

# **Integrating environmental criteria to credit policy**


**Stella Kowlaka  
Senior Advisor**

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# **Integrating environmental criteria to credit policy**

- 1. The motivation**
- 2. The environmental risks**
- 3. What environmental criteria?**
- 4. Environmental concerns to credit terms and pricing.**

# 1. What is the motivation

- **No the undertaken risks**
  - **Protect Bank's own reputation**
  - **Healthy loan portfolio**
  - **Higher recovery rate of collateral**
  - **Lower the default rate of company borrowers**
  - **Improve long-term competitiveness**
  - **Awareness raising**
  - **Satisfy stakeholders expectations**
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## 2. Environmental risks

- Refer to potential or accidental damage to the environment caused by the corporate client.
- Damages may be: emissions to air, emissions to water, soil contamination, spills or leaks, resource use, damage to biodiversity.
- legal obligation to remedying environmental damage caused by the company.
- Client unable to restore catastrophes and damages
- downgrade company's competitiveness.


## **Environmental risks : related areas**

- a) Climate change.
- b) Compliance to regulatory measures.
- c) Independent corporate sustainability assessment.

## a) Climate change

- The frequency and the scale of natural disasters is expected to increase further due to global warming.
  - Serious impact on markets and products and on corporate performance.
  - A growing threat to the economic system.
  - Institutional investors require disclosure of exposures to climate risks as well as to policy and actions to manage these risks.
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## b) Compliance to regulatory measures

- National Allocation Plan for Emissions Trading Rights
  - EU directive on environmental liability
  - Act for establishing and operating of industrial and craft installations
  - EU Recommendation on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies.
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## c) Corporate sustainability assessment

- FTSE4GOOD [www.ftse4good.org](http://www.ftse4good.org)
- Dow Jones Sustainability Index  
[www.sam-group.com](http://www.sam-group.com)
- Ethibel Sustainability Index [www.ethibel.org](http://www.ethibel.org)

### 3. What environmental criteria ?

- ✓ Emissions rights from NAPER?
- ✓ Commitment with Environmental Policy ?
- ✓ EMS in place?
- ✓ Certifications, Verifications, Labels?
- ✓ Energy sources?
- ✓ Recycling?
- ✓ Waste Management?
- ✓ Relations with local community.
- ✓ Proactive measures for extreme phenomena ?
- ✓ Sectoral characteristics ?

## 4. Environmental concerns to credit terms and pricing

- Environmental concerns may exclude a loan offer : when and why?
- Higher environmental risks may lead to higher interest rates?
- Shorter loan duration when environmental risks occur.
- Reduced fees for companies changing energy use to renewable forms.
- Reduced fees for companies getting “green”?

**Thank you for your attention.**