship fund
 - Identify incentives for INB customers to contribute to scholarship fund.
For example: INB may consider contributing a small amount of money to the scholarship fund if an INB customer opens a savings account
- Communication
 - Highlight pilot in monthly newsletter
 - Co-promote initiative with INBudget
- Develop goals for program
 - INB will raise \$5,000 by end of 2012 in order to offer two \$2,500 scholarships

8. INB Transportation Planning

Description of Initiative

INB's Transportation Planning is a program to quantify INB's footprint resulting from transportation – commuting to work, client visits, etc. The summer pilot will entail developing the system that will be used to measure INB's transportation footprint and to identify strategies to reduce INB's transportation footprint.

Activities

- Develop system to capture INB's transportation footprint
- Devise strategies for transportation footprint reduction
 - Carpooling – devise system for employees that are interested in carpooling to meet.
 - Incentivize individuals to carpool through competition, i.e. , group that carpools most gets a certificate for dinner
 - Bike to work day
 - Reduce work related travel by using teleconference
- Promote initiative in monthly newsletter

9. Energy Reduction Initiative

Description of Initiative

The purpose of the Energy Reduction Initiative is to devise energy reduction strategies at INB branch locations.

Activities

- Select two INB branch locations to conduct pilot
- Calculate energy consumption per square foot to establish baseline
- Identify branch representative to monitor key areas of energy consumption
- Devise energy reduction strategies for other INB branches based on results of this pilot

Appendix H. CR Education Pilot Implementation Plan

CR Education Initiative

Description:

Initiative to teach INB employees about what CR is and what current initiatives at the bank fall under CR. It will be led by management at INB and supported by a team of four employees who have demonstrated interest championing initiatives based on the guidelines from Banorte's four pillars of sustainability.

Purpose:

1. To develop the first CR champions (CR team) at INB who will lead the final initiatives.
2. Excite employee base about CR initiatives.
3. Determine whether there is a better understanding of CR at conclusion of pilot.

Activities:

1. Horacio and Michelle identify four champions at INB headquarters that will form the initial CR team (May-June).
 - Contact the 26 individuals who indicated interest in the company's CR initiative (aim for senior executives to be main CR leads)
 - Have individuals fill out a quick application – tests out the dedication of these individuals to the CR initiatives
2. Two hour training session/workshop for selected champions, covering the Banorte pillars and existing CR initiatives at INB. (June)
 - Training to be led by Director of Sustainability at Banorte, Jeremy.
 - Presentation: Existing Banorte's introduction to CR and pillars (Banorte to provide this presentation)
 - Presentation: Current INB initiatives (Michigan team to provide this presentation)
 - Exercise: Categorize the list of initiatives that were previously collected
 - Takeaway materials: Presentations, guidebook
3. Team to co-develop a section for each issue of the newsletter (July-August)
 - July: What is CR and what has INB been doing that falls under CR
 - August: Detail pilots and highlight the accomplishments of the pilot
4. Organize monthly brown bag presentation at Corporate (July-August)
 - July: Invite INBudget members to present
 - August: Invite Energy Efficiency team to present
5. Organize companywide initiatives (July-August)
 - July: Organize one volunteer event (i.e. charity run, food drive, etc.)
 - August: Organize one volunteer event

Tools/Metrics:

- End of pilot survey to measure knowledge and sentiment around CR
 - Compare against initial survey
- Feedback forms at the end of the volunteering events and brown bag lunches to see if employees enjoyed the session and learned something new
- Measured attendance at the brown bag presentations and volunteering events

Personnel

Participant	Hours	
Horacio	3	
Michelle	5	
CR Team	20	*Whole team combined – 5 hours per member
Energy Efficiency Team	4	
Jeremy	5	

Key Materials for Pilot:

Michigan team:

- Presentation on current initiatives at INB for the CR team training session
- CR team position description and application form
- Design training activity where INB team categorizes existing initiatives, to give a better understanding of how current work fits into Banorte's sustainability pillars

Banorte team:

- Presentation on CR and Banorte's four pillars for the CR team training session

INB team:

- July and August newsletter CR submissions
- July and August brownbag presentations
- Publicity emails for CR team recruitment, brown bags and volunteering opportunities

CR Education Initiative – Training Activity

Description:

This document describes a training activity to give employees a better understanding of what Corporate Social Responsibility (CR) is, and the things that are currently happening at INB that fall under the category of CR. It also helps familiarize employees with Banorte's four pillars. By incorporating this activity into a larger presentation about Banorte and INB's current CR activities, it helps volunteers better recognize how CR can be helpful in bringing together the cultures of Banorte and INB.

Audience:

- Banorte Director of Sustainability (facilitator)
- CR Team volunteers (participants)

Activity:

In this activity, the CR Team will be given a list of all the current environmental, community, employee and value chain activities currently occurring at INB. The volunteers will need to analyze and discuss these initiatives, and place them under the appropriate Banorte CR pillar. In order to succeed at this activity, the team must first have grasped a strong understanding of Banorte’s four CR pillars. Once all of the initiatives have been properly categorized, there is an opportunity for the CR Team to brainstorm further activities that could fall under the Banorte pillars and are most relevant to INB and the Rio Grande Valley.

Banorte’s Four Pillars

Environmental Protection: Responsibility to act with environmental awareness, preserving the resources used by the company and undertaking actions to produce social environmental awareness.

Community Support: Responsibility to interact and support the community’s growth by acting according to the company’s and the community’s interest.

Ethics and Quality of Life in the Company: Responsibility to provide favorable work conditions under ethical standards in order to encourage both personal and professional development in and out of the work environment.

Value Chain: Responsibility to provide quality products and services and influence the supply chain so that it adopts more sustainable practices.

Current CR initiatives at INB

Bowl-A-Thon	McAllen Affordable Homes
Cleanup on the Island	Motion sensor lighting
Clothing drive	Orphanage adoption
Computer automatic shutdown	Participation in Leadership McAllen
Dell computer recycling program	Recycle all shredded paper
E-Statements	Recycling bins in breakroom
Fax to email	Scanners at local branches
Financial education at STC	Server room upgraded cooling system
Flexible volunteering	Server virtualization
Fundraising run/walk events	Toy drive
Herb garden	United Way donation matching
INBudget	Upgraded chiller on HQ roof
Informal mentorship of tellers	Upgraded fixtures
Involvement in community groups	

Solutions:

 <p>Environmental Responsibility</p> <ul style="list-style-type: none">E-StatementsRecycle all shredded paperHerb gardenUpgraded chiller on HQ roofMotion sensor lightingUpgraded fixturesComputer automatic shutdownServer virtualizationRecycling bins in breakroomServer room upgraded cooling systemScanners at local branchesFax to emailDell computer recycling programCleanup on the Island	 <p>Community Commitment</p> <ul style="list-style-type: none">INBudgetToy driveFundraising run/walk eventsClothing driveOrphanage adoptionParticipation in Leadership McAllenInvolvement in community groupsFinancial education at STC
 <p>Value Chain</p> <ul style="list-style-type: none">McAllen Affordable Homes	 <p>Equality and Governance</p> <ul style="list-style-type: none">Bowl-A-ThonUnited Way donation matchingFlexible volunteeringInformal mentorship of tellers

Appendix I. CR Team Application Form

INB CR Team Application

INB is piloting corporate responsibility (CR) initiatives this summer and is in need of volunteers to lead these plans. These volunteers will make up the initial “CR Team”. During the summer pilot, the CR Team will be focused on educating others within the bank about corporate social responsibility. We estimate that these initiatives will require 5-10 hours of volunteer time per person between June and August 2012. Activities that volunteers will be involved with are:

- Attending a CR training session led by Banorte’s Director of Sustainability
- Authoring a total of two articles concerning CR to be published in the INB Newsletter
- Organizing two brown bag lunch sessions about the bank’s current CR activities
- Organizing two community volunteering events

Unfortunately, for the summer pilot, we are only accepting volunteers at INB Headquarters. However, we do still encourage other employees to submit an application if they are interested in becoming a part of future CR Teams as a part of the full CR roll out in 2013.

Contact Information

Name	Click here to enter text.
Title	Click here to enter text.
Office	Click here to enter text.
Phone Number	Click here to enter text.
E-Mail Address	Click here to enter text.

Initiatives

Please Tell us in which INB/Banorte initiatives are you most interested in

- Environmental (i.e. recycling, greening the bank/McAllen, teaching employees about reducing carbon footprint)
- Community (i.e. community events, volunteering, races, financial education in schools)
- Employee engagement (i.e. employee workplace events/mentoring)
- Socially/environmentally friendly banking products (i.e. loans to promote green projects)

Interests

Please explain why you are interested in becoming a part of the pilot INB CR team

Click here to enter text.

Appendix J. Energy Reduction Pilot Implementation Plan

Energy Reduction Initiative

Description:

This initiative will help INB devise no-cost and low-cost strategies to reduce energy use at its retail bank branches. The pilot will begin with two branches and the results from this test will be used to determine whether any of the strategies can be scaled across all of INB's retail branch locations. The monthly electricity bills from Hudson energy will be used to provide an objective measure of energy consumption by kWh and overall dollar amount for the retail branch.

Purpose:

4. To develop formal energy efficiency (EE) programs at INB retail branch locations
5. Create meaningful CR stakeholder relationships at retail branch locations that can help with future CR initiatives
6. Identify challenges and barriers to implementing standard practice no-cost and low-cost EE strategies
7. Determine whether no-cost and low-cost EE strategies can be scaled to all INB retail locations

Activities:

- 1. Select two INB branch locations to conduct pilot**
 - a. Present a sample of six INB branch locations with relatively high energy use for Michelle and Horacio to select from.
 - b. Michelle and Horacio will select two INB branch locations to conduct pilot based on their understanding of the specific branch and energy intensity use because square foot information is not currently available.
- 2. Identify branch representative to monitor key areas of energy consumption**
 - a. Michelle or Horacio will identify a branch representative (teller, manager, accounts rep, etc) to conduct daily energy reduction checklist.
 - b. Branch representative will complete daily energy reduction checklist and email/fax a copy of the checklist to Michelle at the end of each week.
- 3. Randomly visit each branch two times during pilot period**
 - a. Michelle will visit each branch two times during the pilot period to go through energy reduction checklist with the branch representative.
 - b. Random visit will provide additional assurance that branch representatives are completing the checklists and reveal challenges toward realizing any further no-cost energy activities.
- 4. Once a month during the pilot period, check-in with Michigan student team to discuss status**
 - a. Michelle and/or Horacio will check-in with Michigan student team once a month to discuss pilot status, challenges, and progress.

Timeline

Task	Participants	Total Hour	21-May	28-May	4-Jun	11-Jun	18-Jun	25-Jun	2-Jul	9-Jul	16-Jul	23-Jul	30-Jul	6-Aug	13-Aug	20-Aug	27-Aug
Select two INB branch locations to conduct pilot	Horacio, Michelle		█														
<i>Present a sample of six INB branch locations for Michelle and Horacio to select from</i>	Jonathan, Michelle, Horacio	0.5	█														
<i>Select two INB branches for pilot testing</i>	Michelle, Horacio	0.5		█													
Identify branch representatives to monitor key areas of energy consumption	Horacio, Michelle			█													
<i>Select branch representative</i>	Michelle, Horacio	0.5		█	█												
<i>Discuss pilot with branch rep and provide instructions on daily checklist</i>	Michelle	1				█											
Review daily checklist of energy conservation activities	Branch representative	10 min / day					█										
Randomly visit each branch two times during pilot period	Michelle																
<i>1st visit: Visit branch 1 during pilot period to go through energy reduction checklist</i>	Michelle, Branch representative	1					█										
<i>1st visit: Visit branch 2 during pilot period to go through energy reduction checklist</i>	Michelle, Branch representative	1							█								
<i>2nd visit: Visit branch 1 during pilot period to go through energy reduction checklist</i>	Michelle, Branch representative	1										█					
<i>2nd visit: Visit branch 2 during pilot period to go through energy reduction checklist</i>	Michelle, Branch representative	1														█	
Pilot checkins	Michelle, Jeremy, Jonathan/Lawrence	2							█					█			

Tools/Metrics:

- Daily energy reduction checklist to 1) institutionalize energy efficiency 2) educate branch reps 3) gather feedback
- Monthly Hudson energy bills to evaluate kWh used and total energy spend

Personnel

Participant	Hours
Horacio	2
Michelle	8
Branch representative	20
Jeremy	2

List of potential energy savings activities (to be given to branch managers)

1. Information sharing on the no-cost energy reduction strategy
 - a. Initial information sharing with Michelle, Managers
 - b. Follow-up reminder emails ever 2 weeks
2. Short checklist at the beginning and end of each day completed by Managers/Assistant Managers to ensure that no-cost strategies are being implemented
 - a. Email or fax completed checklists to Michelle Monday morning for the previous week
 - b. Michelle will occasionally participate, unannounced, in a morning or evening checklist completion
3. Consider making low-cost investments for further reductions

No-cost strategies to reduce energy use

- Turn off lights when rooms are not in use
 - Individual offices, break rooms, and bathrooms during the business day
 - Main floors after end-of-business
- Turn off some of the lights on the main floor during peak sunlight hours (as possible)
- Adjust air conditioning set point higher
 - 2 degrees higher during the business day
 - 5 degrees higher after end-of-business
- Reduce sunlight entry to offices
 - Placing advertising boards in windows
 - Closing blinds when possible (especially during hours where sunlight shines directly on the windows)
- Turn off non-essential electronics when not in use (Includes computers, computer monitors, televisions, coffee makers, toasters, etc)
- Turn off non-essential external lights (on INB signs, flagpoles, etc) after end-of-business

Low-cost strategies to reduce energy use

- Install sensors and dimmers for lighting throughout the branch
 - Sensors in individual offices, break rooms, bathrooms, and parking lots
 - Dimmers in offices
- Replace incandescent light bulbs with more efficient CFL light bulbs
- Replace incandescent or CFL lighted Exit signs with LED lighted Exit signs

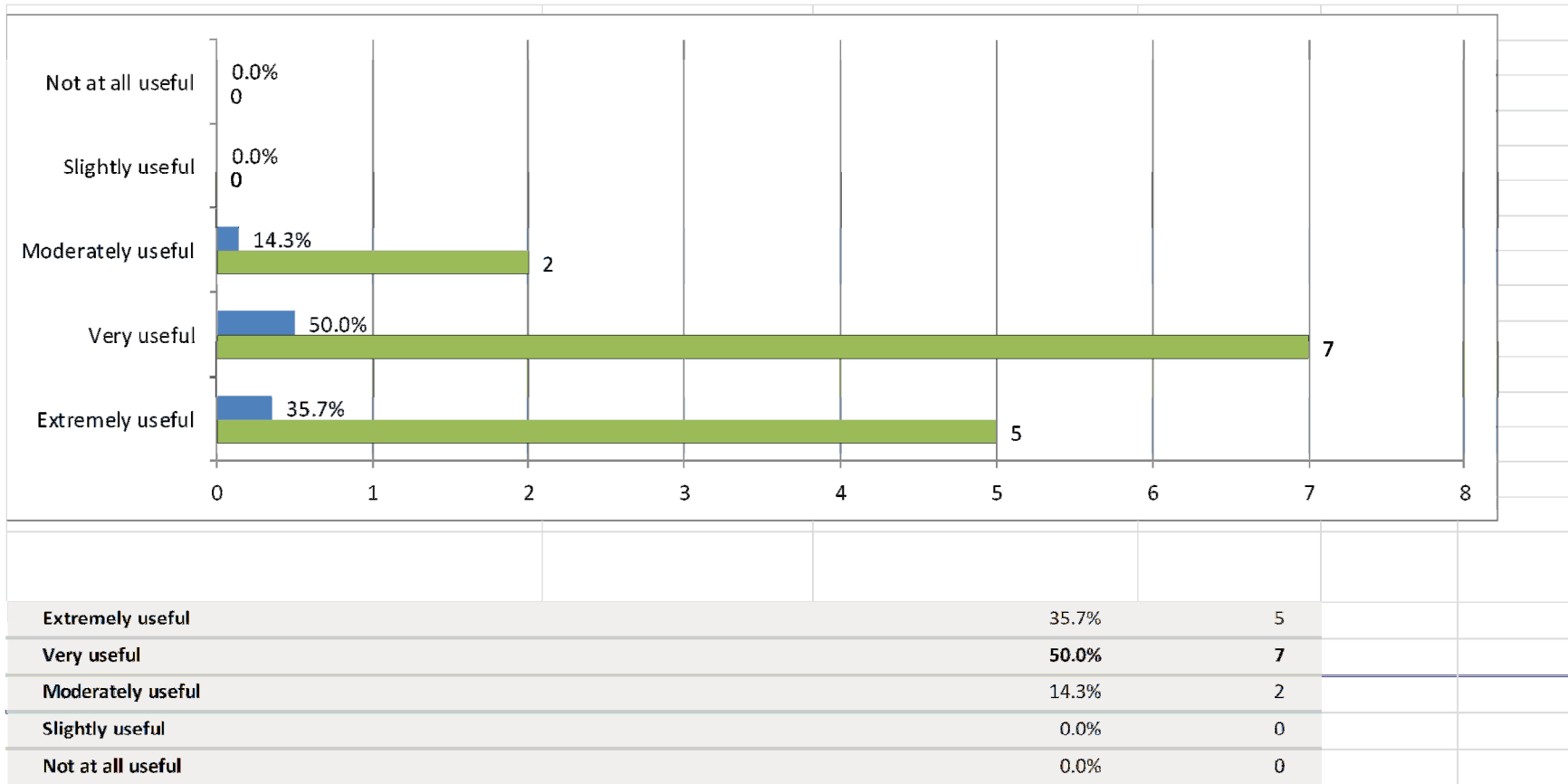
Appendix K. CR Education Results

On August 20th, 2012, the Banorte CR team conducted a CR training session at INB Headquarters in McAllen Texas. 14 employees from INB attended the training. They were asked to complete a survey following the training, yielding the following results:

Please rate your understanding of the themes covered in the Corporate Responsibility training

	Didn't fully understand	Some Understanding	Good Understanding	Great Understanding	Rating Average	Response Count	How many want to learn more?
Overall Understanding of Corporate Responsibility	0.0% (0)	0.0% (0)	35.7% (5)	64.3% (9)	3.64	14	5
Understanding of Community Commitment Pillar	0.0% (0)	0.0% (0)	42.9% (6)	57.1% (8)	3.57	14	3
Understanding of Equality and Governance Pillar	0.0% (0)	7.1% (1)	35.7% (5)	57.1% (8)	3.5	14	5
Understanding of Environmental Responsibility Pillar	0.0% (0)	0.0% (0)	28.6% (4)	71.4% (10)	3.71	14	3
Understanding of Value Chain Pillar	0.0% (0)	7.1% (1)	50.0% (7)	42.9% (6)	3.36	14	4
Understanding of Corporate Responsibility Reporting	0.0% (0)	7.1% (1)	50.0% (7)	42.9% (6)	3.36	14	3
Understanding of Energy Efficiency/Reduction	0.0% (0)	0.0% (0)	14.3% (2)	85.7% (12)	3.86	14	3
Understanding of Volunteering	0.0% (0)	0.0% (0)	21.4% (3)	78.6% (11)	3.79	14	4
Understanding of Green Products and Services (Loans/Mortgages? Account, etc.)	0.0% (0)	0.0% (0)	21.4% (3)	78.6% (11)	3.79	14	3
Understanding of Employee Events	0.0% (0)	7.1% (1)	14.3% (2)	78.6% (11)	3.71	14	4
Understanding of Climate Change	0.0% (0)	0.0% (0)	35.7% (5)	64.3% (9)	3.64	14	3

How useful to your job was the information presented at the event?



Extremely useful	35.7%	5
Very useful	50.0%	7
Moderately useful	14.3%	2
Slightly useful	0.0%	0
Not at all useful	0.0%	0

What initiatives discussed are the most interesting and useful to you as they relate to your job?

"i really like the community involvement. i would like the opportunity to do more"

"The one related to stop using paper and get all work electronic. Generally speaking, all related to the better use of technology."

"Define the perks the bank is willing to give non-profit companies when they apply for a loan, etc"

"I found the idea of going green and how INB is implementing the concept to both the work place and for customers very interesting and beneficial to our company. The direction that people are taking these days to help the environment and economy is a very satisfying feeling that will help us work for a better tomorrow."

"Community Involvement"

"Cleanup on the Island, clothing drive, recycle all shredded paper, recycling bins in breakroom, fax to email, scanner at local branches, flexible volunteering, server virtualization, fundraising run / walk events, toy drive, herb garden, united way donation matching, involvement in community groups and employee appreciation events."

"I believe the Green Products have a lot to do with what we all do. We print out a lot of documents daily when opening accounts and having something to help out with that would be great. This would be helping the environment and also would be the bank with paper use."

"saving paper, more video conferencing, an intranet service within INB"

"The use of the four pillars to create a better environment inside and out"

"Corporate Responsibility"

"Community Commitment Pillar"

"Going Green. Innovative ways to save on expenses as far as training with less travel time to cut down on spending"

"Corporate Responsibility: Triple Bottom Line (People, Planet, Profits) & Sustainable Enterprise"

"reduction of paper and increase use of technology to promote resourcefulness. taking up projects within the community."

Appendix L. INB's Energy Pilot Analysis

2011							2012							%
S. 10th	Period	Usage	Energy	Passthru	Taxes	Due Amt	S. 10th	Period	Usage	Energy	Passthru	Taxes	Due Amt	Change
June	05/17 - 06/16	5,047	410.36	157.78	54.12		June	05/16 - 06/15	4,715	329.58	152.89	44.65		
July	06/16 - 07/18	5,247	366.77	157.97	49.51	574.25	July	06/15 - 07/17	5,110	357.19	155.02	47.71	559.92	
August	07/18 - 08/16	5,134	358.87	158.22	48.71	565.80	August	07/17 - 08/15	4,820	336.92	156.66	47.12	540.70	
						1,140.05							1,100.62	-3%
Nolana	Period	Usage	Energy	Passthru	Taxes	Due Amt	Nolana	Period	Usage	Energy	Passthru	Taxes	Due Amt	
June	05/10 - 06/09	2,486	202.13	135.39	29.13		June	05/09 - 06/08	1,337	93.46	105.13	16.37		
June	05/10 - 06/09	8,106	569.07	354.40	85.78		June	05/09 - 06/08	8,012	560.04	401.70	73.94		
June	05/10 - 06/09	1,101	89.52	65.19	13.46		June	05/09 - 06/08	1,101	76.96	73.79	12.12		
June	05/10 - 06/09	1,101	89.52	65.19	13.46		June	05/09 - 06/08	1,101	76.96	73.79	12.12		
June	05/10 - 06/09	485	39.43	32.51	6.35		June	05/09 - 06/08	670	46.83	45.82	7.49		
June	05/10 - 06/09	827	67.24	47.76	9.96		June	05/09 - 06/08	695	48.58	47.12	7.70		
June	05/10 - 06/09	1,468	119.36	91.39	18.41		June	05/09 - 06/08	1,468	102.61	102.87	16.64		
July	06/09 - 07/11	2,422	169.30	135.86	25.86	331.02	July	06/08 - 07/10	1,536	107.37	110.62	17.71	235.70	
July	06/09 - 07/11	7,812	546.06	347.48	73.85	967.39	July	06/08 - 07/10	9,472	662.09	449.72	84.77	1,196.58	
July	06/09 - 07/11	1,101	76.96	65.19	12.12	154.27	July	06/08 - 07/10	1,101	76.96	73.79	12.12	162.87	
July	06/09 - 07/11	1,101	76.96	65.19	12.12	154.27	July	06/08 - 07/10	1,101	76.96	73.79	12.12	162.87	
July	06/09 - 07/11	415	29.01	29.47	5.09	63.57	July	06/08 - 07/10	718	50.19	48.29	7.91	106.39	
July	06/09 - 07/11	757	52.91	44.66	8.31	105.88	July	06/08 - 07/10	583	40.75	41.32	6.65	88.72	
July	06/09 - 07/11	1,468	102.61	91.39	16.64	210.64	July	06/08 - 07/10	1,468	102.61	102.87	16.64	222.12	
August	07/08 - 08/09	2,936	205.23	146.26	29.41	380.90	August	07/10 - 08/07	1,348	94.23	105.66	17.61	217.50	
August	07/08 - 08/09	8,766	612.74	371.97	80.97	1,065.68	August	07/10 - 08/07	8,797	614.91	425.48	87.03	1,127.42	
August	07/08 - 08/09	1,101	76.96	65.19	12.12	154.27	August	07/10 - 08/07	1,101	76.96	73.79	13.07	163.82	
August	07/08 - 08/09	1,101	76.96	65.19	12.12	154.27	August	07/10 - 08/07	1,101	76.96	73.79	13.07	163.82	
August	07/08 - 08/09	344	24.05	26.33	4.42	54.80	August	07/10 - 08/07	601	42.01	42.25	7.34	91.60	
August	07/08 - 08/09	795	55.57	46.33	8.68	110.58	August	07/10 - 08/07	514	35.93	37.73	6.44	80.10	
August	07/08 - 08/09	1,468	102.61	91.39	16.64	210.64	August	07/10 - 08/07	1,468	102.61	102.87	17.88	223.36	
						4,118.18							4,242.87	3%

Appendix M. Energy Reduction Pilot Implementation Plan

Energy Reduction Initiative

Description:

This initiative will help INB devise no-cost and low-cost strategies to reduce energy use at its retail bank branches. The pilot will begin with two branches and the results from this test will be used to determine whether any of the strategies can be scaled across all of INB's retail branch locations. The monthly electricity bills from Hudson energy will be used to provide an objective measure of energy consumption by kWh and overall dollar amount for the retail branch.

Purpose:

8. To develop formal energy efficiency (EE) programs at INB retail branch locations
9. Create meaningful CR stakeholder relationships at retail branch locations that can help with future CR initiatives
10. Identify challenges and barriers to implementing standard practice no-cost and low-cost EE strategies
11. Determine whether no-cost and low-cost EE strategies can be scaled to all INB retail locations

Activities:

5. Select two INB branch locations to conduct pilot

- a. Present a sample of six INB branch locations with relatively high energy use for Michelle and Horacio to select from.
- b. Michelle and Horacio will select two INB branch locations to conduct pilot based on their understanding of the specific branch and energy intensity use because square foot information is not currently available.

6. Identify branch representative to monitor key areas of energy consumption

- a. Michelle or Horacio will identify a branch representative (teller, manager, accounts rep, etc) to conduct daily energy reduction checklist.
- b. Branch representative will complete daily energy reduction checklist and email/fax a copy of the checklist to Michelle at the end of each week.

7. Randomly visit each branch two times during pilot period

- a. Michelle will visit each branch two times during the pilot period to go through energy reduction checklist with the branch representative.
- b. Random visit will provide additional assurance that branch representatives are completing the checklists and reveal challenges toward realizing any further no-cost energy activities.

8. Once a month during the pilot period, check-in with Michigan student team to discuss status

- a. Michelle and/or Horacio will check-in with Michigan student team once a month to discuss pilot status, challenges, and progress.

Timeline

Task	Participants	Total Hour	21-May	28-May	4-Jun	11-Jun	18-Jun	25-Jun	2-Jul	9-Jul	16-Jul	23-Jul	30-Jul	6-Aug	13-Aug	20-Aug	27-Aug
Select two INB branch locations to conduct pilot	Horacio, Michelle		█														
<i>Present a sample of six INB branch locations for Michelle and Horacio to select from</i>	Jonathan, Michelle, Horacio	0.5	█														
<i>Select two INB branches for pilot testing</i>	Michelle, Horacio	0.5		█													
Identify branch representatives to monitor key areas of energy consumption	Horacio, Michelle			█													
<i>Select branch representative</i>	Michelle, Horacio	0.5		█													
<i>Discuss pilot with branch rep and provide instructions on daily checklist</i>	Michelle	1				█											
Review daily checklist of energy conservation activities	Branch representative	10 min / day					█										
Randomly visit each branch two times during pilot period	Michelle																
<i>1st visit: Visit branch 1 during pilot period to go through energy reduction checklist</i>	Michelle, Branch representative	1					█										
<i>1st visit: Visit branch 2 during pilot period to go through energy reduction checklist</i>	Michelle, Branch representative	1							█								
<i>2nd visit: Visit branch 1 during pilot period to go through energy reduction checklist</i>	Michelle, Branch representative	1										█					
<i>2nd visit: Visit branch 2 during pilot period to go through energy reduction checklist</i>	Michelle, Branch representative	1														█	
Pilot checkins	Michelle, Jeremy, Jonathan/Lawrence	2							█					█			

Tools/Metrics:

- Daily energy reduction checklist to 1) institutionalize energy efficiency 2) educate branch reps 3) gather feedback
- Monthly Hudson energy bills to evaluate kWh used and total energy spend

Personnel

Participant	Hours
Horacio	2
Michelle	8
Branch representative	20
Jeremy	2

Pilot Results

The pilots resulted in a 3% and 1% normalized (4% and 3% unnormalized) reduction in energy used at the 10th Street and Nolana branches, respectively.

			All	Non-Pilot	10th st	10th st - normalized 1	NOLANA	NOLANA - normalized
Energy Used	2011/2010	Oct-Dec	0%	0%	2%	2%	-3%	-3%
	2012/2011	Jan-Mar	-3%	-3%	-17%	-14%	-7%	-4%
	2012/2011	Apr-Jun	-2%	-2%	-7%	-5%	-8%	-6%
	2012/2011	Jul-Sep	-2%	-1%	-4%	-3%	-3%	-1%
Energy Cost	2011/2010	Oct-Dec	-11%	-12%	-8%	4%	-10%	2%
	2012/2011	Jan-Mar	-15%	-15%	-24%	-11%	-16%	-1%
	2012/2011	Apr-Jun	-11%	-11%	-16%	-5%	-12%	-1%
	2012/2011	Jul-Sep	-7%	-7%	-3%	4%	-3%	4%

Appendix N. INB Interview Summaries

Sal Hernandez - Administrative Officer and Security Officer, INB

Sal provided us insight into the various buildings leased by INB and energy efficient features of the buildings. He explained the structure of his operating team and the external relationships that his department maintains. Sal helped us understand the challenges of building management in the Rio Grande Valley area. This background information allowed us to design around the opportunities and constraints of INB's physical presence.

The INB headquarters building was built in 1983, with INB occupying 4 of the 6 floors in the building. INB, under previous CEO Carlos Garza, initiated building upgrade initiatives to help increase energy efficiency, starting with an air chiller upgrade. Additional upgrades have been put in place, including automated control of the HVAC system, motion sensors in the restrooms and upgrading of light bulbs from traditional incandescent yellow lighting to fluorescent white lighting. With some of the more central upgrades, INB was able to share the cost with the other tenants in the building.

INB's location in the deregulated Texas retail electricity market allows it to shop around for an energy retailer. A few years ago, INB took advantage of this market by signing on with an energy broker, Frontera Power Broker. INB now has energy supplied primarily by Hudson Energy, at the headquarters location and at most of the branches. INB also sources a limited amount of its energy from renewable sources, via another energy supplier, Green Mountain Energy.

Power outages are common in the McAllen area during times of high energy usage, such as during hot summer days. Blackouts are usually scheduled on a rolling basis during summer nights, but occasional unexpected blackouts do occur a few times per year. This results in power outages for INB, which forces branches to shut down and suffer lost operational hours.

Sal's description of INB's building initiatives demonstrates a commitment to energy efficiency upgrades, primarily as a cost saver. Although they have made strides towards energy efficiency at headquarters, there is significant room for improvement at the local branches. Additionally, energy efficiency upgrades are limited to the best practices in the McAllen building maintenance community. Green building is a fast evolving field, and the McAllen team could benefit from new ideas and best practices taken from other parts of the country or world.

Tracking of energy consumption is available, but no process is readily available to analyze the data. Energy bill data is complete and consolidated, but there is no mathematical analysis performed, only an eyeball test of the data.

Karen Valdez – Executive Vice President / Cashier, INB

Karen Valdez was a driver of existing corporate responsibility initiatives at INB and very involved with environmental efforts in the greater McAllen area. In the community, she has held various leadership positions, such as the Leadership McAllen board and as the Chairman of the Board of the McAllen Chamber of Commerce.

Karen was on the board for McAllen Affordable Homes for many years. McAllen Affordable Homes built homes for mid and low income families and developed the communities around these developments. Homes usually cost \$65,000 and focused on revitalizing slumped communities in McAllen. The program is extremely popular, with over 300 families on the waiting list for a home.

McAllen is heavily involved in recycling, boasting the highest recycling rate in the state (even ahead of Austin). Unfortunately, the neighboring cities in the Rio Grande Valley do not share the same emphasis on recycling. Since employees do not usually live in McAllen, the interest in recycling is not always widespread across all employees. Karen believes that the bank could build more interest in recycling by motivating employees to volunteer in the Keep McAllen Beautiful program, or to educate employees through visits of the recycling plants or seminars conducted by staff from the recycling center.

To personally spur recycling at INB, Karen placed recycling bins in the employee lounge areas across headquarters. Unfortunately, some of these efforts faced operational challenges. First, styrofoam cups are popular amongst the employees, and the only effort INB has taken is to encourage employees to only use one cup a day. Cardboard is recyclable, but only if employees bring it to the back of the building, where the recycle bin is located. Shredded paper is automatically recycled, but employees only think to shred confidential documents, leaving the rest of the paper to end up in the trash. Finally, the city of McAllen picks up trash for a flat fee, yet charges additional fees to pick up aluminum cans for recycling.

CR activities at INB are usually championed organically, with employees stepping up on individual occasions to champion initiatives. There is no central community outreach or volunteer coordinator. Some of INB's competitors are already engaged in many CR activities. For example, IBC already encourages its staff to sit on executive boards of local community organizations or do volunteering activities during the day. Employees earned points for their community service and were entered into drawings for prizes. A rating for community involvement was included in the annual review process at IBC, but not at INB. Having incentives improved IBC's participation in the community, but Karen did caution against overdoing community service, as it can be distracting to the company's core business.

Karen pointed out that the social aspect of CR would be easier to complete at INB than the environmental aspects. Many employees are already involved in social issues in the community already, and would readily support the bank's involvement in these issues. Additionally, customers experience many of these social problems firsthand, and ask the bank for help whenever things are tough in their personal lives. In contrast, environmental issues are rarely mentioned by INB's customers, and the bank's employees are not as involved in community environmental groups.

Laco Flores, INB

Laco Flores expressed a desire for INB to take increased community leadership roles. As a veteran of the bank, he explained that being involved in the community is consistent with the traditional INB image. INB should differentiate itself from its competitors through service. This would fit well in the Rio Grande Valley community, where there is a major orientation towards family and strong Mexican cultural ties.

Laco expressed confidence in the future of CR at INB with the new CEO, Sam, at the helm. Sam recognized the need for happy employees, and the need to make INB an enjoyable place to work. INB was also in a place to transform itself. One of the biggest advantages in south Texas banking was to be binational. With Banorte's recent control of INB, INB had an increased opportunity to touch the communities on both sides of the US-Mexico border.

Edna Sepulveda, INB

Edna Sepulveda worked as an international lender, helping Mexicans finance purchases of homes, businesses, aircraft and other large expenditures, in the United States. Most of the Edna's customers were well established, either with INB or with Banorte.

Edna lived in McAllen and felt like that made a big difference in driving her interest in CR at INB. She pointed out that the primary interest in the community is to do social good within the local community. Personally, she was interested in efforts that helped children or disadvantaged people, much like the current support from INB to United Way. Finally, she pointed out that many people at the bank were already involved in the community, especially through their churches. She said it would be great to have INB further support many of these existing efforts, either through direct participation or by allowing employees the flexibility to help out in the community.

Jay Leal – Chief Technology Officer, INB

Jay Leal is the Chief Technology Officer at INB. He oversees all technology operations at headquarters and at the branch level.

When asked about sustainability, Jay realized that many of the technology department's existing initiatives already exhibit many of Banorte's sustainability pillars. These initiatives were untaken before CR was introduced simply because of the cost savings. Energy consumption was cut down by deploying scripts that shuts down computers at the end of the day. All fax machines were eliminated and replaced with digital fax capabilities. Wire transfers and bank statements were converted to electronic records. Server virtualization allowed INB to go from 60 different servers to just 3, drastically reducing power consumption yet also increasing the resiliency of the systems.

Jay wanted to see even more aggressive paperless capabilities. He suggested using tablets for lenders and electronic signatures on paperwork. He also liked the idea of on-demand printing for brochures, and thought they could give a competitive advantage through on-the-spot personalization for each customer.

Jay pointed out the challenges of implementing some of Banorte's more aggressive initiatives. CR at Banorte may not scale down to regional sized banks that rely more on personal relationships. For example, a switch from Arial font to Century Gothic makes documents harder to read and unacceptable in the Rio Grande Valley.

Tiffin Brinkman – INB

Tiffin supervises tellers across all INB branches and gave us depth into the typical duties of the tellers. For tellers, performance incentives can be monetary or symbolic, such as prizes for hitting targets or lunch sessions with the CEO. Tellers are also a great entry point into a career at INB, with 25% of tellers moving up the company into leadership roles.

Tiffin explained that it was important for CR initiatives to also be held in the local branches. Given the personal schedules, along with many of employees being part-time students, it is very hard for local branch employees to make it to corporate headquarters for events. She's also hopeful that CR fits in well with INB and the greater McAllen community, specifically pointing out the success of recycling in the city. If Tiffin were to get involved with CR initiatives at INB, she'd most like to be involved with drug abuse prevention initiatives.

Elodia de la Garza – INB

Elodia works in the International Banking department at INB. She highlighted the importance of INB and Banorte being a Mexican and US bank. About 50% of the new customers who were joining INB were existing Banorte customers in Mexico. From a CR perspective, many of the affluent INB customers were already donors in education or social, and it may be an opportunity for INB to partner with some of these people. Elodia herself was particularly interested in women's initiatives.

Elodia believed that INB was already doing a good job with social issues, but could do events with more regularity or possibly more options. Some of the staff had the perception that CR has a religious or political undertone. Because of this, executive support of CR initiatives is very important to make initiatives inclusive.

Eric Sanchez – INB

Eric was in the business development group of INB, frequently travelling to Mexico to meet with Banorte-INB customers. His role is to meet with existing Banorte customers and sell them on opening accounts at INB for their US transactions. He explained that INB was aggressively expanding their cross-selling with Banorte's Mexican customers by creating a new "preferred service" department for high net worth Mexican customers.

Many of Eric's customers were already involved in with CR-related initiatives. For example, there was one customer who funded an annual medical expedition to the indigenous people of Brazil. Mexican business people sought legitimacy in their images, and giving back to the community was an effective way to do that. Eric believed that economic and environmental issues had the most traction in his customers' eyes, but that it really depended whether he was speaking from a Mexican or an American customers' perspective.

Eric expressed excitement at the possibility of new CR programs, tying it back to excitement with the direction of the bank. He thought there was a lot of room for growth in the area of social responsibility. Some social support was already present in the community through charities such as the United Way. He said CR was a good fit with McAllen, where family comes first and people have a great quality of life.

Fernando Betencourt – INB

Fernando is a new accounts manager at the headquarters branch. He felt that the biggest need was teaching clients how to manage their credit. INB was already making moves in this area, specifically with the INBudget program. He said his customers had difficulty understanding how to manage their expenses or developing a credit history.

Fernando believed there was a great reliance on the school system to teach financial literacy. He thought it would be good for the bank to partner with schools and bring students in for educational sessions. It would be more effective than a classroom because it would help them focus. This would also be a great opportunity to further promote INB's products.

Mary Campos – INB

Mary is the Director of Compliance and Audit, managing a team of 15 in accounting and risk management. She was very active with the local recycling initiatives, sitting on the board of Keep McAllen Beautiful and educating neighborhoods about recycling.

She saw many opportunities with how the bank could further promote recycling in the community. Within the company, she was bothered by the heavy use of Styrofoam cups, proposing that the company just issue mugs for all employees. In the community, she felt that schools could benefit from local recycling contests. Education about shredding could also teach people about recycling and how to protect them from identity theft. She emphasized the need for the education to be in Spanish as well, to cater to the local community. She pointed to the success of e-statements as a demonstration of how environmental initiatives could be well received, and mentioned electronic documents and signatures as the next step in going paperless. Overall, she felt that sustainability initiatives would make the bank much more popular, especially with retirees from the East Coast. Although there were always great ideas for CR initiatives, many of them had to go through HR before seeing any action, dying off somewhere in the process.

From a social perspective, she saw opportunities to help the community better manage their personal finances. Many in the community had no understanding of credit that they felt as if getting more credit meant their credit was getting better. She felt like it'd be great for the bank to issue automatic alerts when customers were nearing their credit limits. Parents in the community were not accustomed to speaking with their children about money issues. Because of this, she felt that the right age to teach the community about financial literacy was at the end of high school, at ages 17 or 18. She thought it'd be great to have employees go out to the schools and teach financial literacy, especially for people who had transitioned to back office positions and missed the interactions with customers.

Myrna Marquez

Myrna works on backwork for INB's accounts. She felt that recycling was happening at INB already and pointed to the shredding and recycling bins around the office. She did not feel that recycling would be a differentiator to get more customers, but it was a nice to know feature the bank could promote.

Myrna was not too familiar with INB's existing initiatives, but felt that helping the community would be the most important. She mentioned that INB adopted an orphanage in Mexico last year. Organizing CR initiatives in Reynosa felt like they were helping their local community, and would spike interest in many employees.

Juanita Mendoza

Juanita works with customers in mortgage loans, home improvement loans. Juanita provided several examples of customers who were already using banking services for socially conscious purposes. Her first example was a residential customer who took out a loan to get better insulation and to save money on electricity use, particular in the air conditioning heavy summer months. A second customer commercial customer took out a loan to create a better warehouse. This client needed a lot of refrigeration, so he decided to build a double insulated warehouse with high quality cement. He made the whole building a freezer, instead of putting a freezer into a building. The client learned this technique from a client in a produce company in another state, demonstrating the potential for cross-pollinating ideas between INB clients. One of the top demands that Juanita sees from customers is the addition of pools to their homes.

Juanita expressed support for green initiatives, stating that it would be helpful to give energy efficiency information brochures to loan clients. But at the end of the day, customers were most concerned with the rate. For INB, CR could enhance customer relationships. Customers in lending are quite loyal, usually seeking multiple loans from INB for their home, car and personal needs.

Eric Rodriguez & Jay Leal

Eric and Jay worked in INB's IT department. They mentioned a few exciting initiatives going on in the community as well. The eRate program in McAllen was a program to get free iPads to students in the school district. This program was partially subsidized by Apple.

Imelda Hinojosa

Imelda provides commercial lending assistance to provide loans. Her perception of INB's CR efforts was the Walk-A-Thons, United Way, helping with local charities, and the annual orphanage donation. She pointed out many of the organic initiatives that already arise at INB. Employees are happy to help each other during times of crisis, and emails go around the office to announce these situations. People contributed to the community through their churches, but these frequently did not enter the workplace.

Imelda had some additional ideas on how INB could encourage further green practices. She mentioned can recycling, but expressed uncertainty on whether people would be willing to use reusable mugs. She said it'd be helpful to further educate customers about green practices, but that it was important that employees understood it themselves first. In order the reach customers, she suggested that additional green tips could be added to the e-statements. She always noted the popularity of "Adopt-A-Highway" in the community, and suggested that INB could adopt a highway. Overall, she thought the idea of

competitions and prizes would be a great way to engage employees, but did not like the idea of having lunch with the CEO as the prize.

Norma Casillas

Norma was an assistant lender with INB. She mentioned that the best thing for INB to get involved in would be financial literacy education, since young customers don't understand products such as checking fees. She thought it would be good to educate 6th to 8th graders, teaching them how to save, how interest works and learning about saving through a CD. She said trips by INB staff to the schools, where they could then show off debit cards, checks and bank account statements, could be helpful.

Norma also pointed out that it would be important to incentivize employees to participate in CSR initiatives. She thought additional days off with pay, Christmas parties with additional prizes or lunches within departments could be interesting. She pointed to the firm's trip to Las Vegas last year as an effective prize.

Ginger Myska

Ginger Myska oversaw various compliance aspects of INB's business. She spoke of the differences in social responsibility priorities between different groups affiliated with the bank. Personally, people already had their individual community interests, such as Bowl-A-Thons, walks, or organizations like the Rotary club or the Chamber of Commerce. The bank was doing a good job promoting some of these, but interests waned if activities were repeated too frequently. However, the interests of the customers of INB and the employees of INB could be quite different, since employees tended to be much younger than the customers.

Ginger believed that CSR was important for INB and would represent a strengthening of its tradition of being very customer centric. CSR could also be an important component for INB to win work in certain municipalities that judge firms based on community involvement. Some communities are interested in corporate community investments (CRAs), such as in El Paso, where First National Bank has won many bids.

INBudget Team (Yvette, George, Laura)

The INBudget team was a recent winner of a Banorte sustainability idea award. They saw the sad story in the community where high schoolers would get credit cards when they were 18 and would dig themselves in a deep hole of debt. The INBudget team built a program where they would train bank staff to teach financial literacy to high school seniors. The staff who participated would need to qualify for the program by demonstrating their own financial responsibility. The cost of the program was only \$1.50 a child, the cost of printing the materials. The INBudget program will get easier and easier to execute as the pool of qualified teachers increases over time.

The idea for INBudget first started at Yvette's church, where she taught 11th and 12th graders in the community about financial literacy over a summer. Parents said they would have liked a copy of the information themselves. The INBudget team entered their idea into a Banorte competition, where they

beat out 700 other entries to win. The team was well compensated for their efforts and got special announcements in Banorte and INB newsletters. This type of publicity has been greatly beneficial for the INBudget team and further exemplifies INB's desire to foster community involvement. INBudget was a candidate to fall under the HR budget, but it was stressed that timing of such initiatives would be a big factor: at the moment, the bank was going through stress testing from regulators.

Nancy Millar

Nancy was the head of the McAllen Chamber of Commerce. She spoke of the many initiatives and companies doing socially responsible things within the community. McAllen had an award winning recycling center, with the city of Austin even contacting McAllen for advice. Green Mountain Energy donated solar panels to put on the chamber's roof. The Keep McAllen Beautiful Initiative was a very successful program that visible reduced the litter in McAllen. The Green Festival and Viva Verde festival were also very popular, with over 4000 people in attendance last year. Overall, McAllen was a very environmentally conscious community.

Nancy helped brainstorm some ideas on how INB could help advance the community. She suggested that the power of INB could be used to help market the adoption of solar panels from vendors such as Green Mountain Energy. She also suggested green loan programs for people trying to live more sustainably, and that the chamber would be willing to help promote it.

Nancy mentioned that McAllen was likely a leader in community responsibility since it was the wealthiest of the 4 cities in the area. Pharr, a neighbor city, had its own recycling center, while the other two neighbors did not even have recycling.

Chris Lash

Chris was the director of the McAllen Recycling Center. She was a member of several sustainability related groups in the area, including the Rio Grande Valley Green Councils, the e-waste alliance for recycling in Texas, Keep Texas Beautiful and Keep America Beautiful.

Recycling was popular in McAllen because there were no trash facilities in the city; all of McAllen's trash had to be exported to the neighboring city of Edinburgh. McAllen was the only city in the region to offer curb side recycling. It used to be on two different days but it resulted in significant contamination, so pick up was reduced to once a week. The city handed out pamphlets to educated residents about recycling pick up and educated kids in the local schools to help promote recycling. Unfortunately, the city faced a hurdle with McAllen's constantly transitioning population, since McAllen was frequently a transition city.

Chris saw a few additional opportunities for recycling in McAllen. She said awareness could be increased with businesses, which were charged for hauling away trash and could have benefited from more recycling. She also said that apartment buildings were not being served because the contamination rate was too high.

Appendix O. Benchmarking Analysis

Community Commitment

Customer Education	Norm: Online tools available for customer financial education	INB Status: No online resources. New employee workshop effort.	
	Leader: Online education enhanced by officially sponsored, employee-run public financial literacy workshops		Next Steps: Online financial literacy toolkit
	Leader Example: Amarillo National Bank		
Employee Volunteering	Norm: Informally organized employee volunteering at nonprofits	INB Status: Informal employee volunteering efforts	
	Leader: Formal partnerships with non-profits including incentives that encourage employees to volunteer and take leadership roles		Next Steps: Formal volunteering program based on partnership
	Leader Example: Valley National Bank		
Financial Contributions	Norm: Formal donation and sponsorship request mechanism	INB Status: Informal fundraising efforts only	
	Leader: Employee led fundraising efforts including an official donation matching program		Next Steps: Donation-matching program for employee contributions
	Leader Example: Bank of Texas		
Social Products	Norm: No social products	INB Status: No social products	
	Leader: Offer products that maintain or support community or sustainability, including non-profit lending or microfinance		Next Steps: Develop microfinancing mechanism for small businesses
	Leader Example: BankPlus		

Environmental Sustainability

Employee Transportation	Norm: Bike racks, parking lot	INB Status: Bike racks, video conference equipment	
	Leader: Carpool/rideshare programs (with incentives), virtual meetings, green fleet, showers for bikers, carbon offsets		Next Steps: Carpool/rideshare program, more virtual meetings
	Leader Example: Circle Bank		
Energy Efficiency	Norm: Energy efficient light bulbs, energy reduction fliers	INB Status: Updated HVAC, some motion sensors, updated servers	
	Leader: Motion sensors, variable speed drives, LEED certified construction, REC purchases, EMS, upgraded electronics		Next Steps: Retrofit lighting systems, more motion sensors, window tinting
	Leader Example: Rockville Bank		
Paper Reduction	Norm: Paperless statements, shredding bins with informal goals	INB Status: Electronic statements, shredding bins, no goals	
	Leader: Digital repository and electronic forms and signing, duplex printing, clear reduction goals		Next Steps: Develop informal annual goals for paper reduction
	Leader Example: Platinum Bank		
Recycling	Norm: Paper and container recycling bins, explanatory signage	INB Status: Limited recycling programs at HQ only	
	Leader: Advanced programs including electronics recycling, composting, employee/customer training with goals and metrics		Next Steps: Bins at all branches with available municipal recycling
	Leader Example: Circle Bank		

Equality & Governance

Career Support	Norm: One time training sessions on a case-by-case basis, informal mentorship culture, standardized performance feedback	INB Status: Flexible work schedules for part-time students, no formal training programs Next Steps: Formal training sessions, encourage informal mentorship
	Leader: structured training program including ongoing specialized skill sessions, mentorship opportunities, defined career progression	
	Leader Example: Amergy Bank of Texas.	

Diversity Hiring	Norm: Some women or minorities in mid- or high-level positions	INB Status: Latino and woman presence into higher management Next Steps: Take advantage of diversity in the marketplace
	Leader: Formal targeted initiatives to increase hiring of women and minorities, including for top management positions	
	Leader Example: Farm Credit Bank of Texas	

Ethical Culture	Norm: Provide clients with reasonable, non-predatory products	INB Status: Customized products for individual borrowers Next Steps: Annual training sessions on ethics and compliance
	Leader: Dedicated ethics and compliance managers, with ethics build into differentiation strategy	
	Leader Example: Old National Bank	

Value Chain

Environmental and Social Risk Valuation	Norm: No environmental and social risk valuation	INB Status: No environmental or social risk valuation Next Steps: Include single, subjective impact metrics in lending decisions
	Leader: Consideration of environmental and social risk in all larger lending and investment decisions	
	Leader Example: Tradition Bank	

Impact Investing	Norm: Funding of impact projects that meet normal funding criteria	INB Status: Funds project that meet normal funding criteria Next Steps: Home loan program incentivizing responsible remodeling
	Leader: Target sustainable or socially responsible projects for funding or investment	
	Leader Example: Green Bank	

Partnerships	Norm: Cash or in-kind donations to mostly informal partner entities	INB Status: Mostly informal support of partner organizations Next Steps: Develop single strong partnership with goal for support
	Leader: Directly ties support of partner organizations to everyday retail or commercial business	
	Leader Example: One PacificCoast Bank	

Supply Chain	Norm: Recycling at branches, electronic banking, optimized IT	INB Status: Improving internal processes Next Steps: Make branches greener to support customer sustainability
	Leader: Pushes suppliers to be efficient and green. Provides customers with options that make it easy for them to act green	
	Leader Example: GreenChoice Bank	

Other

CR Reporting	Norm: Tracking of energy and utility bills with trending analysis	INB Status: Does not analyze details of energy and utility bills Next Steps: Analyze utility bills to evaluate energy use performance
	Leader: Reporting of impact through external agency (e.g. CDP), tracking of advanced metrics including carbon and water	
	Leader Example: Comerica Bank	