

Sustainable Economies Due diLigence:
good EXamples and the role
of social dialogue

GLS Gemeinschaftsbank eG Germany

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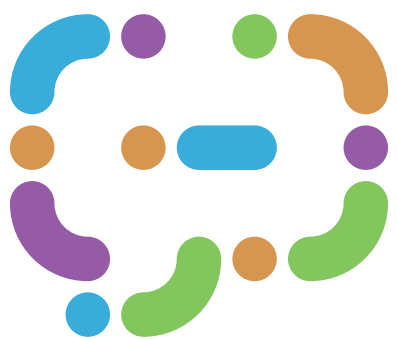
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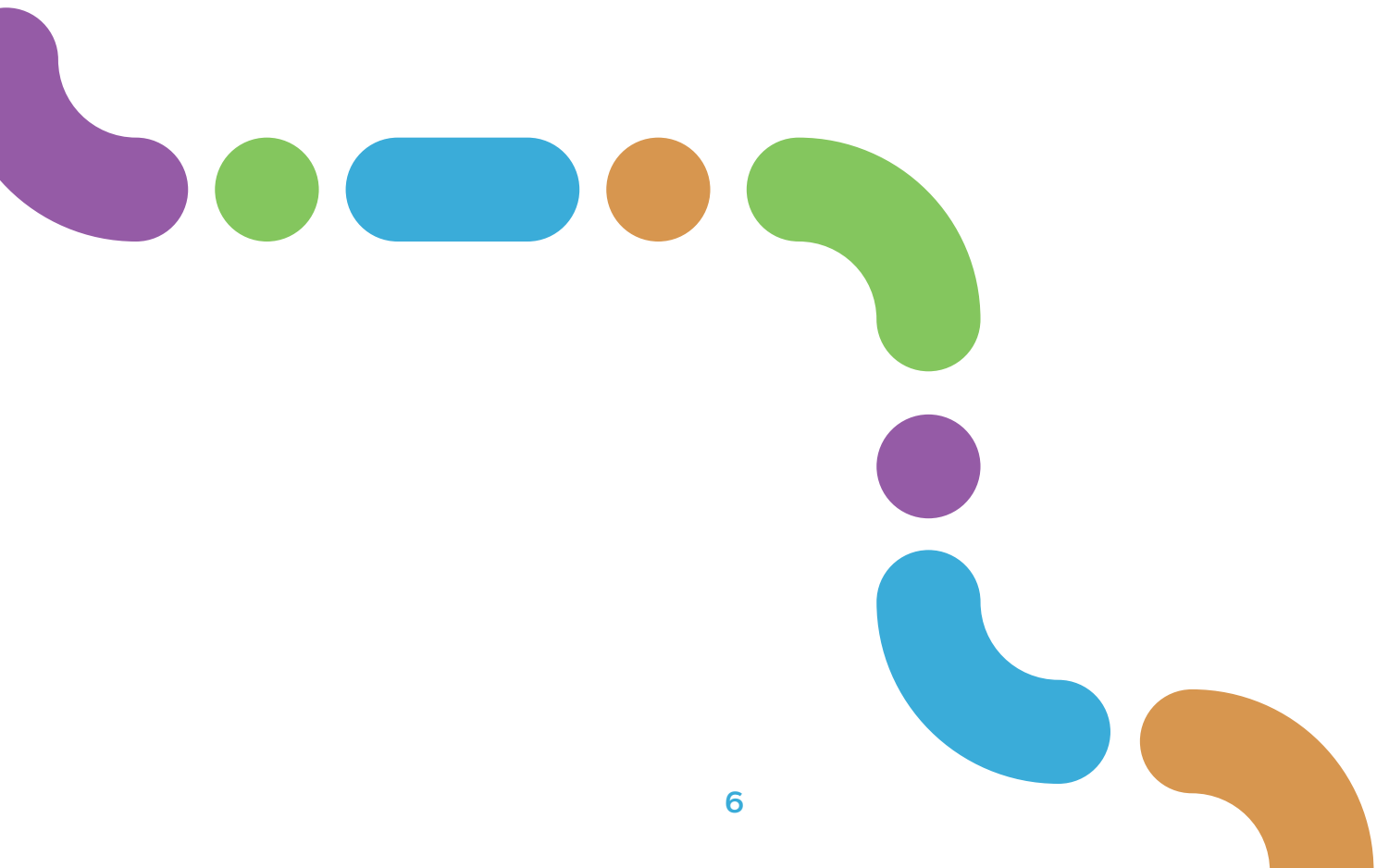
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01

Organisational model and legal status



Case study: GLS Gemeinschaftsbank eG – GERMANY

GLS Gemeinschaftsbank eG (hereinafter referred to as GLS Bank) was founded in 1974 as Germany's first social and ecological bank and is a registered cooperative (eG). As a cooperative bank, it belongs to its more than 143,300 members (as of 31 December 2024),¹ each of whom has one vote, regardless of the number of shares they hold. These members are mostly individuals who actively participate in the bank's orientation through their membership. Unlike most other cooperative banks, it is possible to open and maintain an account with GLS Bank without becoming a member of the cooperative. At the end of 2024, the number of customers stood at 377,800.² In 2024, the volume of customer loans amounted to €5.7 billion and customer deposits to €8.9 billion.³

According to its articles of association, the cooperative's purpose is not to make a profit, but to promote its members in economic, social, legal and cultural terms. This promotion is reflected in various principles and actions. The promotion of members in the economic sphere is reflected, for example, in the targeted financing of socio-ecological projects and in services such as ethical investment advice, which identifies money as a means of shaping society.⁴ In legal and social terms, this promotion is expressed, for example, in active engagement in political framework

conditions (e.g. CO₂ tax, capital taxation).⁵ In the cultural sphere, the bank provides targeted funding for educational institutions that can demonstrate concrete, needs-based inclusion concepts and integration measures aimed at giving all sections of society equal access to culture and education.⁶

According to its articles of association, anyone who deposits money with GLS Bank does so "primarily with consideration for the financial needs of other members and in order to achieve a balance in the overall budget of all members in the interests of the economy."⁷ The aim is mutual assistance – not profit. Financial investments serve to finance jointly defined projects in the interests of the economy in a spirit of solidarity.

The democratic constitution of GLS Bank eG is ensured by a clear structure of three central bodies: the board of directors, the supervisory board, and the general assembly.

The board of directors manages the cooperative's business on its own responsibility and is responsible for strategic and operational management. It consists of at least two persons who are appointed and dismissed by the supervisory board. The board of directors develops business policy, makes management decisions within the framework of

1 GLS Gemeinschaftsbank eG: GLS Bank: Zahlen & Fakten, URL: <https://www.gls.de/gls-bank/ueber-uns/zahlen-fakten/> (accessed on 27 June 2025)

2 *ibid.*

3 *ibid.*

4 GLS Gemeinschaftsbank eG: Vermögen, URL: <https://www.gls.de/sparen-investieren/beratung/vermoegensberatung/> (accessed on 7 July 2025)

5 GLS Gemeinschaftsbank eG: Politische Forderungen, URL: <https://www.gls.de/gls-bank/ueber-uns/politische-forderungen/> (accessed on 7 July 2025)

6 GLS Gemeinschaftsbank eG: Unser Zukunftsbild Bildung und Kultur, URL: <https://nachhaltigkeitsbericht.gls.de/wie-das-geld-wirkt/bildung-kultur/> (accessed on 7 July 2025)

7 GLS Gemeinschaftsbank eG (2023): Satzung §2(1) (p. 4)

the cooperative principles, and is responsible for implementing the sustainability strategy.⁸

The board of directors is monitored and advised by the supervisory board. This consists of nine members, six of whom are elected by the general meeting and three by the employees – a special feature that strengthens employee participation. The supervisory board reviews the annual financial statements, appoints the board of directors, and has the right to inspect business documents and initiate audits. It thus functions as an essential element of internal governance.⁹

The general meeting is the highest decision-making body of GLS Bank. Here, members exercise their right to co-determination according to the principle of “one person, one vote” – regardless of the size of their shareholding. The general meeting decides on amendments to the articles of association, the discharge of the board of directors and the supervisory board, and the appropriation of the net income for the year. It enables members to directly influence the direction of the bank.¹⁰

The articles of association also regulate further rights of the members, including rights to information, the right to convene extraordinary general meetings, and the right to participate in setting the agenda.

Participation is thus not only formal but also substantive and an integral part of the corporate model.¹¹

8 GLS Gemeinschaftsbank eG (2023): Satzung §15(1), §16(2) (p. 12)

9 GLS Gemeinschaftsbank eG (2023): Satzung §18(2); §22 (p. 13f)

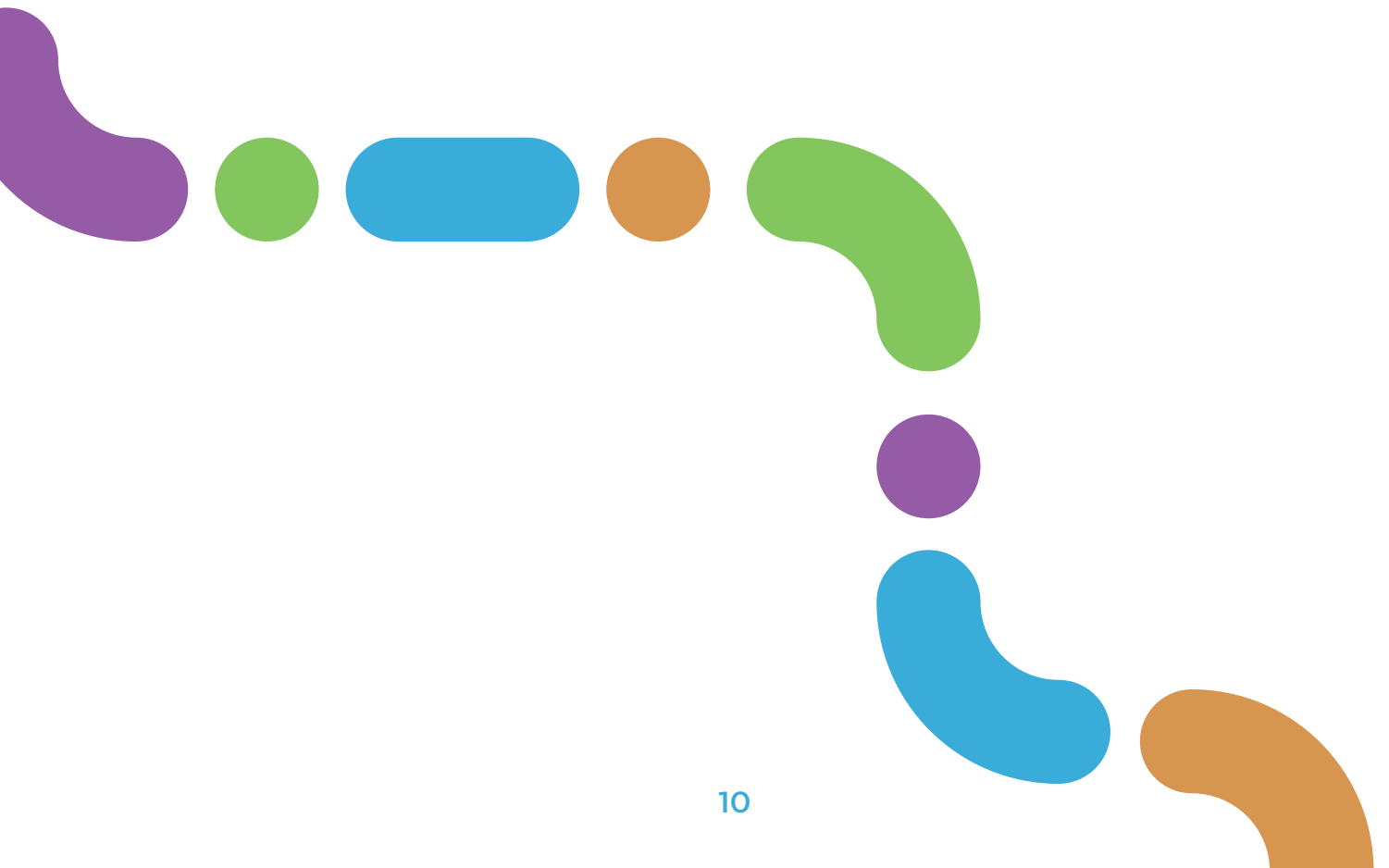
10 GLS Gemeinschaftsbank eG (2023): Satzung §26(1-2), §30 (p. 21ff)

11 GLS Gemeinschaftsbank eG (2023): Satzung §11 (p. 9f)



02

Background of the company



Case study: GLS Gemeinschaftsbank eG – GERMANY

GLS Bank sees itself not only as a financial institution, but also as a driving force for a sustainable society. Its business activities are guided by the principle that purpose must always come before profit. The economic goal is not to maximise short-term returns, but to secure the long-term future of the company and its continuous development. The social impact of transparent, purpose-driven, social-ecological banking is to be strengthened in a targeted manner through qualitative and quantitative growth.¹²

This self-image is reflected not only in its lending practices and internal governance, but also in its active political and scientific engagement. GLS Bank sees itself as the voice of a value-based financial sector and formulates clear political demands for an economy that is fit for future generations – such as the introduction of a CO₂ tax, higher taxation of capital gains compared to earned income, and support for an universal basic income. It works in networks such as the *Bundesverband nachhaltige Wirtschaft* (German Federal Association for Sustainable Economy), the Sustainable Banking Coalition, and the *Genossenschaftsverband* (German Cooperative Association). Its contributions go beyond mere appeals: the bank regularly finances studies, for example on the impact of a pesticide tax or the feasibility of a climate-neutral Germany by 2035. It also supports civil society initiatives such as ‘Fridays for the Future’ through concrete measures such as a legal aid fund. Through these activities, it actively shapes public discourse and provides impetus for a politically and scientifically sound transformation.¹³

12 GLS Gemeinschaftsbank eG (2004): Leitbild

13 GLS Gemeinschaftsbank eG: Politische Forderungen, URL: <https://www.gls.de/gls-bank/ueber-uns/politische-forderungen/> (accessed on 27 June 2025)

In addition, GLS Bank is a member of the international Global Alliance for Banking on Values – a network of value-based banks such as GLS Gemeinschaftsbank and Triodos Bank – that connects actors from the social and ecological finance sector worldwide.¹⁴ Within this alliance, common standards, exchange formats, and initiatives are developed to promote a value-based transformation of the global financial system. The common denominator is a focus on social and ecological values and the goal of transforming the financial system.¹⁵

GLS Bank focuses on financing projects with a social and ecological impact in six core sectors: food, education and culture, renewable energies, housing, sustainable economy, and social affairs and health. For each of these sectors, so-called *Zukunftsbilder* (visions of the future) have been developed – visionary goals that formulate GLS Bank’s “social design claim”¹⁶ and serve as guidelines for lending and investment decisions. In their day-to-day work, employees check whether a project, such as the financing of a company or project, contributes to the realisation of these visions of the future. Specific *Wirkindikatoren* (impact indicators) are used to operationalise these visions, describing the prerequisites that are considered essential for achieving the respective future visions. At the same time, they enable a concrete assessment of whether a project actually contributes to these

14 Global Alliance for Banking on Values: About Us: Meet the Global Alliance for Banking on Values, URL: <https://www.gabv.org/about-us/> (accessed on 27 June 2025)

15 Global Alliance for Banking on Values: Our impact, URL: <https://www.gabv.org/about-us/#ourimpact> (accessed on 27 June 2025)

16 GLS Gemeinschaftsbank eG: Unser Zukunftsbild Ernährung: <https://nachhaltigkeitsbericht.gls.de/wie-das-geld-wirkt/ernaehrung/> (accessed on 27 June 2025)

objectives. The *Wirkindikatoren* help to make the visions for the future and the path to achieving them tangible and measurable. This systematic linking of mission statement, industry vision, and impact logic not only strengthens coherent strategic alignment, but also makes progress and conflicting goals visible. It creates transparency for stakeholders and allows for continuous reflection on the impact of business decisions.¹⁷

At GLS Bank, economic activity is fundamentally linked to social, environmental and governance (ESG) values. Strict exclusion and positive criteria are defined in its financing and investment principles.¹⁸

Social: The bank finances and invests specifically in projects with social added value, for example in the areas of care, inclusion, education and civil society engagement.

Ecological: To financially promote ecological sustainability, GLS Bank supports projects that reduce environmental pollution and are in harmony with planetary boundaries, for example in the areas of renewable energies, ecological agriculture and sustainable construction.

Governance: As a cooperative with a grassroots democratic structure, it actively involves members and employees in key decision-making processes. Diversity, equality and co-determination are

structurally anchored. The bank also attaches particular importance to transparency and integrated management. It publishes details of all corporate financing it makes and undergoes external audits, such as those conducted by the cooperative association.¹⁹ Its strategic management includes approaches for the integrated management of ecological and social impact targets and financial targets.²⁰

17 GLS Gemeinschaftsbank eG: Gesellschaftliche Gestaltung durch Zukunftsbilder, URL: <https://nachhaltigkeitsbericht.gls.de/wie-das-geld-wirkt/> (accessed on 27 June 2025)

18 GLS Gemeinschaftsbank eG (2025): Anlage- und Finanzierungsgrundsätze der GLS Gruppe, pp. 4–16.

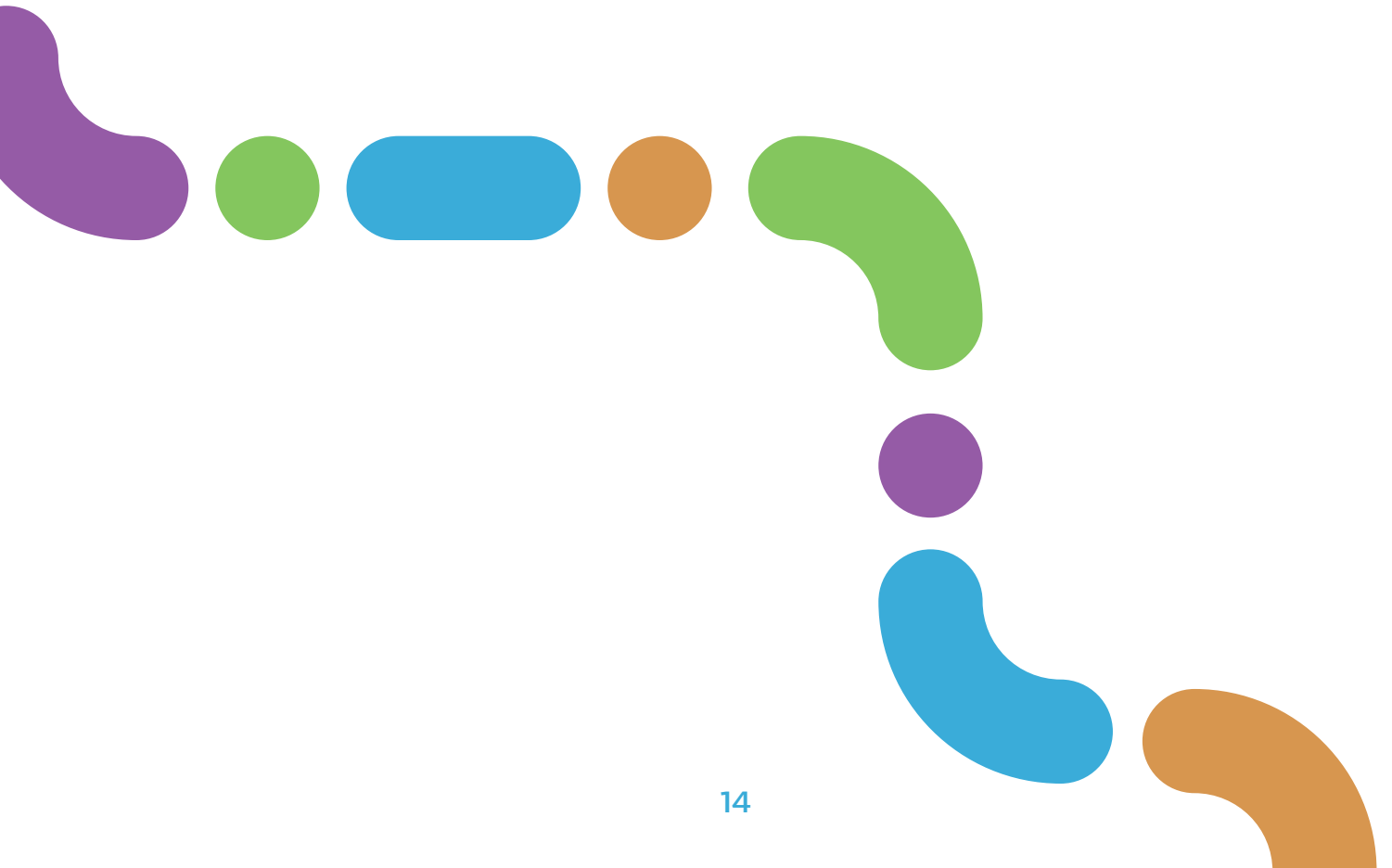
19 GLS Gemeinschaftsbank eG (2021): GLS Bank entwickelt innovatives Instrument zur Messung eigenen Wirkens, URL: <https://www.gls.de/gls-bank/aktuelles/presse/gls-bank-entwickelt-innovatives-instrument-zur-messung-eigenen-wirkens/> (accessed on 27 June 2025)

20 GLS Gemeinschaftsbank eG: Die Bank mit grüner DNA, URL: <https://nachhaltigkeitsbericht.gls.de/unser-sinn/> (accessed on 27 June 2025)



03

Corporate sustainability due diligence (CSDD)



Case study: GLS Gemeinschaftsbank eG – GERMANY

GLS Bank takes a critical view of current ESG reporting practices. Although sustainability reports are potentially an effective tool for environmental, social and governance (ESG) management and accountability, in reality many companies focus exclusively on quantitative performance indicators – such as reducing CO₂ emissions or increasing diversity – and, at best, document their improvement over a certain period of time. GLS Bank believes that this practice, also known as ESG progress, does not go far enough. It questions whether simply reducing emissions is sufficient to operate in a manner compatible with the 1.5 °C global heating target, or whether internal guidelines and audit procedures can actually prevent human rights risks. The bank expressly rejects this and calls for a deeper examination of the actual impact of corporate actions. For GLS Bank, financial success and social and ecological impact are inseparable. Accordingly, its report takes into account not only traditional financial values, but also other forms of capital, including nature, people, relationships, knowledge and attitudes. The last of these are particularly important to GLS Bank, as they reflect the fundamental values on which its banking business is based. The goal is to use the available resources – especially money and knowledge – to have the most positive impact possible on these values.

A central concept is the focus on so-called carrying capacities – i.e. global limits or “ecological budgets”²¹ (such as the 1.5 °C limit for climate change) – and social “target states”²² (such as human rights), which

21 GLS Gemeinschaftsbank eG: Die Methodik dieses Berichts: Über den Nachhaltigkeitsbericht 2023, URL: <https://nachhaltigkeitsbericht.gls.de/methodik/> (accessed on 27 June 2025)

22 *ibid.*

must not be violated. The bank’s goal is to align its business activities within these ecological and social guidelines. In its view, this is the only way it can credibly contribute to stabilising the Earth’s system and to sustainable social development.

GLS Bank already pursues a comprehensive and structured approach to sustainability reporting that is aligned with the future requirements of the Corporate Sustainability Reporting Directive (CSRD). It already reports comprehensively on the topic of sustainability in the dimensions of environment (E), social (S), and governance (G). To ensure maximum transparency and comparability, it follows the reporting blueprint of the r3.0 initiative,²³ which defines the three dimensions of “purpose,” “success,” and “scalability” as guidelines for credible and complete sustainability communication. These principles are reflected in the bank’s report in the chapters “Our purpose,” “How your money works & How we manage impact,” and “Beyond the bank”. In accordance with ESRS, the non-financial report is audited by the responsible auditing association. In addition, GLS Bank compares its content with that of the *Gemeinwohl-Ökonomie* (GWÖ).²⁴

The concept of double materiality analysis is also implemented at GLS Bank. When assessing the relevant value categories (relationships, people,

23 r3.0 (Redesign for Resilience & Regeneration) is an international initiative that develops systemic approaches to sustainable reporting and corporate governance. Its Reporting Blueprints define standards for impact-oriented, transformative reporting on social, environmental and economic sustainability.

24 The Gemeinwohl-Ökonomie (GWÖ) is an alternative economic model that evaluates companies based on their contribution to the common good, such as social justice, ecological responsibility and democratic participation.

nature), the bank therefore not only considers how its own activities affect these categories, but also what influence the categories and their condition have on GLS Bank. In doing so, the cooperative is already implementing the understanding of materiality required by the CSRD.

The CSRD also requires that sustainability information be a mandatory part of the management report. This is intended to underline the high importance of sustainability reporting and gradually raise it to the level of traditional financial reporting.²⁵ As mentioned at the beginning, GLS Bank also calls for integrated reporting that “combines financial reporting formats and sustainability reporting and links their content”.²⁶ Ecological and social resources are understood as guidelines that define the framework for economic activity. This is how sustainable business is made possible.²⁷

A concrete example of the bank’s commitment in this area is GLS Mobility, which, as part of the GLS Community, supports companies in implementing the CSRD. Through its own knowledge platform, GLS Mobility provides information on requirements, deadlines and practical implementation steps, showing how sustainability reporting can be

meaningfully integrated into business processes.²⁸

GLS Bank expects its business partners to have “a supply chain geared toward long-term and sustainable action and corresponding business operations”. This is clearly defined and set out in the code for suppliers. Compliance with the requirements of the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz* – LkSG) is a prerequisite.²⁹

GLS Bank believes that banks have an important role to play in the “transition to a regenerative economy”,³⁰ because lending decisions determine which projects are implemented – and which are not. GLS Bank therefore sees an “immediate responsibility”³¹ with regard to human rights and environmental violations. That is why it supports the introduction of the Corporate Sustainability Due Diligence Directive (CS3D) at EU level and is committed to ensuring that banks take responsibility for their customers and not just for their internal processes. In addition to the incentive to finance innovative projects with a social and ecological impact, GLS Bank also sees the CS3D as an important step toward promoting

25 Bundesministerium für Arbeit und Soziales (BMAS): Corporate Sustainability Reporting Directive (CSRD): Die neue EU-Richtlinie zur Unternehmens-Nachhaltigkeitsberichterstattung im Überblick, URL: <https://www.csr-in-deutschland.de/DE/CSR-Allgemein/CSR-Politik/CSR-in-der-EU/Corporate-Sustainability-Reporting-Directive/corporate-sustainability-reporting-directive-art.html> (accessed on 27 June 2025)

26 GLS Gemeinschaftsbank eG: Die Methodik dieses Berichts: Über den Nachhaltigkeitsbericht 2023, URL: <https://nachhaltigkeitsbericht.gls.de/methodik/> (accessed on 27 June 2025)

27 *ibid.*

28 GLS Mobility: CSRD, URL: <https://www.gls-mobility.de/wissen/csr/> (accessed on 27 June 2025)

29 GLS Gemeinschaftsbank eG: Nachhaltigkeitskodex für Lieferanten – Vereinbarung zwischen der GLS Bank und ihren Lieferanten und Dienstleistern, URL: https://www.gls.de/media/PDF/Broschueren/GLS_Bank/Nachhaltigkeit/VGB0-11217_Vereinbarung_Kodex_fuer_Lieferanten_LkSG_v01_250227.pdf (accessed on 27 June 2025)

30 GLS Gemeinschaftsbank eG (2023): EU-Lieferkettenrichtlinie: Warum wir als Bank in die Pflicht genommen werden wollen, URL: <https://www.gls.de/gls-bank/aktuelles/presse/eu-lieferkettenrichtlinie-warum-wir-als-bank-in-die-pflicht-genommen-werden-wollen/> (accessed on 27 June 2025)

31 *ibid.*

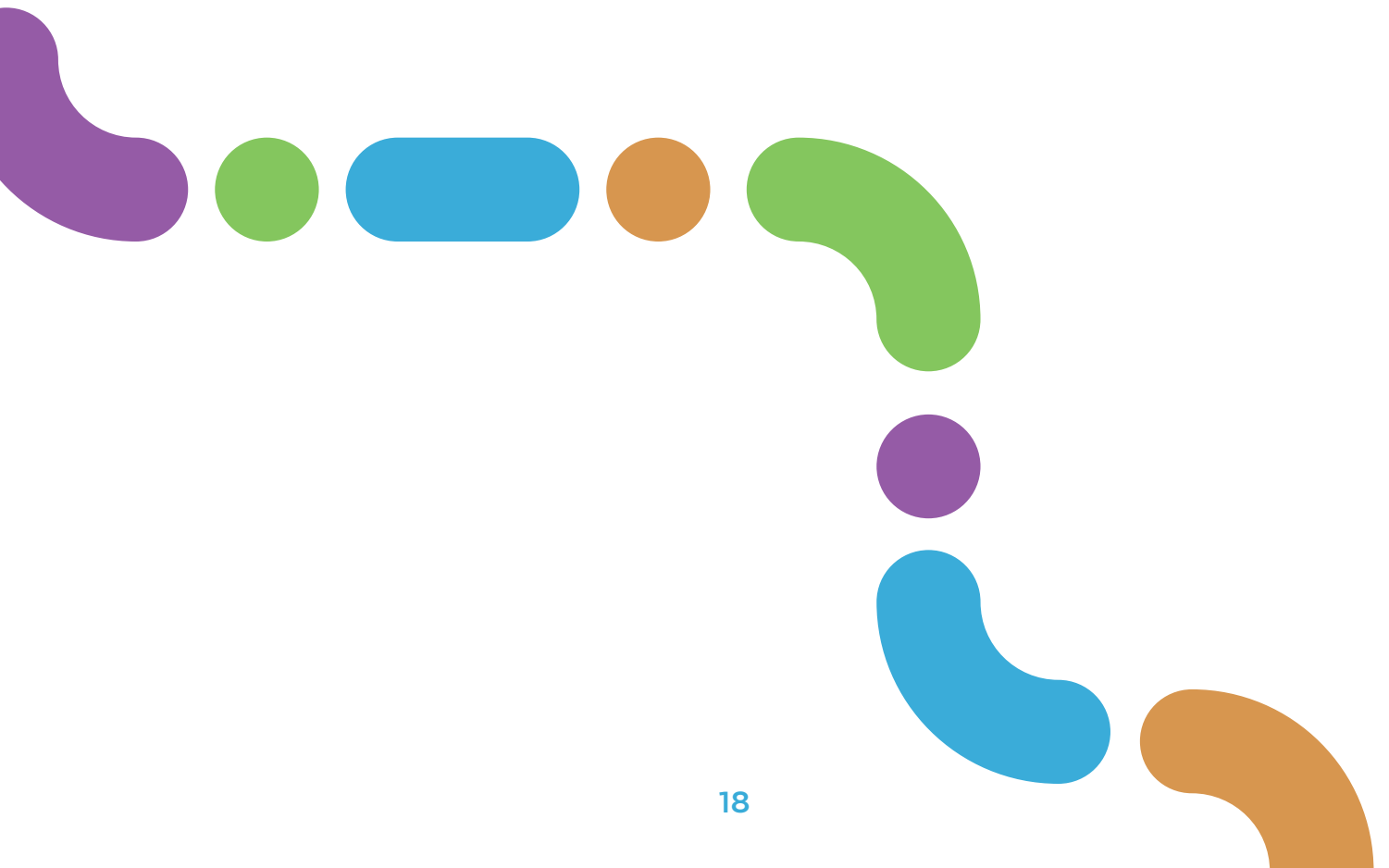
Case study: GLS Gemeinschaftsbank eG – GERMANY

equal opportunities within the EU – especially since comparable requirements already exist in Germany through the German Supply Chain Due Diligence Act (*LkSG*), which has been in force since 2023. The bank acknowledges that implementing the directive may involve additional administrative work, but does not see this as a fundamental obstacle. Rather, it is crucial that the financial sector be given sufficient lead time. GLS Bank therefore considers a transparent and reliable timetable to be essential.³²

³² *ibid.*

04

Social dialogue



Case study: GLS Gemeinschaftsbank eG – GERMANY

Employee participation at GLS Bank differs from that in conventional structures. Back in the 1990s, employees deliberately opted against a conventional works council in favour of a so-called *Vertrauenskreis* (trust circle). The *Vertrauenskreis* is composed of employees elected in a direct and secret ballot. Its work is essentially based on the rights and obligations of an employee representative body, which are regulated in the German Works Constitution Act (*Betriebsverfassungsgesetz – BetrVG*). In addition, an agreement was reached with management that regulates and describes how both parties work with each other. Supplementary rights that go beyond the legal rights of an employee representative body are also described in the mandate document. These include, among other things, approval of individual disciplinary measures, active participation in selection procedures, and early involvement in organisational changes. Unlike a works council, the employee representative committee is elected every three years. The *Vertrauenskreis* currently consists of 13 members and meets regularly to help shape operational decisions – from hiring and employment contracts to operational changes. Three of the members are fully relieved of their regular duties, while the others are partially relieved. In addition, representatives of the youth and trainee representation (*Jugend- und Auszubildendenvertretung – JAV*) and the representation for employees with disabilities (*Schwerbehindertenvertretung – SBV*) take part in the meetings.³³

33 GLS Gemeinschaftsbank eG: Gesundheit, URL: <https://nachhaltigkeitsbericht.gls.de/wie-wir-wirkung-steuern/menschen/gesundheit/> (accessed on 27 June 2025)

In addition, the *Vertrauenskreis* works in various committees, such as the income committee, which monitors the interpretation and application of the income regulations and negotiates annual general salary adjustments with the management.³⁴ This committee is an expression of a value-oriented salary policy that takes into account not only performance and responsibility but also individual life situations, such as family responsibilities.³⁵

The *Vertrauenskreis* is involved in company-wide sustainability issues by actively participating in regular high-level strategy meetings with the management and providing input. As a relevant stakeholder, it is consulted and involved in the company-wide materiality analysis. In addition, its broad responsibility for social and organisational issues means that it is implicitly involved in sustainability issues. In practice, its commitment naturally focuses on social sustainability issues, such as working conditions, equal treatment and internal fairness.

Direct employee involvement in the development and management of sustainability goals via the trust circle is not institutionalised. Instead, internal discussions on ESG risks primarily take place in the quarterly risk reports. These reports not only serve to prevent and manage risks, but also fulfil a communication function within the organisation. If relevant issues with

34 GLS Bank is not bound by collective agreements. This means that it is not subject to any generally binding collective agreements such as the banking tariff. Instead, it sets its own salary and working conditions – for which the income regulations were established.

35 GLS Gemeinschaftsbank eG: Gesundheit, URL: <https://nachhaltigkeitsbericht.gls.de/wie-wir-wirkung-steuern/menschen/gesundheit/> (accessed on 27 June 2025)

negative impacts are identified in these risk reports, management instructs the relevant departments to develop specific sustainability goals. Implementation is then the responsibility of the experts, who draw on their specific knowledge to develop solutions.

In this way, the quarterly risk reports contribute to the cross-departmental anchoring of sustainability goals – albeit without institutionalised participation of employee representatives or formalised feedback from the workforce as a whole.

GLS Bank also promotes dialogue with external stakeholders, for example through the GLS *WerkRaum*³⁶ or participation processes as part of the materiality analysis. This involves members, customers and partner organisations and helps to shape the content of the sustainability strategy in a participatory manner.³⁷

The *Vertrauenskreis* itself also pursues its own sustainability goal: to achieve a voter turnout of at least 80% in the regular *Vertrauenskreis* elections.

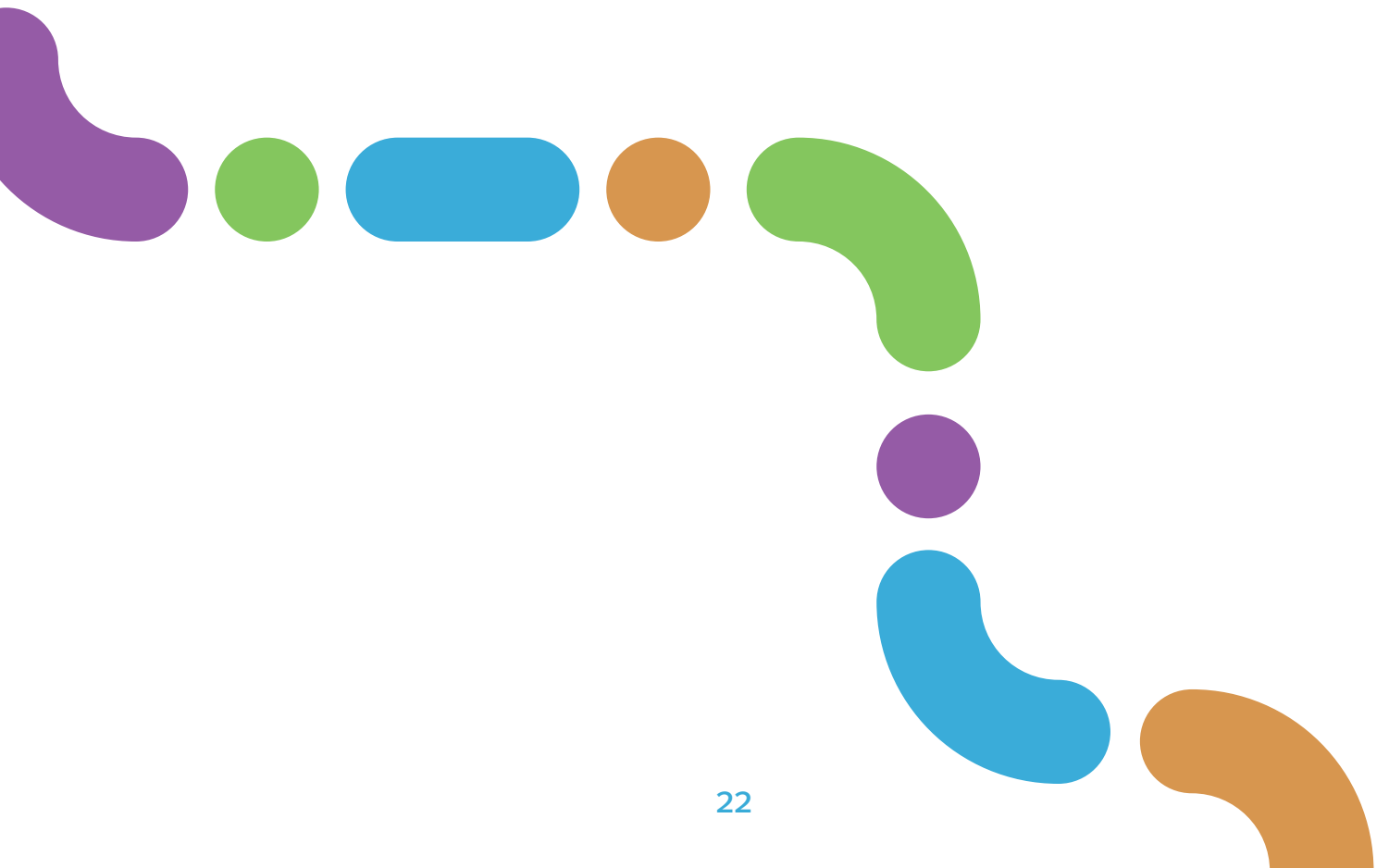
36 GLS WerkRaum is a working environment for the transformation to a regenerative economy. It offers space for networking, co-creation and chance encounters for connected business. URL: <https://www.gls.de/gls-werkraum/> (accessed on 27 June 2025)

37 GLS Gemeinschaftsbank eG: Gemeinschaftssinn, URL: <https://nachhaltigkeitsbericht.gls.de/wie-wir-wirkung-steuern/beziehungen/gemeinschaftssinn/> (accessed on 27 June 2025)



05

Challenges and opportunities



Case study: GLS Gemeinschaftsbank eG – GERMANY

While some aspects of sustainability, such as the financing of renewable energies, are clearly measurable and transparent, social and societal goals, such as participation and self-determination, pose more complex challenges for evaluation and management. Sustainability goals, such as the expansion of renewable energies, are relatively clear and measurable. For example, GLS Bank can specify how much electricity it finances from renewable sources each year and what contribution this makes to the energy transition. Measuring social goals such as promoting diverse, socially just living spaces and enabling social participation for all people is more difficult. Such values and effects often cannot be easily quantified. GLS Bank meets this challenge by using various indicators for individual aspects and positive characteristics and supplementing its assessment with qualitative findings from customer discussions and local insights. In this way, it attempts to adequately capture and further develop even sustainability aspects that are difficult to quantify. GLS Bank therefore uses a combination of quantitative indicators and qualitative assessments to obtain a holistic picture of its impact.

A key area where challenges become apparent is where goals conflict: for example, tensions can arise between ecological and social objectives. In order to deal with such situations responsibly, GLS Bank has already created a differentiated system of instruments, structures and decision-making processes that enables well-founded assessments. These are based on so-called *Zukunftsbilder* (visions of the future), which formulate a desirable target

state and serve as a guide.³⁸ They are supplemented by *Wirkindikatoren* (impact indicators) that make it possible to measure the contribution of projects to these target visions.³⁹ The financing and investment principles set a clear framework that defines both limits and scope for action.⁴⁰ Quantitative instruments are deliberately combined with individual decisions by committees: one committee reviews the inclusion of financial instruments in the investment universe, while another decides on specific loans in the event of conflicting objectives.

Growth phases can pose a particular challenge for social economy organisations. As they grow, not only do the demands on structures, processes and management increase, but so does the risk that core values will be diluted or overshadowed. It is precisely in such phases that it is essential for the organisation to pause and ask itself fundamental questions: What do we want? Where do we want to go? Consciously examining one's own mission statement and continuously anchoring values in everyday operations helps to maintain orientation and ensure integrity despite dynamic change.

GLS Bank has confronted this challenge in the past with a targeted growth strategy in the lending sector: the aim was to achieve a greater social impact by financing as many social and environmental projects as possible. Growth was not pursued for its own

38 GLS Gemeinschaftsbank eG: Gesellschaftliche Gestaltung durch Zukunftsbilder, URL: <https://nachhaltigkeitsbericht.gls.de/wie-das-geld-wirkt/> (accessed on 27 June 2025)

39 *ibid.*

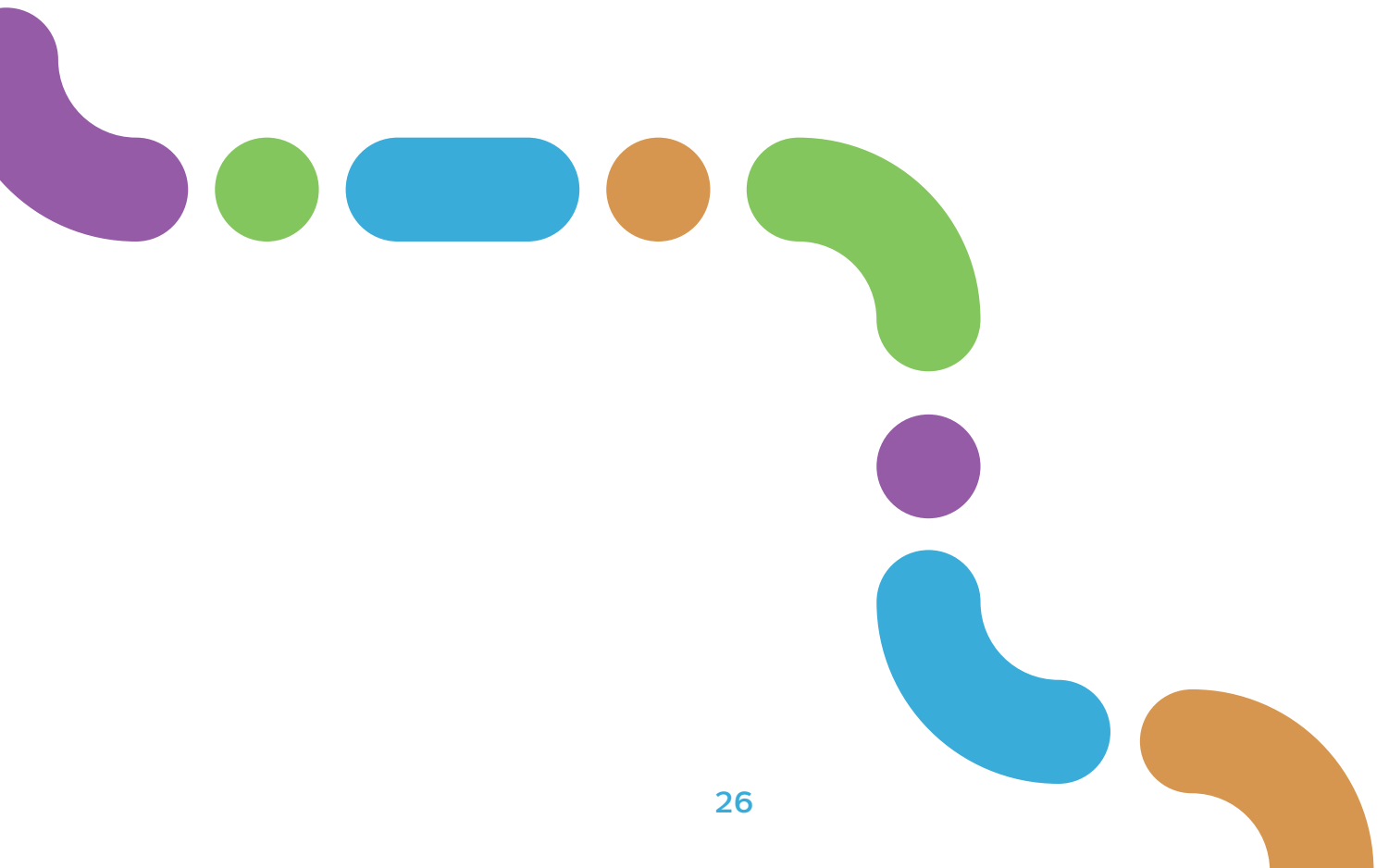
40 GLS Gemeinschaftsbank eG (2025): Anlage- und Finanzierungsgrundsätze der GLS Gruppe, p. 3.

sake, but was seen as a means of increasing the bank's transformative power – for example, through more offerings in the area of ecological living and sustainable consumption. The bank built up resources specifically for this phase. Currently, the focus is more on efficiency, impact and cost sensitivity. Instead of quantitative expansion, the question of how to achieve maximum social and ecological effectiveness with existing resources is coming to the fore – in the spirit of a regenerative economy based on concepts such as degrowth and green growth. Conscious reflection on the bank's own orientation and continuous reference to its mission statement and values form the foundation for maintaining orientation and integrity even in dynamic growth phases.



06

Strategies and actions



Case study: GLS Gemeinschaftsbank eG - GERMANY

GLS Bank's actions are guided by the principle that economic profit is not an end in itself, but rather the result of value-based, future-oriented business activities that benefit people and the environment.⁴¹

The bank pursues an integrated strategy that combines sustainability, business strategy, and risk strategy. Sustainability is not seen as an add-on, but as a central element of business activities that permeates all areas. The strategy is implemented through ambitious sustainability goals, such as gender parity at management levels, reducing the gender pay gap, and striving to ensure that CO₂ emissions are in line with the goals of the Paris Climate Agreement.⁴²

GLS Bank's strategic orientation is based on so-called *Zukunftsbilder* (visions of the future), which were developed for six key sectors: food, education and culture, renewable energies, housing, sustainable economy, and social affairs and health. These *Zukunftsbilder* define desirable social goals and answer the question: "What kind of world do we want to live in?"⁴³ They serve as a benchmark for the bank's financing and investment decisions, enabling it to use money as a means of shaping society "where it makes sense".⁴⁴

There are *Wirkziele* (impact targets) for each of the six core sectors. These *Wirkziele* are concrete sustainability goals for the loan portfolio and the sectors financed, which are co-controlled through individual lending. The *Wirkziele* are based on the *Zukunftsbilder* that represent visions for the individual sectors. They describe the specific contribution that financing should make. One example is the *Wirkziel* in the core industry of housing is that at least 75% of the real estate projects financed should be democratically organised.⁴⁵ The *Wirkindiktoren* (impact indicators) ensure that the effect of (potential) financing on the realisation of the *Zukunftsbilder* is visible and measurable. They serve as a permanent basis for evaluation.⁴⁶ The *Zukunftsbilder* translate the bank's normative requirements, such as financially promoting the common good or operating within planetary boundaries, into principles that guide its actions. They serve as guidelines for employees in their day-to-day work, provide orientation for credit decisions, and promote a common understanding of impact within the bank. In this way, the abstract requirement of value-based impact is underpinned by an operational control instrument.

A core instrument for the practical implementation of the value-based orientation is comprehensive investment and financing principles. These are described as the "heart of [...] the work of the GLS Group".⁴⁷

41 GLS Gemeinschaftsbank eG: Die Bank mit grüner DNA, URL: <https://nachhaltigkeitsbericht.gls.de/unser-sinn/> (accessed on: 27 June 2025)

42 *ibid.*

43 GLS Gemeinschaftsbank eG: Gesellschaftliche Gestaltung durch Zukunftsbilder, URL: <https://nachhaltigkeitsbericht.gls.de/wie-das-geld-wirkt/> (accessed on 27 June 2025)

44 *ibid.*

45 GLS Gemeinschaftsbank eG: Unser Zukunftsbild Wohnen, URL: <https://nachhaltigkeitsbericht.gls.de/wie-das-geld-wirkt/wohnen/> (accessed on 27 June 2025)

46 GLS Gemeinschaftsbank eG: Gesellschaftliche Gestaltung durch Zukunftsbilder, URL: <https://nachhaltigkeitsbericht.gls.de/wie-das-geld-wirkt/> (accessed on 27 June 2025)

47 GLS Gemeinschaftsbank eG (2025): Anlage- und Finanzierungsgrundsätze der GLS Gruppe, p. 3.

They contain clear positive and exclusion criteria that serve as clear guidelines within which investments and financing may be carried out. At the same time, they deliberately leave room for companies that are moving in a sustainable direction in a transparent manner and are prepared to align themselves with the *Zukunftsbilder* of their respective industries.

GLS Bank deliberately follows the principle of case-by-case decision-making. Standardised points systems are avoided in order to do justice to the complexity of entrepreneurial reality. Instead, a qualitative assessment is carried out to determine whether a company's overall strategy is credibly compatible with the bank's vision for the future. This basic approach is also reflected in the way the bank deals with revenue thresholds: Although exclusion criteria with a maximum revenue threshold of zero percent apply to most controversial business areas, five percent is possible in isolated cases. However, this is not a free pass, but serves to enable differentiated decisions, for example in the case of companies undergoing a credible transformation process.⁴⁸

In addition, the bank makes a clear distinction between business areas, i.e. what a company offers, and business practices, i.e. how this business is conducted. An example: a company in the renewable energy sector may be eligible for funding in principle, but may be excluded due to unethical practices such as the environmentally harmful disposal of resources. In other cases, such as the use of chemicals or wood, the focus is on concrete implementation – keywords such as the precautionary principle, origin, disposal

and transparency are decisive here.⁴⁹

Financial market transactions and government bonds are also treated with sensitivity. The bank rejects speculative currency or commodity transactions, as well as financial services for companies based in non-cooperative countries and regions with harmful tax practices. Derivatives may only be used for hedging purposes. High social, environmental and human rights standards apply to the selection of government bonds. The assessment is based on international indicators such as the Sustainable Development Goals (SDGs), the treatment of refugees, gender equality, and the expansion of renewable energies. Exclusion criteria for countries include, for example, the use of the death penalty or non-participation in international agreements such as the Paris Climate Agreement or the Geneva Conventions.⁵⁰

In the capital market segment, the *GLS Anlageausschuss* (GLS Investment Committee) decides on the inclusion of financial instruments in the investment universe. This interdisciplinary committee, made up of internal and external members, ensures that all investments are compatible with the bank's ethical and ecological principles. It not only decides on new investments, but also reviews the existing investment universe. Before a financial instrument is included in the investment universe, it goes through several steps:⁵¹

49 GLS Gemeinschaftsbank eG (2025): Anlage- und Finanzierungsggrundsätze der GLS Gruppe, p. 4.

50 *ibid.*

51 GLS Gemeinschaftsbank eG: Der GLS Anlageausschuss, URL: <https://www.gls.de/gls-bank/nachhaltigkeit/gls-anlageausschuss/> (accessed on 27 June 2025)

48 *ibid.*

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1) **Preliminary review:** GLS *Nachhaltigkeitsresearch* (GLS Sustainability Research) reviews potential investments from a pool of ideas based on the investment and financing principles and publicly available information in order to identify any controversies. Around half of the investments pass this preliminary review.

2) **Business sector analysis:** The business sectors are examined to determine whether they have a positive social impact. To this end, GLS Research conducts interviews with the companies, evaluates annual reports, and draws on external research expertise.

3) **Analysis of business practices:** This is followed by an analysis of business practices, which examines which social and environmental standards have been integrated and whether compliance with these standards is ensured by a management system. The results of this analysis and the previous steps are summarised in the company's GLS sustainability profile.

4) **Review and decision by the GLS *Anlageausschuss*** (GLS Investment Committee): This sustainability profile forms the basis for review and decision-making by the GLS *Anlageausschuss*. All securities are discussed individually and in depth. The members of the committee contribute their many years of industry-specific expertise to ensure that each investment is evaluated holistically.

5) **GLS investment universe:** Companies that pass all checks form the GLS investment universe and

comply with the strict socio-ecological principles of GLS Bank.

Only after a successful sustainability assessment is the economic side, i.e. the profitability, evaluated. This underscores GLS Bank's clear prioritisation of sustainability. Economically interesting investments are selected from the investment universe and included in the GLS sustainability universe. These are now available for recommendation by customer advisers.⁵²

In the lending area, a separate committee, known as the *inhaltliche Kreditvorabstimmung* (content-based credit pre-approval committee), performs a review. This committee acts in an advisory capacity to the traditional decision-makers. It advises and decides on the social and ecological viability of financing requests that do not clearly meet the usual positive criteria or which raise potential conflicts of interest. Trade-offs are also made here, for example in the case of a positive project that is controversial within the parent company.⁵³

Another central component of the value-based strategy is the exceptionally high level of transparency in lending. GLS Bank publishes the loans it grants to its corporate customers, including the financing volume and use, which can be viewed by anyone. This transparency enables control, promotes social dialogue, and encourages participatory economic activity.

52 GLS Gemeinschaftsbank eG: Der GLS *Anlageausschuss*, URL: <https://www.gls.de/gls-bank/nachhaltigkeit/gls-anlageausschuss/> (accessed on 27 June 2025)

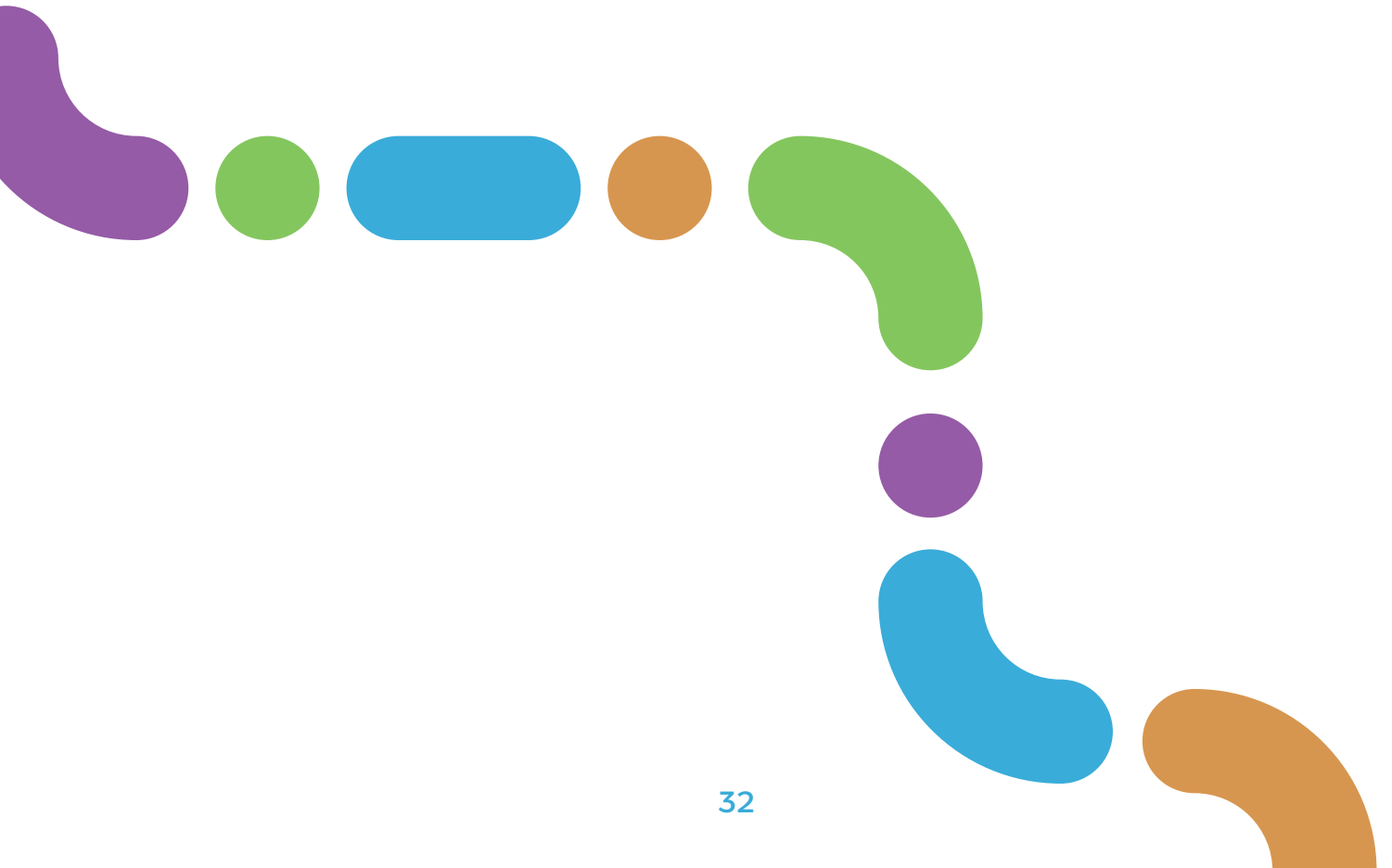
53 GLS Gemeinschaftsbank eG (2025): *Anlage- und Finanzierungsgrundsätze der GLS Gruppe*, p. 3.

The combination of investment and financing principles, the committees, transparency in lending, and impact measurement combines different elements of control, thus enabling a comprehensive audit system.



07

Good practices



Case study: GLS Gemeinschaftsbank eG - GERMANY

The GLS Bank case study illustrates that social economy enterprises are particularly well suited to implementing sustainability systematically and credibly thanks to their cultural and structural anchoring. The cooperative origins of GLS Bank and its socio-ecological founding principles continue to shape its organisational culture to this day. The strong cultural and structural anchoring of sustainability within GLS Bank – shaped by its cooperative origins and socio-ecological founding principles – creates a stable framework for pursuing long-term goals. Instruments such as financing and investment principles do not act as bureaucratic hurdles, but as strategic management tools that provide orientation and security. The impetus for sustainability does not come from outside, but is an integral part of the bank's culture. The bank's members act not only as capital providers, but also as an active corrective force: they articulate expectations, provide impetus, and contribute to the continuous refinement of the bank's sustainability profile. This promotes a continuous dialogue between aspirations and implementation, which contributes significantly to credibility.

In social economy organisations such as GLS Bank, sustainability is often not primarily understood as a response to regulatory requirements, but is shaped by a deeply rooted self-image. The impetus for transformation does not come from the top down, but is an integral part of the organisational culture. Sustainability is seen as a substantive necessity, not as an external requirement. This enables proactive design and strengthens intrinsic motivation within the organisation. The impetus for transformation comes from an inner self-image.

A key lesson is that the definition of sustainability should be actively developed and shaped in a participatory manner within one's own context. Since it is not a legally protected term, there is a great risk that it will remain vague or be understood exclusively in the light of regulatory requirements. GLS Bank shows how this can be prevented through dialogue, employee and stakeholder participation, and strategic linking to target visions and impact indicators. Only when the desired impact is clearly defined, for example in terms of "What kind of world do we want to live in?", can measures, targets and control processes be systematically aligned with it.

The analysis thus confirms the first hypothesis: social economy models are based on a culture that enables them to develop the potential of entrepreneurial sustainability particularly well. At the same time, the second hypothesis is also confirmed: value orientation is not a sure-fire success. It must be actively cultivated, concretised, and underpinned by well-thought-out control mechanisms. This is precisely where a valuable learning impulse lies for conventional companies: sustainability is not a technocratic compliance project, but a cultural, strategic and dialogical process.

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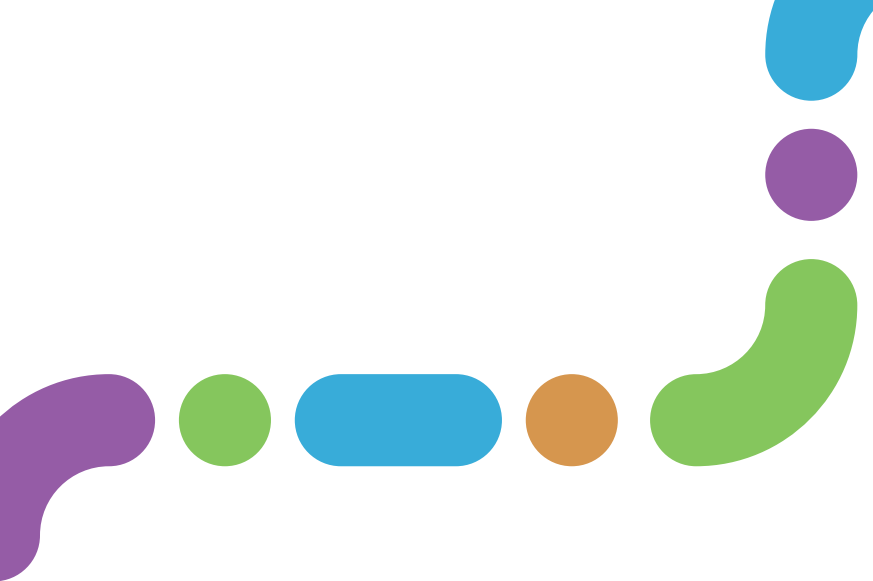
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