
The Business Case for Sustainable Banking: the UNEP FI Perspective

Harry Papageorgiou

*Chair, European Task Force, UNEP FI
Head, Sustainability Committee, Hellenic Bank Association
Head, Group Environment & Quality Division, Eurobank*

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UNEP FI & the global agenda on finance and sustainability

Since 1992: a partnership between the United Nations and Finance Institutions on understanding, integrating and promoting environment, social and governance issues in business decision-making

2013: more than 220 members from banking, investment and insurance sectors

A finance community increasingly aware of sustainability challenges, risks and opportunities and its role in contributing to the well-being of society

How do we define sustainability at UNEP FI?

Financing sustainable development is about:

- **Financing Change**: mobilizing new capital for sustainability projects **AND**
- **Changing Finance**: making sure that finance operations are conducted in accordance with the principles for sustainable development
 - For banks: applying environment, social and governance filters in core business and decision making

UNEP Statement by Financial Institutions on Sustainable Development:

“ We recognize that sustainable development depends upon a **positive interaction between economic and social development, and environmental protection**, to balance the **interests of this and future generations**. We further recognize that sustainable development is the **collective responsibility** of government, business, and individuals. We are committed to **working cooperatively** with these sectors within the **framework** of market mechanisms toward common environmental goals. ”

Sustainability & Banking: What is it about?

- **Operational Footprint Management**
 - **i.e. how do we manage our own “home”**
 - ⊙ **Environmental/Sustainability Management Systems**
 - ⊙ **Resource Efficiency**
 - ⊙ **GHG Emissions etc**
- **Financing Sustainability**
 - **Green Products and Services**
 - ⊙ **Green Corporate Loans (e.g. for renewables)**
 - ⊙ **Green Credit Cards etc**
- **Environmental & Social Risk Management**
 - **Decision-Making Structures**
 - **Procedures**
 - **Technical Capacity**
- **Sponsorships and Social Responsibility**
 - **NGO Partnerships**
 - **Sponsorship Programmes**

Sustainability & Banking: Green Products & Services

UNEP FI Survey 2007

Retail Banking

*Home Mortgages
Home Equity Loans
Credit & Debit Cards
Green Sale & Travel Money Products*

*Commercial Building Loans
Auto & Fleet Loans
Personal Accounts*

Corporate & Investment Banking

*Project Finance
Venture Capital & Private Equity
Carbon Commodity Products and Services*

Securitization

Asset Management

*Fiscal Funds
Carbon Funds*

*Investment Funds
Cat Bond Funds*

Insurance

*Auto Insurance
Home & Business Insurance
Carbon Insurance*



Zoom on ESG Risks: why should a bank care?

- From ethical thinking to the materiality of ESG risks
 - Clients causing environmental/ social damage:
 - ⊙ **Credit / collateral** risk
 - ⊙ **Reputational** risk
 - Increasing regulatory environment - **liability** risk
 - Expectations: end consumers, NGOs, employees...
- Opportunities:
 - Better risk management
 - Better relationships with stakeholders
 - Market differentiation
 - Staff attraction

International trends: Rio + 20, June 2012

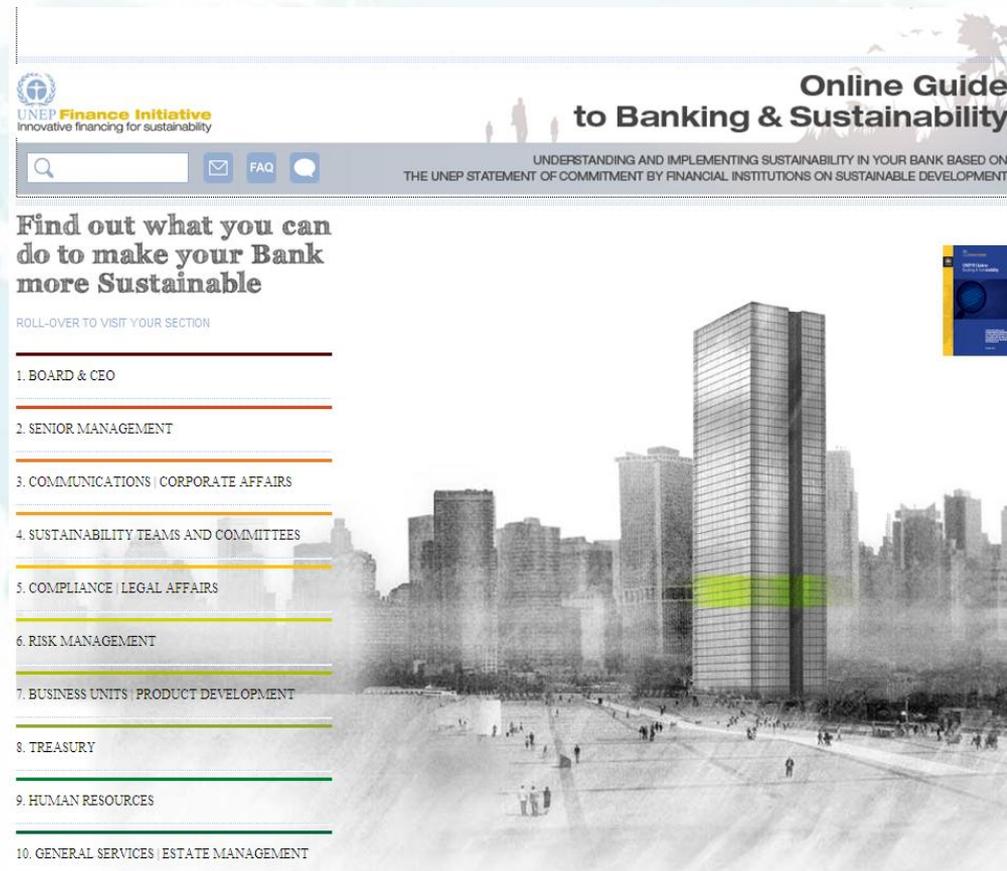
- **Government engagement :**
 - « The Future We Want », Rio+20 Outcome Document
 - § 255 - 257: *towards the design of a Sustainable Development Financing Strategy*
 - § 47: *Sustainability Reporting; regulations will tighten, readiness means competitive advantage*
- **Finance community engagement – UNEP FI catalyser :**
 - Principles for Sustainable Insurance: insurers of over 10% of world premium volume sign global insurance principles for sustainability
 - Sustainable Stock Exchanges Initiative: exchanges listing over 4,600 companies commit to promoting sustainability
 - Natural Capital Declaration: 40 FIs sign and commit to natural capital

Trends at country level worldwide

- **National frameworks on sustainable finance:**
 - **Green Sustainable Banking Principles in Nigeria**
 - **Green Protocol Colombia**
 - **Green Protocol Brazil**
 - **Green Banking Policy in Indonesia**
 - **Green Credit policy in China**
- **Central Banks and Banks Associations - key to mainstream sustainability within the banking sector**

UNEP FI tools available for bankers to better understand ESG risks & opportunities

- ❑ **‘Guide to Banking and Sustainability’ (2011):**
a common language on the meaning of sustainability in banks, including ESG risks
- ❑ **Online tool for practice-sharing (For launch in 2013):**
Sharing with and learning from peer banks & practitioners
- ❑ **Environmental and Social Risk Analysis Training :**
*Online Course (E,S,F)
Introductory Training Workshop
Advanced Training Workshop*



The screenshot displays the website for the UNEP Finance Initiative. At the top left is the UNEP Finance Initiative logo with the tagline 'Innovative financing for sustainability'. To the right, the title 'Online Guide to Banking & Sustainability' is prominently displayed, with a subtitle below it: 'UNDERSTANDING AND IMPLEMENTING SUSTAINABILITY IN YOUR BANK BASED ON THE UNEP STATEMENT OF COMMITMENT BY FINANCIAL INSTITUTIONS ON SUSTAINABLE DEVELOPMENT'. A search bar and navigation icons (mail, FAQ, chat) are visible. The main heading reads 'Find out what you can do to make your Bank more Sustainable'. Below this is a list of sections for navigation, with the fifth item, 'COMPLIANCE | LEGAL AFFAIRS', highlighted in green. The background of the website features a cityscape with a tall skyscraper.

UNEP Finance Initiative
Innovative financing for sustainability

Online Guide to Banking & Sustainability
UNDERSTANDING AND IMPLEMENTING SUSTAINABILITY IN YOUR BANK BASED ON THE UNEP STATEMENT OF COMMITMENT BY FINANCIAL INSTITUTIONS ON SUSTAINABLE DEVELOPMENT

Find out what you can do to make your Bank more Sustainable

ROLL-OVER TO VISIT YOUR SECTION

1. BOARD & CEO
2. SENIOR MANAGEMENT
3. COMMUNICATIONS | CORPORATE AFFAIRS
4. SUSTAINABILITY TEAMS AND COMMITTEES
5. COMPLIANCE | LEGAL AFFAIRS
6. RISK MANAGEMENT
7. BUSINESS UNITS | PRODUCT DEVELOPMENT
8. TREASURY
9. HUMAN RESOURCES
10. GENERAL SERVICES | ESTATE MANAGEMENT

Conclusion:

- Sustainability risks & opportunities: relevant now more than ever
- Pool of peer knowledge existing & expanding
- Tools available
- **Time to act!**



Thank You!