



Assessing Bank Exposure to Environmental Risk

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ISIS Asset Management

Introduction



- ISIS Asset Management
- Environmental Credit Risk Assessment (ECRA)
- Benchmarking Study
- Next Steps
- Conclusion

ISIS Asset Management



- U.K. based fund manager with €100 billion under management
- GSRI core to business
 - screened funds
 - engagement
- Responsible engagement overlay: **reo**[®]

To encourage companies in ISIS portfolios to enhance business performance by addressing social, ethical and environmental impacts
- Significant holdings in financial sector

Why look at ECRA?



- ISIS was early UNEP signatory
- Environmental Credit Risk Assessment (ECRA)
 - specific incidents of concern focused attention
 - financial sector responsibility increasingly under scrutiny
 - link between environmental factors and financial performance
- Integrate into overall investment analysis
 - enhance analytical process
 - understand banks' risk management systems
 - recognise pro-active bad debt avoidance

Benchmarking Study



- Analysed ECRA in 10 Pan-European bank holdings
 - enthusiastic participation
 - face-to-face meetings with practitioners
 - workshop to discuss findings
- In-depth report focused on ECRA policy
 - development and accountability
 - implementation and management
 - communication and reporting
 - impact on profitability

Participants



BARCLAYS

 **The Royal Bank of
Scotland Group**

**CREDIT
SUISSE** | GROUP

 **Santander Central Hispano**

HSBC 

ING 

**Standard
Chartered** 

**SOCIETE
GENERALE**

 **Lloyds TSB**


UniCredito Italiano

Key Findings



- “On the starting grid”
 - Santander Central Hispano
 - Société Générale
 - UniCredito Italiano
- “Chasing pack”
 - HSBC
 - ING
 - Royal Bank of Scotland
 - Standard Chartered
- “Race leaders”
 - Barclays
 - Credit Suisse Group
 - Lloyds TSB

Next Steps



- Continue existing engagement programme
 - environmental management and reporting
- Address ECRA with other non-participant banks in portfolios
- Extend analysis to broader financial community
 - insurance
 - investment banking
- Consider other areas of credit risk assessment
 - social/human rights

Conclusion



- Shareholders, customers and borrowers increasingly aware of sustainable finance
- Initiatives such as UNEP FI refining guidance available to sector
- Increasing focus on implementation
- ISIS benchmarking study aims to
 - share experiences
 - highlight best practice
 - aid progress