



# **Corporate Social Innovation in Sustainable Banking: Analysing ESG Strategy and Impact at Banco CTT**

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## ABSTRACT

**Title:** Corporate Social Innovation in Sustainable Banking: Analysing ESG Strategy and Impact at Banco CTT

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**Summary:** This dissertation investigates how Banco CTT integrates ESG principles to foster CSI and generate value for sustainable finance. Guided by the research question—*How does Banco CTT use ESG principles to foster CSI and generate value for sustainable finance?*—the study pursues three objectives: (1) to examine how ESG principles are embedded within the bank’s strategy and operations; (2) to evaluate how ESG initiatives contribute to its CSI agenda and value creation; and (3) to assess whether ESG-driven CSI holds transformative potential in the Portuguese banking sector.

The research adopts a qualitative case study design, combining documentary analysis with semi-structured interviews. Findings show that ESG integration at Banco CTT is primarily shaped by regulatory and supervisory pressures, which have institutionalised sustainability into governance, risk management, and culture. Initiatives such as green mortgages, recycled debit cards, and financial literacy programmes illustrate incremental value creation. However, innovation remains selective, with environmental initiatives more advanced than social ones. Social innovation was described as “complicated” and “not necessarily profitable,” resulting in underdeveloped practices despite their importance for systemic CSI. Moreover, client interviews revealed limited awareness of ESG initiatives, highlighting a gap between institutional commitments and retail-level visibility.

The study concludes that Banco CTT uses ESG as both compliance necessity and strategic opportunity, embedding it into operations while cautiously experimenting with innovation. This generates incremental CSI and modest value creation but falls short of systemic transformation. Recommendations include expanding socially inclusive products, strengthening impact reporting, and enhancing regulatory harmonisation to balance compliance with innovation.

**Keywords:** Corporate Social Innovation, Sustainable Banking, Environmental, Social and Governance (ESG), Financial Innovation, Social Impact, Sustainable Finance, Green Banking, ESG Strategies.

## SUMÁRIO

**Título:** Inovação Social Corporativa na Banca Sustentável: Análise da Estratégia e Impacto ESG no Banco CTT

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**Sumário:** Esta dissertação investiga como o Banco CTT integra os princípios de ESG para promover a CSI e gerar valor para a banca sustentável. Orientada pela questão: *como utiliza o Banco CTT os princípios de ESG para fomentar a CSI e gerar valor para a banca sustentável?* A investigação prossegue três objetivos: (1) examinar como os princípios de ESG são incorporados na estratégia e operações do banco; (2) avaliar como as iniciativas de ESG contribuem para a sua agenda de CSI e criação de valor; e (3) analisar se a CSI orientada por ESG possui potencial transformador no setor bancário português.

O estudo adota um método qualitativo, combinando análise documental com entrevistas semiestruturadas. Os resultados mostram que a integração de ESG no Banco CTT é sobretudo moldada por pressões regulatórias e de supervisão, que institucionalizaram a sustentabilidade na governação, gestão de riscos e cultura organizacional. Iniciativas como créditos hipotecários verdes, cartões de débito reciclados e programas de literacia financeira ilustram criação incremental de valor. Contudo, a inovação mantém-se seletiva, com maior desenvolvimento nas iniciativas ambientais do que nas sociais. A inovação social foi descrita como “complexa” e “não necessariamente lucrativa”, permanecendo pouco desenvolvida. Além disso, as entrevistas com clientes revelaram fraca perceção das iniciativas de ESG.

Conclui-se que o Banco CTT utiliza o ESG como necessidade de conformidade e oportunidade estratégica, incorporando-o nas operações enquanto experimenta cautelosamente com inovação. Recomendações incluem expandir produtos socialmente inclusivos, reforçar o reporte de impacto e harmonizar requisitos regulatórios.

**Palavras-chave:** Inovação Social Corporativa, Banca Sustentável, Ambiental, Social e Governança (ESG) Inovação Financeira, Impacto Social, Finanças Sustentáveis, Banca Verde, Estratégias ESG.

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## **LIST OF ABBREVIATIONS**

BCTT Banco CTT

CSI Corporate Social Innovation

CSR Corporate Social Responsibility

CSRD Corporate Sustainability Reporting Directive

CSV Creating Shared Value

ECB European Central Bank

ESG Environmental, Social and Governance

ESRS European Sustainability Reporting Standards

EU European Union

GRI Global Reporting Initiative

IROs Impacts, Risks and Opportunities

NGO Non-Governmental Organizations

PRB Principles for Responsible Banking

SDGs United Nations Sustainable Development Goals

SFDR European Union's Sustainable Finance Disclosure Regulation

TCFD Task Force on Climate-related Financial Disclosures

## 1.INTRODUCTION

The growing prominence of Environmental, Social, and Governance (ESG) principles has transformed the global banking sector, positioning sustainability as a central dimension of legitimacy and long-term resilience. Once primarily associated with financial performance and risk management, banks are increasingly evaluated on their ability to integrate ESG criteria into strategy and operations, driven both by regulatory mandates and by shifting societal expectations (Eccles & Klimenko, 2019; European Commission, 2021). ESG frameworks now serve not only as compliance mechanisms but as indicators of institutional trust, competitiveness, and accountability in a values-driven financial ecosystem.

At the same time, Corporate Social Innovation (CSI) has emerged as a complementary and distinct concept. Whereas Corporate Social Responsibility (CSR) was often criticized for being peripheral or philanthropic in nature (Carroll, 1991; Tang et al., 2012), CSI embeds social and environmental objectives into business models, treating them as drivers of innovation and shared value creation (Porter & Kramer, 2011). This perspective shifts sustainability from a reputational safeguard to a strategic imperative, with systemic innovation and stakeholder engagement positioned at the core of institutional transformation (Mirvis et al., 2016).

Despite the rapid expansion of ESG commitments across the financial sector, the translation of broad principles into measurable and socially innovative practices remains uneven. Banks face persistent challenges including regulatory complexity, the risk of greenwashing, and the difficulty of aligning short-term profitability with long-term impact. Understanding how financial institutions operationalize ESG, and whether such strategies foster authentic social innovation, is therefore critical for evaluating their role in sustainable finance.

In this regard, Banco CTT (BCTT) provides a relevant and underexplored case. Established in 2015 as the banking arm of Portugal's national postal service, BCTT operates without legacy constraints, adopting a business model characterised by digital accessibility, customer-centred services, and national coverage through the postal network (BCTT, 2025a). These features position the institution to promote financial inclusion while also experimenting with innovation-driven sustainability. Nevertheless, as a mid-sized and relatively recent market entrant, BCTT's ESG and CSI integration remains emergent, offering an opportunity to examine how regulatory pressures and strategic ambitions converge in shaping its trajectory.

This thesis seeks to address the following research question: *How does BCTT use ESG principles to foster CSI and generate value for sustainable finance?* To answer this, three objectives guide the inquiry: first, to examine how ESG principles are embedded into BCTT's strategy and operations; second, to evaluate how ESG initiatives contribute to the bank's CSI agenda and value creation for stakeholders; and third, to assess whether ESG-driven CSI holds transformative potential for BCTT and the wider Portuguese banking sector.

The study adopts a single-case, qualitative design, drawing on semi-structured interviews with stakeholders and documentary analysis. While this approach necessarily limits generalisability, it enables rich, context-sensitive insights into the dynamics of ESG and CSI in practice.

The structure of the thesis reflects its objectives and methodological orientation. Following this introduction, Chapter 2 reviews the literature on ESG, CSI, and sustainable finance, situating the study within academic debates. Chapter 3 outlines the methodology and case selection. Chapter 4 presents the findings of the thematic analysis of documents and interviews. Chapter 5 discusses these findings in light of the literature, identifying managerial and policy implications, and suggesting avenues for future research, and Chapter 6 concludes by synthesising the contributions.

## **2. LITERATURE REVIEW**

This section reviews the role of ESG principles and CSI in banking, outlining key concepts, theories, and frameworks while critically examining their integration into financial institutions. It highlights challenges and gaps in the literature, positioning BCTT as a relevant case to explore how sustainable finance generates social and environmental value.

### **2.1. Corporate Social Innovation in Banking**

CSI has emerged as a strategic response to increasing stakeholder and shareholder expectations for sustainable development and innovative solutions to address social and environmental challenges (García-Flores & Martos, 2023; Mirvis et al., 2016). Unlike CSR, which often remains peripheral to core strategy and is driven by external expectations (Collina et al., 2023; Tang et al., 2012), CSI integrates social and environmental objectives directly into

business models, treating them as opportunities for innovation and value creation (Porter & Kramer, 2011; Morsy et al., 2024). This approach builds on Porter and Kramer's (2011) concept of Creating Shared Value (CSV), which reframes societal challenges as drivers of business competitiveness and innovation. In this sense, CSI can be understood as the operationalisation of CSV within organizations, enabling firms not only to generate financial returns but also to co-create societal value through systemic innovation. In the banking sector, this shift is reflected in initiatives such as green bonds, impact investment portfolios, ESG-linked mortgages, and digital platforms for financial inclusion (Dionisio & de Vargas, 2020; Taera & Lakner, 2025). By embedding innovation into the organizational core, CSI enables banks to evolve from reactive compliance-oriented entities into proactive institutions that co-create societal value and environmental stewardship (Risi et al., 2023; Popoli, 2017).

The strategic importance of CSI in the financial sector lies in its ability to reinforce institutional resilience and adaptability, enabling banks to respond effectively to dynamic market and regulatory environments. At the same time, CSI enhances organizational legitimacy by aligning financial practices with evolving investor expectations and societal demands for transparency, inclusivity, and sustainability (Aguinis & Glavas, 2012; Mirvis & Googins, 2021; Sharma et al., 2024). As Herrera (2015) highlights, CSI fosters systemic rather than fragmented innovation, supporting long-term competitive advantage in dynamic environments. It builds institutional trust by signalling a genuine commitment to sustainability, a crucial asset in markets shaped by values-driven consumers and impact-oriented investors (Deloitte, 2024). Moreover, CSI encourages cultural transformation within organizations, promoting collaboration, experimentation, and long-term thinking, while enabling banks to form cross-sectoral partnerships with NGOs, governments, and fintech firms to scale impact (Kanter, 1999; Mirvis et al., 2016; PwC, 2019).

CSI creates value for organizations in several interconnected ways. First, it can lower costs and improve access to capital, as investors increasingly favour institutions with strong sustainability credentials and clear ESG commitments (Bell et al., 2024; Scatigna et al., 2021; Zerbib, 2019). At the same time, it helps attract and retain talent, particularly among younger generations who look for purpose and social responsibility in the workplace (Eccles et al., 2014; Glavas & Kelley, 2014). Beyond these internal benefits, CSI opens opportunities for business growth by fostering innovative products and services such as green bonds, inclusive finance solutions, or impact investment portfolios (Dionisio & de Vargas, 2020; Taera & Lakner, 2025). Finally, by engaging authentically with social and environmental challenges,

banks can strengthen societal goodwill, building trust and legitimacy that are essential for long-term resilience in a values-driven financial landscape (Kölbel et al., 2020). These four sources of value illustrate how CSI not only responds to external pressures but also enhances competitiveness in a sustainable way.

From a practical standpoint, CSI diversifies banks' product portfolios and aligns them with emerging policy frameworks, such as the EU Taxonomy and the Task Force on Climate-related Financial Disclosures (TCFD). These frameworks establish standards for classifying and disclosing sustainable activities, which in turn support the development of climate-resilient lending, green project finance, and social impact bonds (BdP, 2022; European Commission, n.d.; PwC, 2025). These instruments reduce exposure to ESG-related risks while opening new markets (EBA, 2021). Inclusive finance initiatives targeting underserved populations, such as microfinance for women entrepreneurs or rural communities, demonstrate how CSI combines profitability with social purpose, reinforcing banks' role as enablers of systemic social transformation (CGAP, 2021; EIF, 2025, Oliver Wyman, 2016). International banking cases further illustrate how CSI is operationalised in practice. Triodos Bank has built a values-based model founded on transparency and sustainability, prioritising financing with positive social and environmental impact (Triodos Bank, 2024). Santander has advanced financial inclusion in Latin America by leveraging microfinance and digital innovation initiatives, expanding access to credit and financial services for underserved populations while promoting sustainable development (Santander, 2024). ING Bank has advanced sustainability-linked lending and climate-focused financial products, aligning credit practices with environmental performance targets and supporting the transition to a low-carbon economy (ING, 2024). Taken together, these examples demonstrate how CSI practices are increasingly embedded in the banking sector, repositioning financial institutions as central actors in promoting sustainable and inclusive economies.

Traditional banking practices, with their narrow focus on compliance, profitability, and incremental innovation, have proven insufficient to address systemic challenges such as climate risk, inequality, and financial exclusion (EBA, 2025). Addressing these complex issues requires systemic innovation that reshapes institutional logics, governance, and stakeholder relationships, which involves not only integrating ESG considerations into decision-making but also reshaping the very role of banks as agents of societal change (Bitencourt et al., 2024; EBA, 2025; Siltaloppi et al., 2021). In this context, ESG frameworks provide a mechanism for embedding sustainability directly into strategic decision-making, while CSI operationalises this

integration through innovation, stakeholder engagement, and cross-sectoral collaboration (Chen, 2024; Eccles & Klimenko, 2019; Kotsantonis & Serafeim, 2019). By aligning business objectives with societal outcomes, CSI emerges not as a peripheral activity but as a strategic imperative, positioning banks as institutional actors in systemic sustainability transitions and reinforcing their long-term legitimacy in a values-driven financial ecosystem.

## **2.2. ESG in the Banking Sector: Evolution, Challenges, and Impact**

The concept of ESG in finance has evolved from ethically motivated initiatives to a strategic imperative embedded in global regulatory and institutional frameworks. Rooted in ethical banking movements of the 1960s and 1970s, exemplified by pioneers such as Triodos Bank (Triodos, n.d.), the early focus was on transparency, community lending, and environmental stewardship. While the rise of CSR in the late 20th century marked the first formal response to social and environmental challenges, CSR was often peripheral to corporate strategy and criticized for its limited integration into core business functions. In response, ESG emerged in the early 2000s as a structured, measurable, and strategy-oriented framework, supported by initiatives such as the United Nations Principles for Responsible Investment and the Global Reporting Initiative, which advanced standardized metrics and transparency (Carroll, 1991; Fatima & Elbanna, 2023; Lenz & Neckel, 2019; Pollman, 2022; Tang et al., 2012).

The 2008 financial crisis represented a turning point in the institutionalization of ESG. The governance failures revealed during the crisis highlighted systemic weaknesses in oversight and risk management, thereby underscoring the need for greater accountability, more rigorous consideration of stakeholder-related risks, and an enhanced focus on long-term value creation as opposed to short-term profit maximization (Eccles et al., 2014; Giakoumelou et al., 2022). Since then, ESG has moved from voluntary corporate practice to an integral component of financial regulation, as seen in the European Union's Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD). The EU Taxonomy for Sustainable Activities has further positioned sustainability as a pillar of competitiveness, requiring financial institutions to align capital flows with the European Green Deal (Jespersen et al., 2025; European Commission, 2021). Supervisory authorities, including the European Central Bank (ECB), now incorporate environmental risk in stress tests and

oversight mechanisms (ECB, 2023), while Banco de Portugal has introduced national initiatives to assess climate risks and reinforce alignment with the EU agenda (BdP, 2022; BdP, 2024).

These transformations have been accelerated by systemic shocks such as the Covid-19 pandemic, which highlighted the interdependence of economic resilience, social well-being, and environmental stewardship (Savio et al., 2023; Yuen et al., 2022). This period gave rise to what is described as “ESG 2.0.” characterized by integration into core business strategy and closer alignment between ESG performance and material financial outcomes (Passas, 2024; Ray, 2025). The widespread adoption of ESG has been driven primarily by three forces: investor demand, regulatory pressure, and reputational risk. Investors increasingly favour institutions with strong ESG credentials, rewarding them with stable capital flows and lower funding costs (Lopez-de-Silanes et al., 2024; Miralles-Quiros et al., 2019). At the same time, regulatory initiatives such as the EU Taxonomy and the TCFD have made disclosure mandatory in many jurisdictions (KPMG, 2024). Finally, reputational concerns have placed firms under constant scrutiny in an era of digital activism, where ESG failures can rapidly undermine credibility and valuation (Barko et al., 2022; Del Sarto, 2025; Li, 2024).

Within the banking sector, ESG integration delivers several strategic benefits. Beyond mitigating climate, governance, and reputational risks, ESG alignment strengthens financial performance in the long run (Friede et al., 2015). In addition, banks with strong ESG practices enjoy greater resilience, better risk-adjusted returns, and enhanced investor confidence (Cantero-Saiz et al., 2024). These advantages extend to non-financial dimensions, as ESG-oriented banks tend to gain customer loyalty from socially conscious clients and benefit from stronger employee engagement and retention (Eccles et al., 2011; Lee et al., 2023; EIB, GABV, Deloitte, & KKS Advisors, 2022). In this way, ESG serves not only as a compliance framework but also as a driver of value creation, institutional trust, and long-term competitiveness (Fernando et al., 2017).

Nevertheless, challenges persist. The most significant of these is the risk of greenwashing, whereby institutions overstate commitments without embedding sustainability into their operations (Dziawgo, 2025; KPMG, 2024). These challenges are further compounded by the coexistence of fragmented and overlapping regulatory requirements. The multiplicity of regulations generates compliance fatigue, particularly for smaller institutions, and undermines both comparability and the effectiveness of regulatory oversight (Antolín-López & Ortiz-de-

Mandojana, 2023; Christensen et al., 2021; Boffo & Patalano, 2020). Another remaining obstacle is cost. ESG implementation demands investments in data infrastructure, governance structures, and staff training, which may deter banks under margin pressures or operating in emerging markets. Smaller institutions in particular face capacity constraints, limiting their ability to implement robust ESG frameworks (Andries & Sprincean, 2023; Eccles et al., 2014; D’Orazio, 2023; Liou et al., 2023)

To address these challenges, regulatory frameworks play a crucial role in standardizing practices and embedding ESG into financial systems. The EU Taxonomy provides a common classification for sustainable activities, reducing greenwashing and enabling comparability (Schütze & Stede, 2024). Similarly, the Principles for Responsible Banking (PRB), launched by UNEP FI, push banks to align operations with the SDGs and Paris Agreement through target-setting and stakeholder engagement (UNEP FI; 2019). Meanwhile, Basel III is evolving to integrate climate and ESG risks into prudential supervision, signalling a paradigm shift in banking regulation (BIS, 2010). Collectively, these frameworks raise the baseline for ESG performance, foster accountability, and reinforce ESG as both a regulatory requirement and a strategic opportunity (EBA, 2021; GBI & WBA, 2024).

While ESG provides the framework for embedding sustainability into banking strategy, CSI offers the practical pathway for operationalising these commitments (KPMG International, 2021; Menicucci, 2025). ESG defines the “what” by setting priorities in ESG domains, whereas CSI focuses on the “how” by integrating these priorities into innovative business models, products, and partnerships. In this sense, CSI transforms ESG from a compliance exercise into a driver of value creation, enabling banks not only to mitigate risks but also to address systemic challenges such as financial exclusion, climate resilience, and trust in financial institutions. The interaction between ESG and CSI is therefore mutually reinforcing: ESG sets the standards of accountability and legitimacy, while CSI ensures that these standards translate into meaningful and scalable impact (Itan et al., 2025; Mirvis et al., 2016).

Overall, ESG has transitioned from a voluntary, ethically driven initiative into a structured, mandatory, and strategically significant framework in global finance. For banks, ESG is now both a compliance necessity and a driver of competitiveness, resilience, and trust. However, its effectiveness depends on moving beyond symbolic compliance toward systemic integration into governance, culture, and value creation. The trajectory of ESG thus reflects not

only the financial sector's adaptation to sustainability pressures but also its redefined role as a central actor in addressing global environmental and social challenges.

### **2.3. The Role of Banks in Sustainable Finance**

The global shift toward sustainable banking reflects a redefinition of the sector's purpose, from a narrow focus on risk and profit to a broader mandate that aligns financial intermediation with environmental and social objectives. This transition is propelled by heightened climate awareness, concerns over social equity, and international commitments such as the UN Sustainable Development Goals (SDGs), which position banks as pivotal actors in allocating capital, shaping corporate conduct, and steering market behaviour toward sustainability (Aracil et al., 2021; da Silva Inácio & Delai, 2022; UN, 2025). Crucially, sustainable banking involves more than the simple adoption of ESG checklists. It requires a structural and strategic reorientation of business models, in which ESG considerations are fully embedded into core activities such as credit appraisal, investment policy, risk governance, and stakeholder engagement, rather than being appended as peripheral practices (D'Ecclesia et al., 2025; EBA, 2021; Yip & Bocken, 2018). External shocks, from the 2008 financial crisis to the COVID-19 pandemic, have further exposed system vulnerabilities and accelerated the integration of resilience and responsibility into banking practice (Aracil et al., 2021; ECB, 2020; Forcadell et al., 2020; OECD, 2021).

Regulatory and voluntary frameworks have institutionalised this shift. Instruments such as the EU's Sustainable Finance Disclosure Regulation and the Principles for Responsible Banking press institutions to measure, manage, and disclose environmental and social impacts, thereby weaving sustainability into fiduciary responsibility and strategic control. In parallel, alignment with the SDGs, especially goals linked to clean energy, financial inclusion, and gender equality, recasts sustainability as a driver of innovation and long-term competitiveness, with the banking system central to mobilising the trillions in annual investment required (Barone et al., 2024; Friede et al., 2015; UNEP FI, 2018). Evolving stakeholder expectations for transparency and accountability reinforce this trajectory, encouraging banks to differentiate not only on price or efficiency but on demonstrable societal contribution (Beyer & Dautović, 2025, Kölbl et al., 2020; Liang & Renneboog, 2020; Nájera-Sánchez, 2020).

Against this backdrop, ESG-aligned financing strategies have expanded rapidly. Green finance, encompassing instruments such as green bonds, sustainability-linked loans, climate finance, and carbon finance, channels capital toward renewable energy, energy efficiency, resilient infrastructure, and sustainable mobility, while simultaneously signalling a clear commitment to investors and regulators (Akomea-Frimpong et al., 2022; Ante, 2021; D’Orazio & Popoyan, 2019; Raberto et al., 2019; Urban & Wójcik, 2019). Inclusive finance complements this agenda by using microfinance and digitally enabled models to extend credit, savings, and financial literacy to underserved groups. In doing so, it broadens access to financial services while simultaneously opening new markets through shared-value logics (Milano & Ashta, 2020; Pal, Khan, & Zaman, 2025; Santander, 2023). When integrated into portfolio construction and credit processes, these instruments shift institutions beyond a sole focus on risk mitigation toward proactive financing of a more inclusive and sustainable economy, contingent on the maintenance of strong governance, transparency, and stakeholder engagement (Houston & Shan, 2022; Zhong, 2018).

ESG-driven innovation is increasingly intertwined with digital transformation. Banks and FinTechs deploy mobile platforms, online advisory tools, and AI-enabled analytics to enhance access, personalise offerings, and integrate sustainability into the customer journey (Adelaja et al., 2024; Murinde et al., 2022; Rahman et al., 2024; Vasile & Manta, 2025). Emerging technologies enhance both the integrity and scalability of sustainable finance practices. Blockchain facilitates greater transparency and traceability in the allocation of green bond proceeds and supply-chain financing, while artificial intelligence enables real-time monitoring of ESG-related risks and the development of tailored impact portfolios (Christodoulou et al., 2023; Ioannou & Demirel, 2022; Giudici & Wu, 2025; Lim, 2024; Xiao & Xiao, 2025). FinTech-led features such as carbon-footprint tracking, donation channels, and ESG-focused robo-advisory encourage more responsible behaviours and broaden user participation. At the same time, collaborations between incumbents and start-ups have facilitated the development of hybrid products, including green mortgages, sustainability-linked loans, and targeted inclusion mechanisms (Forcadell et al., 2020; Loumiotis & Serafeim, 2022; Galeone et al., 2024). In effect, green banking and ESG-oriented innovation are reshaping financial services through technology-enabled solutions that promote climate resilience, inclusion, and stakeholder empowerment (Houston & Shan, 2022; Kwilinski et al., 2025). These practices exemplify CSI, as they embed social and environmental objectives

directly into core financial products and processes, transforming sustainability from a peripheral concern into a driver of value creation.

Strategically, ESG integration has become a source of durable advantage in an increasingly commoditised, digital market. Institutions with credible ESG performance tend to benefit from lower funding costs, stronger investor demand, and enhanced risk-adjusted returns, alongside reputational capital with customers and employees (Andries & Sprincean, 2023; EIB et al., 2022; Eccles et al. 2011; Kräussl et al., 2024; McKinsey, 2019). The surge in ESG-labelled issuance and preferential capital allocation confirms that markets reward verifiable sustainability leadership (Scatigna et al., 2021; Gibbs, Tiftik et al., 2022; Zerbib, 2019). Competitive dynamics are increasingly evident at the retail interface, where digital banks that embed ESG functions such as carbon tracking, sustainable investment options, and offsetting mechanisms into the user experience enhance customer engagement and achieve differentiation among values-driven market segments.

Despite these advances, substantial obstacles to effective implementation continue to persist. Tensions between short-term profitability and long-term sustainability investments remain salient, particularly for smaller institutions facing capacity constraints in data, systems, and skills (Tandon et al., 2025; GABV, 2022; Bernow et al., 2019). Fragmented standards and disclosure regimes complicate comparability and can induce compliance fatigue, risking superficial ‘box-ticking’ instead of substantive integration (Antolín-López & Ortiz-de-Mandojana, 2023; Christensen et al., 2021; European Commission, 2021). Ultimately, institutional credibility is contingent upon trust. In an era of heightened scrutiny, banks are required to demonstrate verifiable outcomes rather than rely solely on declaratory commitments, thereby mitigating the risk of greenwashing (Galletta et al., 2024). Authentic integration, achieved through ESG-linked products with measurable outcomes, inclusive strategies with demonstrable impact, and science-based climate targets, serves to align incentives, mitigate scepticism, and reinforce an institution’s social licence to operate (Liang & Renneboog, 2020; Gibson et al., 2021; Kölbel et al., 2020; Eccles et al., 2014; Cabaleiro-Cerviño & Mendi, 2024).

Taken together, these developments indicate that sustainable banking is not a peripheral trend but a transformative re-articulation of institutional logics in finance. ESG provides the governing framework that embeds purpose into strategy and control, while innovation, often developed in partnership with FinTech, translates this purpose into scalable products, data-

driven risk management, and stakeholder-centred design. Banks that integrate these elements in a coherent manner are better positioned to manage systemic risks, mobilise capital toward public-interest objectives, and compete on the basis of trust and resilience, thereby aligning financial performance with societal progress (Bolton et al., 2020; Fernando et al., 2017; Fu & Li, 2023; Schoenmaker & Schramade, 2019).

## **2.4. ESG as a Competitive Advantage in Banking**

In the evolving landscape of financial services, ESG has shifted from a peripheral concern to a strategic imperative. As traditional banking becomes increasingly commoditized, differentiation relies on intangible assets such as ethical alignment, environmental responsibility, and social impact (Barney, 1991; Cabaleiro-Cerviño & Mendi, 2024; Friede et al., 2015).

Customer expectations, especially among Millennials and Generation Z, are increasingly values-driven, with demand for climate action, transparency, and social justice influencing financial choices (Deloitte, 2021; Eccles et al., 2014; Laukkanen & Tura, 2022; McKinsey, 2024.). This shift is reflected in the rising popularity of green loans, ESG-linked investment products, and digital tools that enable users to monitor their carbon footprint. FinTechs such as Revolut exemplify this transformation by embedding sustainability into everyday banking through features like carbon tracking, ESG investment opportunities, and partnerships with NGOs (UNDP, 2021; Revolut, 2025).

ESG alignment also enhances access to capital, as institutional investors increasingly favour firms with robust sustainability practices. This trend is reflected in the rapid expansion of sustainable finance markets, with global issuance of green, social, sustainability, and sustainability-linked bonds surpassing \$1 trillion in 2024 (Scatigna et al., 2021; UNCTAD, 2025; Zerbib, 2019). Strong ESG performance correlates with lower risk profiles and reduced borrowing costs, while EU frameworks such as the Taxonomy and SFDR further channel finance towards sustainable activities (EIB et al., 2022).

Translating ESG principles into practice presents significant challenges for financial institutions. The long-term nature of ESG returns often conflicts with short-term profit pressures, a tension that is particularly acute for smaller institutions with limited resources. The high costs of implementation, including investments in data infrastructure, digital systems, and

compliance with international standards can significantly impede adoption (EIB et al., 2022). Moreover, the proliferation of standards risks encouraging symbolic compliance rather than authentic integration (Scatigna et al., 2021).

Genuine ESG leadership requires moving beyond compliance. Instruments such as green or sustainability-linked loans both align incentives with societal goals and signal credibility to investors (Liang & Renneboog, 2020; Gibson et al., 2021). Commitments to inclusion, for example through microfinance and digital platforms, and to climate accountability, further reinforce trust and long-term resilience (Zetterli, 2023; Eccles et al., 2014; Kölbel et al., 2020; WEF & McKinsey, 2022).

Ultimately, trust remains the cornerstone of ESG. As scrutiny of greenwashing grows, transparency and demonstrable actions are essential (Galletta et al., 2024; Beyer & Dautović, 2025). Institutions that authentically embed sustainability into governance, operations, and culture are better placed to secure legitimacy and long-term competitiveness in a values-driven, highly regulated financial ecosystem (Fu & Li, 2023; UNEP FI, 2024). In this context, ESG provides the normative framework for sustainable finance, ESG-driven innovation translates these principles into products and services, and CSI acts as the mechanism through which banks integrate social and environmental objectives into their business models. Together, these elements redefine banking as a driver of systemic change, positioning financial institutions not only as allocators of capital but also as agents of societal transformation.

## **2.5. Research Gap and Case Study Justification**

Although academic interest in ESG and CSI has increased in recent years, research applied specifically to the banking sector remains limited. The existing literature is largely conceptual or cross-sector in scope, offering few empirical accounts of how individual banks operationalise ESG in ways that foster CSI. Therefore, this dissertation addresses a clear gap by examining BCTT as a single case, exploring how ESG principles are translated into strategies, products, and organisational practices with potential to generate value for sustainable finance.

BCTT represents a strategically relevant but underexamined case within the Portuguese financial sector. Unlike long-established incumbents, it is not constrained by legacy systems, entrenched hierarchies, or outdated compliance structures, which often limit the pace and scope

of organisational transformation. This structural flexibility positions the bank to embed ESG and CSI principles directly into its strategic and operational model from the outset, rather than as incremental adaptations to external pressures (BCTT, 2025). However, despite this distinctive configuration, there has been no systematic academic inquiry into how such institutions can mobilise these advantages to advance sustainable innovation and achieve competitive differentiation.

Furthermore, the national banking context in Portugal, characterized by an increase in digitalization, growing consumer demand for ethical finance, and the influence of European regulatory frameworks, offers an ideal environment for a novel financial institution (BdP, 2022; OECD, 2023; PLMJ, 2025). Such an institution would be locally rooted yet globally aligned, demonstrating that sustainable finance is not solely the domain of multinational banks (BdP, 2020). By combining digital infrastructure with community proximity, BCTT has the potential to become a benchmark for ESG-driven transformation among emerging market banks in Southern Europe (BCTT, 2025).

This thesis addresses a critical knowledge gap by examining how CSI can act as a strategic lever for ESG integration within BCTT, positioning the bank as a potential model for sustainable finance. In doing so, it contributes to academic and practical debates while highlighting a broader transformation in banking, where trust, inclusion, and resilience increasingly rival profitability and efficiency as markers of competitiveness.

### **3. METHODOLOGY**

#### **3.1. Research Design**

The central research question guiding this study is: *How does BCTT use ESG principles to foster CSI and generate value for sustainable finance?*

The overarching objective of this study is to analyse how the bank has integrated ESG principles into its strategic framework and to assess how this integration can serve as a source of differentiation and transformation within the banking sector. This focus reflects the growing academic and practical relevance of understanding the strategic alignment between ESG commitments and CSI in financial institutions. By examining BCTT as a case study, the research seeks to contribute to the literature on sustainable banking by offering insights into

how ESG principles can be operationalized not merely as compliance mechanisms but as drivers of innovation, stakeholder engagement, and long-term value creation, as analysed on the literature review.

To address this question, the study pursues three key objectives: (1) to explore how ESG principles are embedded within BCTT's strategic framework and operational practices; (2) to evaluate how these ESG initiatives contribute to the bank's CSI agenda and generate value for both the organization and its stakeholders; and (3) to assess the potential of ESG-driven CSI to act as a transformative force within the broader Portuguese banking sector. The scope of the research is defined by a single in-depth case study of BCTT, allowing for a contextually rich and nuanced analysis of the interplay between ESG integration, social innovation, and sustainable finance. This focused design enables a detailed examination of internal perspectives and external stakeholder insights, thereby ensuring a comprehensive understanding of the bank's role in advancing sustainable and socially innovative banking models.

This study adopts a qualitative case study approach, which, as Yin (2018) highlights, is particularly valuable for examining complex, real-world phenomena in their natural setting. This design is well suited to exploring how ESG strategies and CSI are integrated within a single organizational context, enabling an in-depth analysis of how such initiatives are interpreted, implemented, and experienced by diverse stakeholders in the banking sector. More broadly, this dissertation utilizes a qualitative research method that seeks to understand human experiences and realities from the participants' perspective and is typically characterized as an iterative process, where insights often emerge progressively throughout and after data collection (Palmer & Bolderston, 2006).

To support this analytical perspective, the research adopts Stakeholder Theory (Freeman, 1984) as a guiding theoretical framework. This theory posits that organizations should create value for all stakeholders, including employees, customers, communities, regulators and the environment, extending beyond shareholders to encompass all groups that influence, or are influenced by, organizational activities and outcomes. This framework is particularly relevant to the present study, as the principles of stakeholder theory closely align with the underlying aims of ESG integration and CSI. This lens supports an analysis of how BCTT engages with and responds to the interests of its diverse stakeholders. It also facilitates

the assessment of inclusive, ethical and sustainable practices that generate shared value across social, environmental and economic dimensions.

### **3.2 Case Selection Rationale**

The selection of BCTT as the focal case is grounded in criteria directly aligned with the objectives of this research: its relevance to sustainable banking, innovation-oriented business model, availability of ESG-related documentation, and commitment to financial inclusion. These features make BCTT a suitable setting for analysing how ESG principles intersect with CSI in the Portuguese financial sector.

BCTT positions itself as a relatively new entrant in the banking market, unencumbered by legacy systems that constrain older institutions. Its digital-first orientation, illustrated by the development of online channels and mortgage origination platforms, places it within a progressive segment of the industry, where innovation is closely linked to sustainability commitments (BCTT, 2025).

The case is supported by the availability of public documentation, most notably the Annual Report, which consolidates strategic planning and ESG-related disclosures and provides a sufficient evidentiary base for qualitative analysis. Complementary information from BCTT's official website further enriches this evidence base. While BCTT does not yet publish a long-standing portfolio of standalone sustainability reports, the accessible materials it produces offer valuable insights into its commitments, priorities, and evolving alignment with ESG standards.

In methodological terms, this choice reflects the logic of single-case study research, which prioritises depth and contextual richness over breadth (Yin, 2018). BCTT represents what Yin (2018) defines as a revelatory and instrumental case: a setting that allows the investigation of contemporary processes not yet widely documented in the literature, while also offering insights that can inform theoretical debates on ESG and CSI in banking.

Finally, BCTT's operational model underscores its relevance as a case for studying inclusiveness. By leveraging the nationwide CTT postal network, the bank extends financial services across both urban and rural areas, thereby reducing geographic and social barriers to access (BCTT, 2025). This approach reflects stakeholder-centred and socially innovative

banking principles, making BCTT a particularly fitting case through which to examine ESG-driven innovation in accessible financial services.

### **3.3. Data Collection**

This study drew on both primary and secondary qualitative sources to enable a comprehensive and triangulated analysis of BCTT's ESG strategy and CSI.

The primary data consisted of semi-structured interviews, designed to capture perspectives and experiences not accessible through documentary analysis alone, thereby deepening the contextual understanding of the phenomenon. In line with the principles of stakeholder theory introduced earlier, the interviews were directed at external stakeholders of BCTT, specifically clients and ESG specialists. These groups reflect different but complementary positions, providing insights both from the perspective of end-users of banking services and from experts engaged in sustainability and finance debates. This approach enabled a more holistic understanding of how ESG principles and CSI are interpreted and enacted within the institution.

Participants were selected using purposive sampling, a non-probability method used in qualitative research to identify and select individuals with specific knowledge or experience of the phenomenon under investigation. As Palinkas et al. (2015) note, this approach entails the intentional selection of "information-rich cases" to ensure depth and relevance in qualitative data collection. This method was appropriate for the present study, which sought to capture diverse and informed perspectives in ESG and CSI within and around BCTT.

A total of six semi-structured interviews were conducted, comprising two clients and four ESG specialists. While additional interviews were initially planned, recruitment proved challenging. Although numerous invitations were sent, response rates from ESG professionals were low, and several confirmed participants later cancelled due to limited availability. Two specialists opted to provide written responses but ultimately did not return them, despite follow-up attempts. Consequently, the final sample reflects both the practical constraints of fieldwork and the realities of engaging with senior professionals in the banking sector. Nevertheless, this composition provided complementary perspectives from service users and sustainability experts, while remaining feasible within the time and scope of the study. The sample size was appropriate for an exploratory qualitative case study, where the aim was not

statistical generalization but the generation of context-rich insights and the identification of patterns across roles and experiences. Within this design, thematic saturation was reached, as no new insights emerged beyond recurring themes, indicating that the sample was sufficient to capture the diversity of stakeholder perspectives while maintaining analytical depth (Guest et al., 2020; Saunders et al., 2017).

An interview guide was developed in alignment with the research questions and the theoretical framework, allowing participants to elaborate on relevant issues while ensuring consistency across interviews. Two distinct interview guides were prepared: one adapted for BCTT clients, and another tailored for ESG specialists with expertise in sustainability and finance, which are provided in Appendices 2 and 3, respectively. This structure ensured that the questions were tailored to each group's level of expertise and engagement with the bank while maintaining thematic comparability across responses.

While most interviews were conducted synchronously online, one participant responded via email given availability constraints that made real-time interaction impossible. The same interview guide was provided to ensure comparability across responses, thereby maintaining coherence across different modes of participation. In this context, online interviewing has been recognized as a cost-effective and convenient alternative for qualitative data collection (Gray et al., 2020), making it particularly suitable for this study. All synchronous online interviews were conducted via Microsoft Teams, which provided a secure and accessible platform for communication.

Before each interview, participants were informed about the purpose of the research, the voluntary nature of participation, their right to decline to answer questions, and their ability to withdraw at any time without consequence. Verbal consent was then obtained to proceed with the interview and to audio-record it. For participants who responded in written form, the same information was provided in advance, ensuring that their consent and awareness of rights were consistent with those of participants in synchronous interviews. All interviews were subsequently audio-recorded and transcribed to support rigorous qualitative analysis. The duration of each interview ranged between 30 and 40 minutes, which is considered sufficient to explore the research themes while maintaining feasibility and participant engagement.

To preserve confidentiality and ensure clarity in data presentation, all interviewees were anonymized and assigned alphanumeric codes according to their profile. ESG specialists were coded as *ESG1*, *ESG2*, and so forth, while BCTT clients were coded as *CL1* and *CL12*. This

coding system allows for a clear distinction between different respondent groups without disclosing personal identities, in line with ethical research practices. The list of interviews, duly coded and anonymised, is presented in Appendix 1.

Secondary data consisted primarily of BCTT's Annual Reports, which integrates strategic planning and ESG-related disclosures, providing a central evidentiary base for analysis. This was complemented by information published on the bank's official website, which offered additional insights into its sustainability positioning and practices. These materials complemented the interviews by enabling cross-verification of findings and a richer understanding of the bank's sustainability strategies and positioning.

The integration of these methods supports data triangulation, thereby strengthening both the credibility and robustness of the findings. As Denzin (1978) observes, triangulation entails the use of multiple data sources or methods to study a social phenomenon, with the aim of enhancing the accuracy and trustworthiness of results. In the context of this study, triangulation facilitates the cross-validation of emergent themes and interpretations by systematically comparing documentary evidence with stakeholder perspectives. This approach not only mitigates potential biases inherent in relying on a single source but also enriches the analytical scope by linking the formal articulation of BCTT's ESG commitments with their perception and lived experience among diverse stakeholder groups.

### **3.4. Data Analysis**

This study used a thematic analysis approach for the data analysis, which was appropriate for identifying, organizing, and interpreting patterns of meaning within qualitative data. This method was particularly well-suited to addressing the research aim of understanding how ESG strategy and CSI were conceptualized and operationalized within BCTT. Thematic analysis allowed for a flexible yet rigorous examination of both stakeholder perspectives (derived from interviews) and institutional narratives (derived from documents), supporting the development of nuanced insights into the values, priorities, and implementation dynamics associated with ESG practices (Braun & Clarke, 2012).

The analysis followed the Gioia methodology (Gioia et al., 2013), which proceeded through three iterative stages: (1) identifying first-order concepts using participants' own words, (2) grouping these into second-order themes that capture broader patterns, and (3)

synthesising them into aggregate dimensions to inform higher-level theoretical insights. This process preserves the authenticity of stakeholder voices while linking findings to the study's theoretical framework.

The analysis proceeded in multiple stages. First, all the data, including transcribed interviews and relevant documents, were read in full to achieve immersion and preliminary familiarization. During this stage, initial codes were generated inductively, based on recurring language, concepts, and issues raised by participants or identified in the documentation. These codes were then grouped into higher-order themes reflecting broader patterns, such as strategic alignment, stakeholder engagement, innovation framing, regulatory compliance, or social impact. While the coding process remained open to emergent findings, a deductive dimension was also incorporated by mapping themes against key concepts derived from the theoretical framework, including ESG integration models and CSI theory (Gioia et al., 2013).

## **4. FINDINGS**

### **4.1. Case Context: Banco CTT**

BCTT was formally established in 2015 as a subsidiary of CTT – Correios de Portugal, following authorization from Banco de Portugal to create a postal bank. Grounded in the principles of proximity, simplicity, and transparency, the institution opened to the public in March 2016 with 52 branches across all Portuguese districts, leveraging the extensive postal network as a distinctive asset. Its expansion was supported by successive capital increases and the introduction of retail services such as mortgages, insurance, and savings products, further strengthened by the acquisitions of Payshop and 321 Crédito, which extended its activities into payment services and consumer credit. By 2019, BCTT had surpassed €1 billion in customer deposits and achieved operational breakeven in 2020, consolidating its place in the national market. In 2023, Banco de Portugal reclassified the bank, which ceased to be considered a “small and non-complex institution”, bringing it under stricter regulatory requirements. More recently, strategic partnerships, most notably with Generali, have reflected its transition from a niche postal bank to a diversified financial group (BCTT, 2025a).

The bank's strategic identity is articulated through a vision of becoming a reference institution for service quality, efficiency, and value creation for clients, employees, and society. Its mission emphasizes delivering competitive and accessible financial solutions, underpinned

by innovation and sustainable stakeholder relationships. Guiding principles such as customer orientation, professionalism, reliability, continuous improvement, and innovation are reinforced by its values, simplicity, efficiency, proximity, trust, and stability, which together form the foundation of BCTT's organizational culture and long-term positioning within the Portuguese financial sector (BCTT, 2025a).

In terms of its business model, BCTT positions itself as a retail bank focused on meeting the essential needs of individual clients through straightforward and accessible services. Its portfolio spans current accounts, debit and credit cards, savings and investment solutions, and mortgage products, including tailored offerings for younger clients. Operating through a hybrid model, the bank combines a nationwide network of 212 branches, integrated with the postal infrastructure, with a strong digital presence, with 75% of customers adhering to the online channels. This integration of physical proximity and digital convenience has been central to client acquisition and retention. At the same time, BCTT consolidates its role in consumer credit through 321 Crédito, a subsidiary specializing in car financing, which has become a leading reference in the national market (BCTT, 2025a).

The institution has also received external recognition for its innovation and quality. In 2024, BCTT was awarded "Product of the Year" for its Construction Mortgage, while 321 Crédito received the "Five Stars Award" in the automobile credit category. These distinctions highlight the group's ability to combine accessibility with innovation, reinforcing its reputation in the Portuguese banking sector (BCTT, 2025a).

Looking ahead, BCTT's 2025 strategic priorities are organized around two main categories: deepening customer relationships by increasing the share of primary banking clients, and strengthening institutional capabilities through substantial technological investment, including a full core system upgrade and expanded digital services. These measures support the bank's growth targets of surpassing €7 billion in business volumes and achieving pre-tax profits between €25 and €30 million, reflecting both continuity and ambition in its strategic trajectory (BCTT, 2025a).

## **4.2. Documentary Analysis**

The following analysis concentrates on the most recent annual report, relating to the financial year 2024, as it reflects BCTT's current sustainability positioning. Previous reports were reviewed and revealed no significant differences in the substance of sustainability

communication. In earlier years, references to sustainability were limited to one or two pages, while the 2024 annual report introduced, for the first time, an expanded and integrated sustainability section, prepared in response to the new requirements set by Commission Delegated Regulation (EU) 2023/2772.

BCTT articulates its strategic positioning around a business model designed to combine accessibility, efficiency, and innovation with a long-term commitment to sustainable value creation. Operating exclusively in Portugal, with a workforce of over six hundred employees, the institution frames its activity not merely in financial terms but also through the lens of stakeholder engagement and societal contribution. Its corporate orientation emphasizes customer satisfaction, professional integrity, continuous improvement, and innovation as the guiding principles for both service provision and organizational culture (BCTT, 2025a).

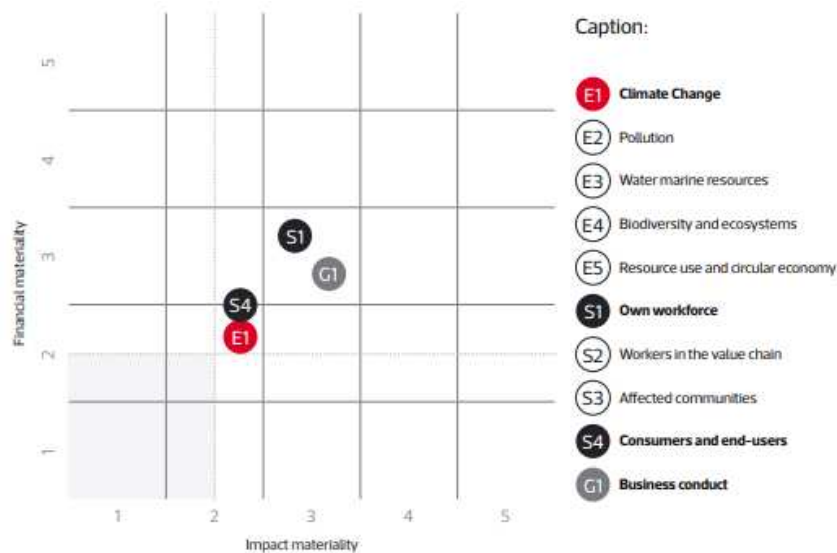
In alignment with contemporary sustainability agendas and international benchmarks such as the SDGs, BCTT structures its ESG strategy around three core pillars. The first is energy transition, which encompasses initiatives aimed at reducing the environmental footprint of its operations while enabling clients to shift toward lower-carbon economic models. The second pillar concerns social and financial well-being, seeking to enhance the group's contribution to society, with efforts initially oriented toward employees and business partners. The third pillar is responsible banking, which underscores the importance of strong internal governance, transparency, and ethical practices, while also embedding principles of equity and inclusion within the corporate culture (BCTT, 2025a).

By grounding its ESG agenda in these three dimensions, BCTT seeks to position itself as a responsible financial institution that integrates sustainability considerations into both its operational practices and the design of accessible financial products. This approach reflects a strategic effort to reconcile competitiveness with long-term social responsibility, thereby reinforcing its ambition to be recognised as a benchmark institution in the Portuguese banking sector (BCTT, 2025a).

BCTT places significant emphasis on the systematic integration of stakeholder perspectives into its sustainability strategy and business model. This engagement is not limited to formal compliance but is embedded in a structured process of dialogue, consultation, and feedback, ensuring that material issues are identified and addressed in a manner consistent with both regulatory requirements and societal expectations. Interaction occurs through multiple channels, including electronic surveys, workshops, and regular committee meetings, which

allow diverse groups, ranging from employees and suppliers to clients, shareholders, and the local community, to contribute to the definition of strategic priorities. Stakeholder participation has been particularly relevant in the process of double materiality assessment, where internal and external actors evaluated sustainability subtopics from an impact-based perspective. The Board of Directors plays a central role by aligning sustainability commitments with overall corporate strategy, while executive committees oversee implementation, monitoring, and risk management. Employees are directly involved through targeted consultations and ambassador programmes, clients' views inform product design, particularly in areas such as energy efficiency and low-carbon mobility, suppliers are bound by ethical and compliance requirements, and shareholders were consulted during the materiality assessment. This multi-level, inclusive approach demonstrates BCTT's effort to balance the interests of its various constituencies while consolidating sustainability as an integral dimension of its corporate identity (BCTT, 2025a).

BCTT has recently undertaken a double materiality assessment, marking a significant step in aligning its sustainability reporting with the European Sustainability Reporting Standards (ESRS). This process identified thirteen material impacts, risks, and opportunities (IROs), encompassing ESG dimensions, with particular emphasis on climate change, workforce management, business conduct, and consumer relations, as illustrated in Figure 1 (BCTT, 2025a).



**Figure 1. Material Impacts, Risks and Opportunities (IROs)**

Source: Banco CTT, Annual Report 2024, p. 327.

The assessment applied a threshold to determine materiality and revealed both the positive and negative externalities associated with the bank's operations, as well as potential risks and opportunities that may affect its financial resilience. Sustainability-related risks, especially environmental and climate risks, have been formally integrated into the institution's risk taxonomy and incorporated into its Risk Appetite Statement, reflecting their strategic importance (BCTT, 2025a).

BCTT has also advanced measures to align with the disclosure and application requirements of the EU Taxonomy Regulation. In practice, this involves embedding sustainability considerations into credit origination processes, where information is systematically collected on clients' activities, characteristics, and collateral. Internal analyses and methodologies are then applied both to classify exposures according to sustainability criteria and to monitor the ongoing performance of pledged assets (BCTT, 2025a).

BCTT is also in the process of developing a transition plan to ensure alignment with the objectives of a sustainable economy, the 1.5°C global warming limit, and climate neutrality by 2050. This plan, expected to be finalised in 2026, will include methodologies and scenario analyses for assessing both physical and transition risks to the resilience of its strategy and business model. Although still under development, the initiative signals a forward-looking approach that extends current sustainability practices into long-term strategic commitments (BCTT, 2025a).

In the environmental dimension, BCTT has sought to integrate the principles of the EU Taxonomy into its operations, particularly within its lending practices. Information on client activities and collateral is increasingly collected and assessed against sustainability criteria, while internal methodologies are designed to classify exposures and monitor the sustainable performance of guarantees. The Group Sustainability Policy reinforces this orientation by setting objectives to integrate ESG principles across strategy and the value chain, while strengthening commitment and transparency. These measures illustrate how environmental sustainability is embedded into financial services, linking regulatory compliance with accessible solutions for clients (BCTT, 2025a).

The social dimension emphasises inclusivity, equity, and employee well-being within BCTT's organisational culture. The bank operates under a comprehensive ethical framework supported by its Code of Ethics, Code of Conduct, and anti-harassment policies, ensuring attention to diversity, equality, and human rights. Employees benefit from flexible working

arrangements, subsidised housing loans, and a planned training programme on climate and environmental risks, while accessibility and affordability remain central to its client offering. These initiatives, together with community engagement projects and contributions to the SDGs, illustrate the social orientation of BCTT's business model and its efforts to integrate sustainability into both internal practices and customer-facing activities (BCTT, 2025a).

Finally, the governance dimension underscores the mechanisms through which BCTT institutionalises sustainability. Governance is structured around integrity, transparency, and accountability, with a formal Prevention of Corruption Plan, dedicated whistleblowing channels, and compliance structures that extend to suppliers and partners. The Board of Directors and the Capital, Risk and Sustainability Committee play a central role in aligning sustainability with corporate strategy, while risk management tools, such as the integration of environmental risks into the Risk Appetite Statement and the monitoring of the Green Asset Ratio, ensure that ESG considerations are embedded into decision-making processes. Together, these governance mechanisms provide the institutional framework within which sustainability commitments are operationalised. This is reflected in the bank's product portfolio and customer-facing initiatives, where ESG principles are translated into tangible solutions that address environmental and social priorities (BCTT, 2025a).

Regarding the product portfolio, BCTT shows a strong orientation toward ESG principles, reflected in a diverse set of environmental and social initiatives. A key example is the Green Mortgage, with reduced spreads for energy-efficient housing, which was recognised in 2025 with the "*Escolha Sustentável*" award for sustainable product design (BCTT, 2025b.). Other initiatives include the issuance of debit cards produced from 100% recycled plastic, which now represent 84% of the card base, and the transition to digital statements, adopted by 74% of clients, thereby reducing paper consumption (BCTT, 2025c, BCTT, 2025a). In addition, BCTT fosters sustainable investment through the "*Futuro Sustentável*" fund (BCTT, n.d.) and provides credit lines designed to facilitate the energy transition and the uptake of electric mobility. At the same time, the bank pursues digitalisation initiatives aimed at reducing operational resource consumption, while enhancing homebanking and mobile application services to reconcile technological accessibility with the physical proximity of CTT's branch network (BCTT, 2025c).

Alongside these initiatives, BCTT also reports activities that link sustainability to wider forms of social engagement. The bank participates in financial literacy programmes, most

notably the national “*No Banco da Minha Escola*” project, which fosters financial inclusion and promotes education among younger generations. It has also secured EFR (Family-Responsible Company) certification, signalling commitments to work–life balance and inclusive employment practices. Moreover, the “*Movimento Merece*” programme integrates card recycling with tree planting, thereby connecting operational waste reduction with ecological restoration. Since the start of the initiative, approximately 95,000 cards have been collected, 176 kilograms in the reporting year alone, each card representing an estimated carbon footprint of 150 grams (BCTT, 2025c; BCTT, 2025a).

Taken together, the evidence points to a sustainability agenda in which ESG principles are visibly embedded in products, services, and organisational practices. BCTT’s activities illustrate how a financial institution operating in the Portuguese market interprets ESG requirements through both regulatory alignment and customer-facing initiatives, while also engaging in programmes with broader social and environmental dimensions.

#### **4.2.1. Key Findings from the Documentary Analysis**

The documentary analysis reveals three salient findings about BCTT’s sustainability approach:

1. ESG framed around three pillars. BCTT strategically structures its ESG agenda around energy transition, social and financial well-being, and responsible banking, aligning its communication with international benchmarks and regulatory frameworks.
2. Governance as a driver of institutionalization. Strong governance mechanisms, including board oversight, dedicated committees, and compliance structures, reinforce the embedding of ESG within organizational decision-making and risk management.
3. Environmental emphasis in the product portfolio. While BCTT offers a variety of initiatives aligned with the EU Taxonomy, such as the Green Mortgage and recycled debit cards, the environmental dimension appears more developed than the social one, where progress is primarily incremental and oriented toward financial literacy and inclusion.

These findings illustrate how BCTT formally embeds sustainability across its strategy, governance, and product design, presenting itself as a financial institution committed to aligning competitiveness with long-term responsibility.

### **4.3. Interview Analysis**

Considering the six stakeholder interviews and complementary documentary analysis, the thematic analysis revealed several salient insights regarding the integration of ESG principles and the development of CSI at BCTT. The first-order categories were constructed from the interview data and reflect the most prominent concepts aligned with the research question. These include the bank's emerging ESG strategy and its drivers, the integration of ESG into products and services, the role of internal teams in advancing innovation, mechanisms of transparency and accountability, the challenges encountered in implementation, and perspectives on BCTT's future positioning as a sustainable and socially innovative institution. Taken together, these dimensions provide a structured overview of how ESG and CSI are interpreted, operationalized, and perceived, thereby offering a comprehensive basis for discussion of their strategic implications in the context of sustainable banking. The complete Gioia table illustrating these categories and aggregate dimensions is presented in Appendix 4.

#### **4.3.1. Banks adopt ESG primarily under external regulatory and supervisory pressures, facing instability and bureaucracy that limit innovation**

The integration of ESG principles into the banking sector is largely shaped by external pressures from regulators and supervisors. As revealed in the interviews, sustainability has not emerged solely from internal convictions or voluntary initiatives, but rather as a requirement imposed through legislative change and supervisory obligations. Respondents consistently emphasized that regulatory frameworks, both European and national, act as the main drivers of ESG adoption, making its incorporation into banking strategies essentially non-optional. As one interviewee (ESG1) observed, the sector was “used or selected as a driver of the wider economy regarding sustainability issues,” a role that was “largely imposed through obligations placed on banks.”

While this regulatory push has accelerated the inclusion of ESG in banking practices, it has also generated substantial challenges. Participants highlighted that obligations are often massive, evolving, and complex, with requirements that sometimes outpace the availability of reliable data. The result is a climate of regulatory instability, where compliance efforts risk becoming obsolete due to constant revisions in frameworks and reporting standards. This regulatory uncertainty creates a heavy bureaucratic burden that banks must manage, often diverting time and resources away from more innovative and client-oriented initiatives.

The tension between compliance and innovation emerged strongly in the accounts of several interviewees. On the one hand, supervisors demand increasing levels of ESG disclosure and integration into risk and portfolio evaluation processes. On the other hand, banks recognize that the significant energy invested in meeting those requirements reduces their capacity to design and implement innovative solutions. One participant (ESG2) explicitly noted that the regulatory weight is “so heavy that sometimes it takes away our time and energy to think about innovative things”.

Despite these constraints, regulation has also had the effect of placing ESG at the core of banking strategy, forcing institutions to operationalize sustainability in financing, reporting, and internal governance. Yet the interviews suggest that the pace and form of this integration are not primarily voluntary or market-driven, but shaped by compliance obligations. This explains why, although ESG has become highly visible in banking discourse, it is often perceived less as a space for proactive innovation and more as a regulatory mandate that banks must continuously adapt to, within an environment of bureaucracy and uncertainty.

#### **4.3.2. Banks embed ESG into their organizational DNA, turning it into a strategic priority and operational reality**

The findings indicate that ESG has become increasingly embedded in the organizational structures and strategies of banks. What initially began as an obligation imposed by regulation has progressively evolved into a more integrated approach, where sustainability is no longer treated as an external requirement but as part of the institution’s identity. Interviewees repeatedly emphasized that ESG has shifted from being a separate agenda to becoming “business as usual” (ESG1), incorporated into governance, operations, and employee practices.

This process of embedding is reflected in multiple organizational dimensions. Participants highlighted how ESG considerations have been integrated into remuneration policies, employee training, and risk evaluation processes, aligning sustainability commitments with tangible incentives and accountability structures. As one respondent explained, “at present, this is not exactly optional. Therefore, it has to be in the strategy” (ESG1). Others suggested that effective ESG integration requires measurability and clear linkages to performance, ensuring that sustainability principles translate into actionable outcomes at the business level.

A particularly striking perspective emerged from interviewees who viewed the ultimate success of ESG integration as the point at which it no longer requires dedicated leadership. As one ESG director put it, their goal was to “cease to exist” (ESG2), since the day ESG is fully ingrained in the organization’s DNA, a separate function would be redundant. This reflects a vision of ESG not as an add-on but as a core organizing principle, shaping decision-making across all units and activities.

The findings also suggest that ESG is increasingly perceived as a strategic priority with direct implications for competitiveness and performance. Empirical evidence cited by participants underscored that the integration of ESG factors strengthens portfolio resilience, mitigates risks, and enhances the ability to meet the rising demand for responsible financial products. One respondent summarized this shift by noting that “sustainability has ceased to be merely a reputational matter and has become a strategic priority” (ESG4).

Taken together, these insights illustrate how banks are embedding ESG into their organizational DNA. The process reflects both external pressures and internal alignment, but the outcome is a deep institutionalization of sustainability as part of core strategy and operations. This finding points to a transformation in which ESG is no longer perceived as compliance-driven or reputational, but as integral to the bank’s ongoing business model and long-term viability.

#### **4.3.3. Banks cautiously innovate through ESG, framing it as a win–win business opportunity but constrained by conservatism and profitability concerns**

The findings reveal that banks approach ESG not only as a compliance matter but also as a space for cautious innovation, where sustainability is increasingly linked to product and

service development. Interviewees described initiatives such as the creation of green credit lines, financing for energy-efficient housing, and support for clean energy projects as examples of how ESG principles can be translated into concrete offerings. These products were framed as a “win–win” relationship, simultaneously helping clients adapt to sustainability requirements while opening business opportunities for the bank.

This orientation positions ESG as both a source of risk and a source of opportunity. As one respondent noted, “where there is risk, there is opportunity” (ESG2), suggesting that the regulatory and societal pressures shaping ESG are also creating new market spaces for banks to exploit. Innovation in this domain is therefore closely tied to the bank’s ability to align client needs with sustainability objectives, with particular attention to solutions that can generate financial and environmental value in parallel.

At the same time, the data highlight clear constraints limiting the scope of ESG-driven innovation. Several participants described the banking sector as traditionally conservative, with limited incentives to “step forward and do things differently” (ESG1). Innovation efforts were said to be often channelled into safer areas, such as cybersecurity or user experience, rather than into complex sustainability initiatives. Moreover, interviewees pointed out that profitability remains a decisive factor: themes without evident financial returns or those difficult to evaluate attract little attention. This is especially evident in the field of social innovation, which was described as “complicated”, “not necessarily profitable” (ESG1) and therefore less developed compared to environmental innovation.

Another layer of caution arises from the reputational risks associated with ESG. Some interviewees highlighted the risk that sustainability initiatives, if not carefully communicated, could be perceived as greenwashing, even when this was not the intention. As one participant explained, the “commercial temptation” (ESG3) to overemphasize ESG performance must be tempered with care and transparency. This reputational sensitivity makes banks particularly careful in how they frame and implement innovative products in the ESG space.

Overall, the findings indicate that banks are incrementally exploring ESG as a driver of innovation, but they do so selectively and with caution. While ESG is increasingly framed as an opportunity to generate mutual benefits for banks and clients, the sector’s conservative orientation, profitability concerns, and reputational risks continue to limit the scope of innovation in this field.

#### **4.3.4. Stakeholder engagement and reputation shape banks' ESG legitimacy but clients perceive weak differentiation**

The findings highlight the importance of stakeholder engagement and reputation in shaping how banks approach ESG and CSI. Interviewees emphasized that regulators, supervisors, and clients act as essential stakeholders, each exerting influence over the sustainability agenda. Regulators and supervisors impose obligations and set standards, while clients increasingly seek solutions that align with sustainability and inclusion. As one participant noted, regulators “oblige us, and rightly so, and clients [...] challenge us to create solutions for them to also improve” (ESG2) This dual dynamic positions banks as intermediaries that must balance compliance with stakeholder expectations.

In addition to regulatory actors, clients and civil society organizations play a critical role in reinforcing banks' ESG legitimacy. Respondents described SMEs approaching banks for support in becoming more sustainable, and they also underlined the growing importance of partnerships with civil society in areas such as financial education and community-based projects. Such interactions were seen as opportunities for banks to strengthen trust and demonstrate their contribution to broader sustainability goals. Similarly, interviewees pointed to the reputational dimension of ESG, where what banks “do or do not do” (ESG1) in this domain has a direct impact on legitimacy and public perception.

However, the findings also reveal a gap between institutional commitments and client perceptions. While banks highlight their ESG strategies and partnerships, the two client interviews revealed only limited awareness of specific sustainability initiatives. One client (CL1) noted never having come across any environmental or social measures from the bank, while the other (CL2) described the overall impact of services as largely neutral in terms of inclusion or social benefit. Even though both clients valued accessibility, simplicity, and in one case a sense of alignment with the bank's values, ESG initiatives were not perceived as a clear differentiating factor when compared to other institutions.

This suggests that while banks invest in stakeholder engagement and seek to strengthen their reputation through ESG, these efforts are not always visible to or recognized by clients. The legitimacy derived from regulatory compliance, partnerships, and reputational positioning does not necessarily translate into clear market differentiation from the client perspective. Instead, ESG remains, for many customers, an abstract or background feature rather than a defining characteristic of their banking experience.

## 5. DISCUSSION

This study set out to answer the question: *How does BCTT use ESG principles to foster CSI and generate value for sustainable finance?* To address this, the analysis combined documentary evidence with stakeholder interviews. The discussion is organised around the study's three objectives: (1) to explore how ESG principles are embedded within BCTT's strategic framework and operational practices; (2) to evaluate how these ESG initiatives contribute to the bank's CSI agenda and generate value for both the organisation and its stakeholders; and (3) to assess the potential of ESG-driven CSI to act as a transformative force within the broader Portuguese banking sector.

The discussion is therefore structured to reflect this dual focus. The first two objectives remain centred on BCTT, providing an in-depth account of how ESG is embedded in its operations and how it contributes to CSI and value creation within the institution. The third objective, however, deliberately shifts the perspective outward, positioning BCTT's experience within the wider context of Portuguese banking. This comparative lens enables the case to be read not only as an institutional practice but also as a vantage point for understanding sectoral trends, regulatory pressures, and the potential transformative role of ESG-driven CSI.

### 5.1. Theoretical and managerial contributions

#### 5.1.1. Embedding ESG into Banco CTT's Strategy and Operations

The findings show that ESG integration at BCTT is primarily shaped by external regulatory pressures rather than by voluntary or market-led dynamics. This aligns with existing literature that highlights regulation as the central driver of ESG adoption across European financial institutions (Eccles & Klimenko, 2019; Jespersen et al., 2025). Both documentary analysis and interviews confirmed that compliance with EU frameworks such as the Taxonomy and SFDR has made ESG incorporation essentially non-optional.

At the same time, BCTT has institutionalised ESG into its governance and organisational culture, embedding it into risk management, remuneration policies, and employee training. This reflects the trajectory described in the literature, where ESG is increasingly framed not only as a reputational safeguard but also as a strategic and operational imperative (Friede et al., 2015; Sharma et al., 2024). Interviewees went further, noting that

ESG has become “business as usual” and envisioning a future where ESG is so deeply embedded that dedicated leadership roles might become redundant.

These findings suggest that BCTT’s approach mirrors broader sectoral patterns: ESG is no longer treated as a peripheral or symbolic exercise but is being reframed as a core element of strategic identity. However, the case also reveals an unresolved paradox: the same regulatory frameworks that have driven rapid integration are also perceived as barriers, generating bureaucracy and instability that consume resources and limit the scope for innovation. This tension illustrates the difficulty of moving from compliance-driven integration toward a more proactive and transformative sustainability agenda. It also highlights that while ESG has become embedded in BCTT’s operations, its capacity to serve as a springboard for CSI remains constrained.

### **5.1.2. ESG as a Driver of CSI and Value Creation**

The second objective concerned how ESG contributes to BCTT’s CSI agenda and the generation of value. The findings indicate a cautious but incremental role of ESG in fostering product and service innovation. Examples include green mortgages, credit lines for energy efficiency, and recycled debit cards, which align with EU Taxonomy requirements while also providing competitive advantages. These initiatives illustrate how ESG principles can act as enablers of shared value creation, generating benefits for both clients and the institution, echoing Porter and Kramer’s (2011) framework and subsequent applications in banking (Dionisio & de Vargas, 2020; Taera & Lakner, 2025). Nonetheless, these practices represent partial rather than systemic adoption of CSV, reflecting incremental rather than transformative innovation.

The scope of CSI at BCTT remains selective and conservative. Interviews highlighted that innovation is often channelled toward safer domains such as digitalisation or user experience, while social innovation was described as “complicated” and “not necessarily profitable.” This confirms insights from Mirvis et al. (2016) and Herrera (2015), who argue that systemic CSI requires moving beyond short-term profitability logics, a challenge that persists in the banking sector. Profitability constraints and reputational risks, including concerns about being accused of greenwashing, further restrict the willingness of banks to advance more experimental or socially oriented innovations.

A particularly important insight from this case is the relative underdevelopment of the social dimension of CSI. While BCTT has advanced environmental products such as green mortgages and energy-efficiency credit lines, its approach to social innovation has been incremental, focusing mainly on financial literacy and accessibility. This cautious stance contrasts with the literature on systemic CSI, which emphasises the centrality of social innovation in building long-term resilience and legitimacy (Mirvis et al., 2016; Herrera, 2015). Comparative cases highlight this divergence: Triodos Bank has embedded social impact directly into its values-based lending model, while Santander has scaled microfinance initiatives in Latin America, integrating social innovation into its growth strategy (Triodos Bank, 2024; Santander, 2024). Against this backdrop, BCTT's current practices illustrate a missed opportunity, environmental initiatives dominate, but the social pillar remains underdeveloped, limiting the transformative potential of ESG-driven CSI in the Portuguese banking context.

Value creation nonetheless emerges in several forms. For the institution, ESG integration strengthens resilience and competitiveness, consistent with evidence linking strong ESG practices to financial performance and investor confidence (Friede et al., 2015; McKinsey, 2019). For stakeholders, initiatives such as financial literacy programmes and sustainable investment funds provide tangible societal and environmental benefits, though these remain more modest in scale compared to environmental initiatives. However, the client interviews revealed weak awareness of ESG efforts and limited differentiation in their banking experience. This gap underscores a key tension: while ESG initiatives enhance institutional reputation and legitimacy, their visibility and impact at the retail level remain limited.

### **5.1.3. The Transformative Potential of ESG-Driven CSI in Portuguese Banking**

The final objective was to assess whether ESG-driven CSI holds transformative potential for BCTT and the wider Portuguese banking sector. The evidence points to a paradox. On the one hand, ESG is no longer confined to symbolic compliance, it is progressively embedded into governance structures, risk management, and product portfolios, supported by regulatory frameworks and supervisory expectations. This trajectory positions BCTT within a broader redefinition of banking's role in sustainability transitions, echoing perspectives that financial institutions act as institutional actors in systemic change (Siltaloppi et al., 2021; Bolton et al., 2020).

On the other hand, the study highlights persistent constraints that temper this potential. First, regulatory imperatives dominate the ESG agenda, making integration compliance-driven rather than innovation-led. Second, environmental initiatives remain more advanced than social ones, leaving the social dimension of CSI relatively underdeveloped despite its importance in fostering inclusivity and systemic innovation. Third, client perspectives revealed limited awareness and weak differentiation, underscoring a gap between institutional commitments and the visibility of ESG initiatives in the retail banking experience. These findings reinforce concerns raised in the literature regarding conservatism, profitability pressures, and the risk of superficial or fragmented ESG adoption (Dziawgo, 2025; Kölbel et al., 2020).

At the same time, there are signals of opportunity that suggest a pathway for transformation. BCTT's accessibility-oriented model and its engagement in financial literacy initiatives demonstrate the potential to combine inclusivity with competitiveness. Furthermore, the reported demand from SMEs for sustainable finance solutions indicates an emerging market that could be leveraged if banks operationalise ESG beyond compliance. As García-Flores and Palma Martos (2023) argue, CSI enhances institutional resilience and adaptability in dynamic environments. In the Portuguese context, this may prove critical for aligning banking practices with EU sustainability goals and the rising expectations of stakeholders.

#### **5.1.4. Implications**

Taken together, the discussion suggests that BCTT uses ESG as both a compliance necessity and a strategic opportunity, embedding it into governance and operations while cautiously experimenting with ESG-linked products. This contributes to its CSI agenda by generating incremental forms of value but stops short of systemic innovation, particularly in the social dimension.

From a theoretical perspective, the study reinforces established insights in the ESG literature, particularly the centrality of regulation, the operationalisation of ESG through governance structures, and the reputational stakes attached to sustainability performance (Eccles & Klimenko, 2019; Friede, 2015). At the same time, it offers new contributions by showing how regulatory instability and bureaucratic requirements can undermine innovation, and by documenting the weak client visibility of ESG practices. These findings nuance existing

scholarship, which often assumes that ESG integration automatically translates into competitive differentiation or systemic CSI (Mirvis et al., 2016; Kölbl et al., 2020).

From a managerial perspective, the case points to concrete challenges and opportunities. Managers face the risk that ESG becomes a “tick-box” exercise that drains resources from more transformative initiatives. To avoid this, banks must design ESG strategies that go beyond compliance, ensuring that initiatives are visible and meaningful to clients. This requires balancing regulatory obligations with proactive strategies that integrate both environmental and social priorities, scaling initiatives such as financial literacy or SME-focused solutions that align with business competitiveness and inclusivity.

For the Portuguese banking sector, the case illustrates both the promise and the limits of ESG-driven CSI. Regulation has succeeded in embedding sustainability into banking practice, but transformation will depend on whether institutions can leverage ESG to operationalise systemic innovation rather than incremental adaptation. In particular, the underdeveloped social dimension suggests that inclusivity, accessibility, and financial well-being remain areas where banks can differentiate themselves and strengthen legitimacy. Responding to these gaps could position Portuguese banks not only as compliant actors within the EU framework but as proactive contributors to national sustainability goals and societal resilience.

## **5.2. Limitations and further research**

This study offers valuable insights into the integration of ESG principles and CSI within BCTT, yet several limitations must be acknowledged, each of which points to avenues for further research.

First, the single-case study design necessarily limits the generalisability of the findings. While BCTT represents a particularly relevant case of a young, digitally oriented bank embedding ESG principles, its experience cannot be assumed to reflect the broader Portuguese or European banking sector. Future studies could therefore adopt comparative case study designs to examine multiple institutions across different contexts, allowing for the identification of broader patterns and divergences.

Second, the empirical evidence was based on a relatively small set of interviews. While this was sufficient to identify recurring themes and ensure analytical depth, the limited sample restricted the diversity of perspectives. Furthermore, one interview was conducted via email rather than in real time, reducing opportunities for probing and clarification. In addition, the interviews focused only on clients and external ESG specialists, excluding internal stakeholders such as managers or employees. As a result, the study was not able to capture how ESG and CSI are interpreted and operationalised from within the organisation. Future research could expand the range of participants to include a wider pool of clients, employees across hierarchical levels, regulators, and civil society organisations, thereby offering a more holistic view of ESG–CSI dynamics.

Third, the documentary analysis was shaped by the partial availability of BCTT's sustainability-related disclosures, especially in earlier years, which limited the ability to assess the evolution of ESG practices over time. To address this limitation, future research could employ longitudinal designs, tracking the trajectory of ESG strategies and CSI initiatives across several years to capture processes of institutional learning, adaptation, and change.

Fourth, while this study highlighted the underdevelopment of social innovation in banking, it was not able to investigate in depth why this occurs and how it could be overcome. Further research could explore this dimension comparatively by examining banks that are more advanced in socially oriented innovation, providing benchmarks and best practices that could inform the Portuguese context. Mixed-method approaches, combining qualitative and quantitative analysis, could also help establish whether stronger social innovation correlates with measurable improvements in inclusion, trust, or resilience.

Finally, given the fast-moving regulatory and market environment in sustainable finance, the findings of this study can only provide a snapshot of current practices. Future work should continue to monitor how evolving EU regulations, investor expectations, and technological innovations shape the ESG–CSI nexus in the years ahead. Such studies would not only update current knowledge but also inform policy and managerial strategies in real time.

## 6. CONCLUSIONS AND RECOMMENDATIONS

This study investigated how BCTT uses ESG principles to foster CSI and generate value for sustainable finance, guided by the central research question: *How does BCTT use ESG principles to foster CSI and generate value for sustainable finance?*

The analysis of documents and stakeholder interviews shows that ESG integration at BCTT is primarily shaped by regulatory and supervisory pressures, with EU frameworks making sustainability incorporation essentially non-optional. At the same time, the bank has progressively embedded ESG into governance structures, risk management, remuneration, and employee training, reframing it as part of its strategic identity rather than a symbolic or peripheral exercise. ESG initiatives such as green mortgages, credit lines for energy efficiency, recycled debit cards, and financial literacy programmes demonstrate that ESG can act as an enabler of value creation for both the institution and its stakeholders. However, these initiatives remain cautious and selective. Innovation is often directed toward safer areas such as digitalisation, while social innovation is perceived as “complicated” and “not necessarily profitable.” Profitability concerns, conservatism in banking culture, and reputational risks linked to accusations of greenwashing further constrain experimentation. Moreover, the client interviews revealed weak awareness of ESG initiatives, with limited differentiation in the retail banking experience. Taken together, these findings suggest that BCTT is progressively embedding ESG into its strategy and operations, supporting incremental CSI and modest value creation, though systemic transformation remains constrained.

These results carry important implications for practice. For BCTT, ESG integration has strengthened resilience, competitiveness, and legitimacy, but its transformative potential is limited by regulatory instability, bureaucratic burden, and conservative approaches to innovation. For the Portuguese banking sector more broadly, the case illustrates both the advances made in embedding ESG into governance and operations, and the persistent limits of compliance-driven approaches, particularly in the social dimension of innovation and in making sustainability visible to clients. This highlights the need for banks to move beyond symbolic adoption and translate ESG principles into tangible and scalable impact.

Three key recommendations follow from this analysis. For BCTT, the priority should be to expand the scope of ESG integration by fostering employee-driven innovation, investing in socially inclusive financial products, and strengthening impact measurement and reporting. Regulators should focus on harmonising ESG disclosure requirements, reducing compliance

fatigue, and creating space for institutions to channel resources toward innovation rather than bureaucracy. For the wider banking sector, adopting CSI as a strategic framework would enable institutions to align financial goals with social and environmental value creation, supported by partnerships with civil society, fintechs, and universities to scale impact and enhance legitimacy.

Overall, this study makes both theoretical and practical contributions. It demonstrates how ESG can serve as both a compliance necessity and a strategic opportunity, embedding sustainability into governance and operations while cautiously fostering product innovation. At the same time, it reveals the persistent constraints that limit ESG's transformative potential, particularly in the realm of social innovation and client differentiation. By returning to the research question, the case of BCTT shows that ESG is being progressively embedded into banking practice in ways that enable incremental CSI and modest value creation, but it has yet to achieve the systemic transformation necessary to fully align financial institutions with the demands of sustainable and inclusive finance.

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## APPENDICES

### Appendix 1: Interview Participants

<b>Interview Participants</b>					
#	Identification	Position	Domain expertise	Tenure in years	Geographical location
1	ESG1	Manager on Financial Services Risk & Regulation	Consultancy	16	Portugal
2	ESG2	Head of Sustainable Finance	Banking	15	Portugal
3	ESG3	Head of ESG Credit Risk	Banking	29	Portugal
4	ESG4	Fund Analyst & ESG Specialist	Asset Management	7	Portugal
5	CL1	n.a.	n.a.	n.a.	Portugal
6	CL2	n.a.	n.a.	n.a.	Portugal

### Appendix 2: Semi-structured Interview Protocol – Clients (Banco CTT)

Theme	#	Interview Question	Origin in Literature Review
<b>General Experience</b>	1	How long have you been a client of Banco CTT, and which services do you usually use?	2.3. The Role of Banks in Sustainable Finance (financial inclusion, accessibility, stakeholder engagement)
	2	What led you to choose Banco CTT over another bank?	2.4. ESG as a Competitive Advantage in Banking

			(differentiation, client expectations, values-driven choices)
<b>Trust and Accessibility</b>	<b>3</b>	From your experience, do you feel that the bank is transparent, fair, and easy to deal with? Could you provide an example?	2.2. ESG in the Banking Sector (trust, transparency, accountability, reputation)
	<b>4</b>	In your view, is it easy or difficult to access Banco CTT's services (whether online, at a branch, or through other channels)?	2.3. The Role of Banks in Sustainable Finance (digitalisation, inclusive finance, accessibility)
<b>Perception of Values</b>	<b>5</b>	Do you believe that Banco CTT is different from other banks in the way it operates or in the values it represents? Why?	2.1. CSI in Banking (CSI vs CSR, innovation as identity); 2.4. ESG as a Competitive Advantage (differentiation through values)
	<b>6</b>	Have you ever encountered information or initiatives from the bank related to environmental or social causes (e.g., community support, inclusion, environmental initiatives)?	2.2. ESG in the Banking Sector (communication, reporting, ESG initiatives); 2.1. CSI in Banking (social/environmental innovation practices)
<b>Personal Impact</b>	<b>7</b>	Has Banco CTT ever offered you a product or service that made your life easier or	2.1. CSI in Banking (inclusive finance, microfinance, socially oriented)

		more affordable (e.g., lower fees, simple digital services, inclusive products)?	products); 2.3. The Role of Banks in Sustainable Finance (financial accessibility)
	<b>8</b>	Overall, would you say that your relationship with the bank has had a positive, neutral, or negative impact on your life in terms of accessibility, inclusion, or social impact? Why?	2.3. The Role of Banks in Sustainable Finance (inclusion, social impact of banking practices)
<b>Expectations</b>	<b>9</b>	What would you like banks to do more of in relation to social or environmental responsibility?	2.2. ESG in the Banking Sector (regulatory and stakeholder expectations, greenwashing risks); 2.5. Research Gap (need for social innovation)
	<b>10</b>	If you could change one aspect of how your bank operates to make it more socially or environmentally responsible, what would it be?	2.1. CSI in Banking (systemic vs fragmented innovation); 2.5. Research Gap (how banks could enhance ESG–CSI integration)

### Appendix 3: Semi-structured Interview Protocol – ESG Specialists

<b>Theme</b>	<b>#</b>	<b>Interview Question</b>	<b>Origin in Literature Review</b>
<b>ESG Trends in Banking</b>	<b>1</b>	From your perspective, what is the growing role of	2.2. ESG in the Banking Sector (evolution of ESG

		sustainability in the banking sector?	from voluntary CSR to strategic imperative; regulation, investor demand, reputational drivers)
	2	When we talk about CSI how do you understand it in the context of banking and sustainability?	2.1. CSI in Banking (definition of CSI vs CSR; operationalisation of CSV; innovation as strategic integration in banking)
	3	What trends and challenges have you observed in the way financial institutions are integrating ESG into their strategies?	2.2. ESG in the Banking Sector (ESG 2.0, regulatory frameworks, greenwashing risks, fragmented standards)
<b>Social Innovation and Inclusion</b>	4	What factors do you consider most decisive for financial institutions to integrate ESG effectively and strategically (e.g., regulatory requirements, reputation management, stakeholder pressure)?	2.2. ESG in the Banking Sector (regulatory and supervisory drivers, reputational stakes, investor demand); 2.1. CSI in Banking (stakeholder pressure, legitimacy)
	5	Have you observed examples where banks or companies have generated real social or environmental impact through innovation (e.g.,	2.1. CSI in Banking (innovative practices: green bonds, inclusive finance, microcredit, ESG-linked mortgages); 2.3. The Role of Banks in

		green products, digital financial inclusion, microcredit)?	Sustainable Finance (financial inclusion, green finance)
<b>Stakeholder Involvement</b>	6	In your experience, which forms of collaboration between financial institutions and civil society (e.g., NGOs, communities, investors) are most effective in advancing ESG goals?	2.1. CSI in Banking (cross-sectoral partnerships with NGOs, governments, fintechs); 2.3. The Role of Banks in Sustainable Finance (stakeholder engagement, SDG alignment)
	7	How do you assess the role of external stakeholders (NGOs, investors, clients) in influencing and holding banks accountable for ESG performance?	2.2. ESG in the Banking Sector (investor demand, reputational pressure, accountability); 2.1. CSI in Banking (legitimacy and trust through stakeholder influence)
<b>Standards, Challenges and Regulation</b>	8	Which ESG standards or regulatory frameworks do you consider most influential in shaping sustainability practices?	2.2. ESG in the Banking Sector (EU Taxonomy, SFDR, CSRD, PRB, TCFD, Basel III integration); 2.3. The Role of Banks in Sustainable Finance (alignment with SDGs and EU Green Deal)
	9	What structural or practical barriers still limit the effectiveness of ESG implementation in	2.2. ESG in the Banking Sector (fragmented standards, compliance fatigue,

		financial institutions?	greenwashing risks); 2.4. ESG as a Competitive Advantage (costs, capacity constraints, short-term profitability pressures)
<b>Future Outlook for the Sector</b>	<b>10</b>	Looking ahead, how do you believe ESG and CSI will shape the future of the banking sector?	2.4. ESG as a Competitive Advantage in Banking (ESG as differentiation, competitiveness, and resilience); 2.5. Research Gap and Case Study Justification (future potential of ESG–CSI integration)

**Appendix 4: Thematic analysis of the interviews based on Gioia et al., 2013**

<p align="center"><b>First-Order Concepts</b> <b>(Direct Quotations)</b></p>	<p align="center"><b>Second-Order Themes</b></p>	<p align="center"><b>Aggregate Dimensions</b></p>
<p>“The banking sector has been used or selected as a driver [...] imposed through obligations placed on banks.” (ESG1)</p>	<p>Regulation and supervision as primary drivers of ESG adoption</p>	<p>1. Banks adopt ESG primarily under external regulatory and supervisory pressures, facing instability and bureaucracy that limit innovation</p>
<p>“In this ESG component, there is a very strong weight from regulation and supervision.” (ESG2)</p>		
<p>“Regulation was the main driver of ESG integration into banks’ strategic plans.” (ESG3)</p>		
<p>“Here [...] regulation has undoubtedly been the main driver of transformation, especially in Europe.” (ESG4)</p>		
<p>“The obligations are massive.” (ESG1)</p>	<p>Bureaucracy and regulatory instability as barriers</p>	
<p>“ESG initiatives may lose utility [...] due to constant changes in regulation.” (ESG1)</p>		
<p>“It is regulatory uncertainty [...] and the excess bureaucracy [...] is very strong.” (ESG2)</p>		
<p>“Keeping pace with regulatory developments is, in itself, a challenge.” (ESG4)</p>		
<p>“[Excessive and complex regulation] removes [the opportunity for banks to innovate]” (ESG3)</p>		

<p>“The regulatory weight is so heavy that sometimes it takes away our time and energy to think about innovative things.” (ESG2)</p>	<p>Compliance crowding out innovation</p>	
<p>“If there is great uncertainty, it will also make the banking sector more cautious about advancing with ambitious innovative solutions.” (ESG3)</p>		
<p>“The pressure [to integrate ESG] came more from regulators and shareholders, rather than from clients.” (ESG3)</p>	<p>Shareholders, investors, and NGOs as sources of pressure</p>	
<p>“There are also strong pressures [...] from institutional investors and civil society.” (ESG4)</p>		
<p>“Above all, pressure. The role of investors, clients, and NGOs is central, as they are the ones who create accountability mechanisms.” (ESG4)</p>		
<p>“Everyone talks about sustainability and uses the word without really knowing what it means.” (ESG3)</p>		
<p>“Financial institutions have a highly relevant pedagogical role in this matter.” (ESG3)</p>	<p>Pedagogical role of banks in sustainability</p>	
<p>“Banks assumed a pedagogical role, explaining sustainability and framing it as an opportunity for companies.” (ESG3)</p>		
<p>“All banks sought [...] to educate their clients [...] so that clients could understand its importance.” (ESG3)</p>		
<p>“The way we are organized is already a reflection of the importance that [sustainability] systems have for banking.” (ESG2)</p>		

<p>“At present, this is not exactly optional. Therefore, it has to be in the strategy.” (ESG1)</p>		<p>turning it into a strategic priority and operational reality</p>
<p>“ESG fully embedded [...] becoming business as usual.” (ESG1)</p>		
<p>“For integration to be effective, it must be measurable and tied to incentives.” (ESG1)</p>		
<p>“The activity of banks is financing, so ESG integration has to be at the business level.” (ESG1)</p>		
<p>“My goal [...] is to cease to exist [...] the day I cease to exist it will mean this is already in the organization’s DNA.” (ESG2)</p>		
<p>“Sustainability has ceased to be merely a reputational matter [...] and has become a strategic priority.” (ESG4)</p>	<p>ESG as strategic and performance-enhancing</p>	
<p>“Empirical evidence shows that the integration of ESG factors has a concrete impact on performance and risk mitigation.” (ESG4)</p>		
<p>“I do not have the impression that this is a common concern for shareholders [...] often foreign entities, not necessarily from regions of the world with the same concerns.” (ESG1)</p>	<p>Divergent shareholder expectations as barrier</p>	
<p>“Environmental competencies are not common in banking [...] makes ESG integration difficult.” (ESG1)</p>	<p>Lack of ESG-specific competencies</p>	
<p>“The lack of competencies is a barrier, which can be gradually mitigated through training or external hiring.” (ESG1)</p>		

<p>“There is a mismatch, regulation already requires assessment of environmental risk, but the necessary data do not yet exist.” (ESG1)</p>	<p>Data and information deficits as barriers</p>		
<p>“One barrier limiting ESG implementation is information. It is a deficit of information.” (ESG3)</p>			
<p>“We are at a stage where there is not yet sufficient information to generate something usable.” (ESG3)</p>			
<p>“The diversity of reporting metrics [...] hinders harmonization [...] increases the risk of greenwashing.” (ESG4)</p>			
<p>“There is genuinely the concern and the interest [...] in creating innovative solutions.” (ESG2)</p>	<p>ESG as driver of product and service innovation</p>	<p>3. Banks cautiously innovate through ESG, framing it as a win–win business opportunity but constrained by conservatism and profitability concerns</p>	
<p>“If we say [...] create a line of credit [...] mitigating climate change and promoting comfort.” (ESG2)</p>			
<p>“[The evolution of sustainability] creates space for innovation. The entire banking sector, in trying to position itself, sometimes effectively, sometimes less so, even at the risk of greenwashing, has attempted to offer products that could in some way be linked to sustainability and generate impact.” (ESG3)</p>			
<p>“Banks have built their own offerings, their own products [...] to promote this agenda.” (ESG2)</p>			
<p>“In the banking sector, this translates into financing clean energy projects or green credit products.” (ESG4)</p>			
<p>“This is business, this is opportunity, this is a win–win relationship.” (ESG2)</p>			

<p>“Everyone is working on the same thing [...] it ends up being more a logic of opportunity.” (ESG1)</p>	<p>ESG framed as win–win business logic</p>	
<p>“In banking, social innovation translates into the creation of solutions that not only generate economic returns but also deliver positive societal impact.” (ESG4)</p>	<p>Social innovation as niche, instrumental, and less developed</p>	
<p>“What I most often heard [...] was financial literacy [...] a positive contribution to the community.” (ESG1)</p>		
<p>“Financial literacy is seen as instrumental social innovation.” (ESG1)</p>		
<p>“Some banks are working [...] in the area of microcredit.” (ESG3)</p>		
<p>“The social dimension is not very developed [...] more caution is required.” (ESG3)</p>		
<p>“Banks, given the characteristics of the industry, are traditionally conservative [...] not very easy [...] to step forward and do things differently.” (ESG1)</p>	<p>Conservatism and profitability bias limiting CSI</p>	
<p>“Themes without evident profitability or that are difficult to evaluate do not attract banks.” (ESG1)</p>		
<p>“Social innovation is not necessarily among the most profitable activities.” (ESG1)</p>		
<p>“Innovation is not very connected to sustainability [...] treated as different fronts.” (ESG1)</p>		

<p>“Banco CTT stands out [...] due to the simplicity and accessibility of the services it offers.” (CL2)</p>	<p>Stakeholder engagement as driver of sustainable practices</p>	<p>4. Stakeholder engagement and reputation shape banks’ ESG legitimacy but clients perceive weak differentiation</p>
<p>“I ended up identifying more with Banco CTT’s values.” (CL2)</p>		
<p>“It is very common to hear SMEs [...] saying help me become a more sustainable company.” (ESG2)</p>		
<p>“Privileged relationship with clients [...] is the most effective way [...] knowing the needs and designing solutions.” (ESG2)</p>		
<p>“Collaboration with civil society has become increasingly important.” (ESG4)</p>		
<p>“What banks do or do not do in terms of ESG has a reputational effect.” (ESG1)</p>	<p>ESG as reputation and legitimacy management</p>	
<p>“Environmental and social reputation hardly outweighs price dynamics.” (ESG1)</p>		
<p>“Reputation, and client expectations, play a significant role, creating incentives that are difficult to ignore.” (ESG4)</p>		
<p>“Make their work at the social and environmental level more widely known.” (CL2)</p>	<p>Transparency and visibility in sustainability actions</p>	
<p>“[Banks should] invest more in services directed at vulnerable communities and make public concrete measures.” (CL2)</p>		
<p>“Clients choose a bank according to the best conditions [...] I don’t think it operates differently.” (CL1)</p>	<p>Client perceptions of weak ESG differentiation</p>	

<p>“I have never come across any information or initiative [...] regarding environment or social measure.” (CL1)</p>		
<p>“Its impact [on my life] has been neutral, because these are not services I use on a daily basis [...] so it is often difficult to say whether it has a positive impact or not.” (CL1)</p>		
<p>“The impact [on my life] is neutral, since the type of service I am currently using does not, in itself, have a direct social or inclusion effect.” (CL2)</p>		