

SCRATCHING ON THE SURFACE OF SUSTAINABLE FINANCE



A Survey on Sustainable Finance Practices in Greece

By the

UNEP FI Central and Eastern European Task Force

Introduction

Background

In today's financial markets there is increasing recognition of the importance of environmental and social issues within corporations across sectors. Sustainability performance has become a precondition of trust and a key contributor to good reputation. Financial institutions can have direct and indirect impacts on a sustainable development. Direct impacts result from the financial sector's own internal operations and can be minimised, e.g. through reducing the use of paper or energy. Through its lending and investment decisions the financial sector can also have indirect impacts on environment and society through influencing their customers or investee companies. By applying environmental and social criteria to lending or investment decisions financial institutions thus have a much larger impact than by only controlling their internal operations. The UNEP Finance Initiative has been working since 1992 with the largest financial institutions worldwide to promote best examples of sustainability management in core financial activities and thereby show that environmental, social and governance aspects do not only improve risk management, reputation and stakeholder relations, but also affect financial performance.

Objective of this Study

Following a UNEP FI outreach event in Athens in June 2006, the UNEP FI Central and Eastern European Task Force in collaboration with the Greek Union of Environmental Scientists and the support of SD Sustainable Development have undertaken a survey on the current best practices of sustainable finance in Greece. The survey was undertaken with the aim to gain an insight on the status of sustainable finance practices in the Greek financial sector, and to acquire an understanding of what the Greek financial sector's stakeholders see as priority sustainable development topics for financial institutions in their country. Thirteen financial institutions, among these the major financial players in Greece, as well as 13 environmental stakeholder organisations participated in the survey.

The main conclusions that were drawn from the survey results are summarised below:

Main Conclusions:

- Greek financial institutions attach a high importance to sustainability topics, today and also in the future. However, they seem to limit their current actions to internal environmental management, CSR campaigns and offering selected green financial products. They still miss out to incorporate sustainability aspects into their core business activities, i.e. lending and investment. A generally high degree of environmental awareness seems to exist, but this knowledge cannot be translated into real business opportunities yet.
- International financial institutions are not as strong in implementing their sustainability policies in their Greek subsidiaries as they are in their headquarters' operations. Local institutions seem to be more advanced than subsidiaries of international institutions, even though these have the potential to be pioneers regarding sustainable finance in the Greek financial market. The reasons, why this potential driver of sustainable finance is not working, certainly need to be further explored.
- Greek environmental organisations are not well informed about the indirect environmental impacts of the financial sector. Unlike in other EU countries environmental organisations, in particular NGOs, are currently not a driver for sustainable finance, as they are not pushing for the management of sustainability in the core business areas of financial institutions.

Key Findings

The Importance of Sustainability in Greek Financial Institutions

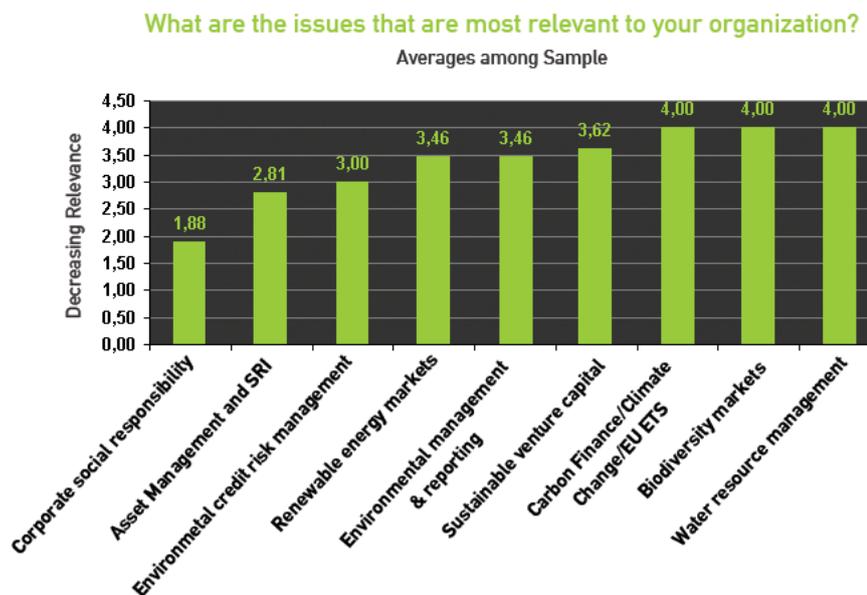
9 of the 13 surveyed financial institutions stated a high or very high relevance of sustainability issues to their companies' opportunities and risks, whereas no institution denied the importance of sustainability as a relevant business risk or opportunity.

Stock market listing positively influences the perception that sustainability presents an important risk and opportunity for a financial sector company. This can be explained by the fact that listed entities' exposure are more exposed to reputational risks or higher demands by shareholders for better risk management encompassing environmental and social aspects. Another reason could be due to the requirements of sustainability indexes like FTSE4GOOD, Dow Jones Sustainability Indexes, etc., in which all major Greek financial institutions are listed.

An increased awareness of sustainability is also evident in internationally dominated ownership structures. This observation could lead to the conclusion that the more advanced financial institutions spread their headquarters sustainability practices into their regional banks. However, looking at the very low response rate of the Greek branches of international sustainability leaders, one can assume that sustainability practices in Greece are not as elaborate yet as on the international level.

Being asked about the future, 10 out of 13 respondents believe that the importance of sustainability in the financial sector will grow within the next five years. No respondent denied that sustainability will become more important in the future.

As the most relevant topics in the sustainability field the surveyed organisations most often mentioned corporate social responsibility (CSR), asset management/socially responsible investment (SRI), and environmental credit risk management.



No importance at all was assigned to climate change/carbon finance, which strongly contradicts trends in the international financial sector. Neither was any importance given to water issues, which might become crucial for a traditionally water scarce country like Greece in the future.

Expectations & Awareness of Greek Stakeholders

Consistent with the financial sector's assessment of sustainability being an important topic for their business, the majority of the surveyed stakeholder organisations believes that financial institutions do have either a very high or a high responsibility with respect to environmental concerns.

12 out of 13 respondents answered that the environmental performance of a bank is an important factor for Greek stakeholders when choosing a bank to cooperate with.

When asked how financial institutions can most effectively help the environment, respondents mentioned the following three activities as the most significant approaches:

- 1) Financing of environmentally friendly projects;
- 2) Implementing internal programmes with environmental aims;
- 3) Granting better financing conditions to environmentally friendly companies.

Most of the stakeholders knew banks that are contributing positively to the environment. Banks most mentioned for helping the environment were Piraeus Bank (46%), EFG Eurobank (36%) and Alpha Bank (18%). These institutions mostly have recently focused on public awareness raising activities, so that the ranking does not necessarily reflect the level of implementation of sustainable finance measures. Stakeholders did not recognise companies that have much more focussed on introducing sustainability aspects into their core business, e.g. through environmental credit policies and systems, like Emporiki Bank. It can be concluded that the surveyed stakeholders were not well-informed about how the financial sector indirectly and most significantly impacts on the environment.

Sustainability Reporting

Environmental/sustainability reports are published by 5 out of the 13 surveyed institutions, all of them being listed on a stock exchange. Another three companies are planning to publish a report within the next two years. None of the international sustainability leaders publishes a report for their Greek operations.

11 out of 13 stakeholder organisations stated that financial institutions should report on their environmental performance, showing a large gap between expectations and current practices in non-financial reporting. None of the surveyed stakeholders denied that financial institutions should disclose information about their environmental performance.

Internal Environmental Activities

Most of the surveyed financial institutions in Greece engage in some sort of internal environmental activities, which shows a generally high degree of awareness for environmental protection among Greek financial institutions. Most popular activities stated were:

- 1) Internal environmental targets, e.g. to reduce the use of paper (62%)
- 2) Qualitative/quantitative record-keeping of the resource use (62%/53%)

Only 6 organisations had an established environmental policy.

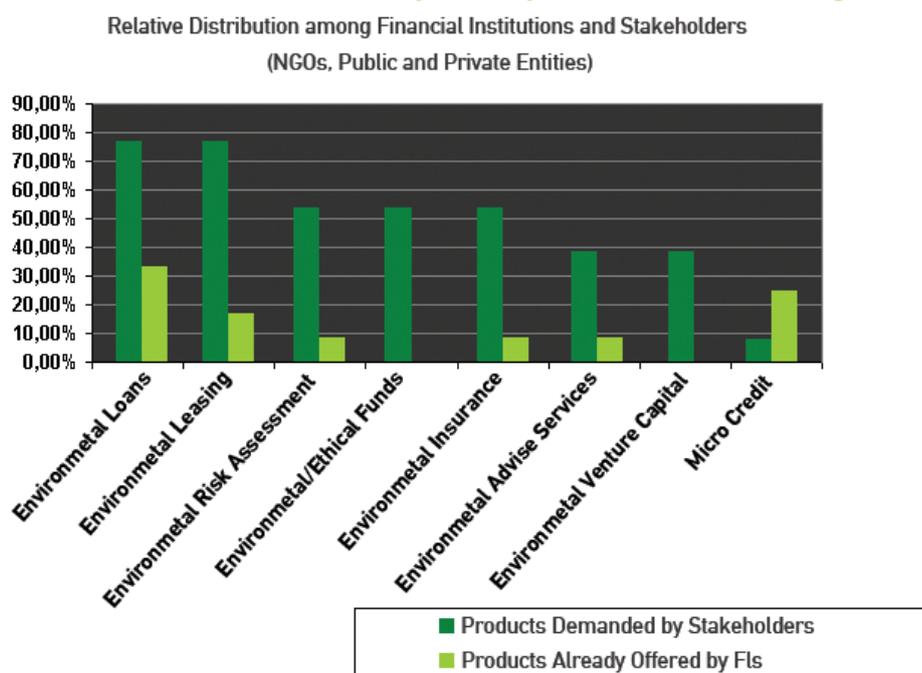
Green Financial Products

10 out of 13 stakeholders expect financial institutions to offer products that are beneficial for the environment. And indeed most surveyed financial institutions in Greece already have sustainable financial products in their portfolio or plan to introduce them within the next years. Green financial products seem to be the most advanced area of sustainable finance in Greece.

6 of the 13 surveyed financial institutions are already offering sustainable financial products, whereby four institutions out of the 6 have already added 2 or more sustainable products to their product portfolios. 6 financial institutions have indicated plans to offer an additional or a first sustainable financial product. The institutions that offer such products are mostly listed on a stock exchange and have an internationally dominated ownership structure.

Among the most frequently offered products are environmental loans, micro credit and environmental leasing. No financial institution in Greece currently offers environmental/ethical funds or venture capital although they had mentioned both topics among the most relevant sustainability topics in the survey. The non-existence of SRI funds shows that Greece is significantly lagging behind other European countries where SRI funds are estimated to be in the size of 1 trillion EUR of assets under management.

Demand and Offer of Environmentally Friendly Financial Product Categories



Among the surveyed stakeholders environmental loans and environmental leasing were mentioned most as the products that the financial sector should offer. It was interesting to see that for all environmental products (apart from micro credit) demand in the survey was 2 to 3 times higher than the current supply. The most obvious gaps in demand and supply seem to lie in the fields of environmental leasing and SRI funds.

In contrast to their expectations, the large majority of stakeholder organisations surveyed (11 out of 13) do not currently use any green financial product. Only one organisation plans to use such products in the future. This finding leads to the assumption that the surveyed environmental organisations do not necessarily see green financial products as a positive contribution to the bank's environmental performance.

Drivers and Barriers of Sustainable Finance Practices

Survey participants mentioned the following reasons and barriers for implementing sustainable finance practices:

Drivers/Benefits	Barriers
1 Social responsibility	1 High implementation costs
2 Cost savings	2 Difficulties to measure benefits
3 Competitive advantage	3 Lack of legal requirements/enforcement of regulation
4 Better reputation	

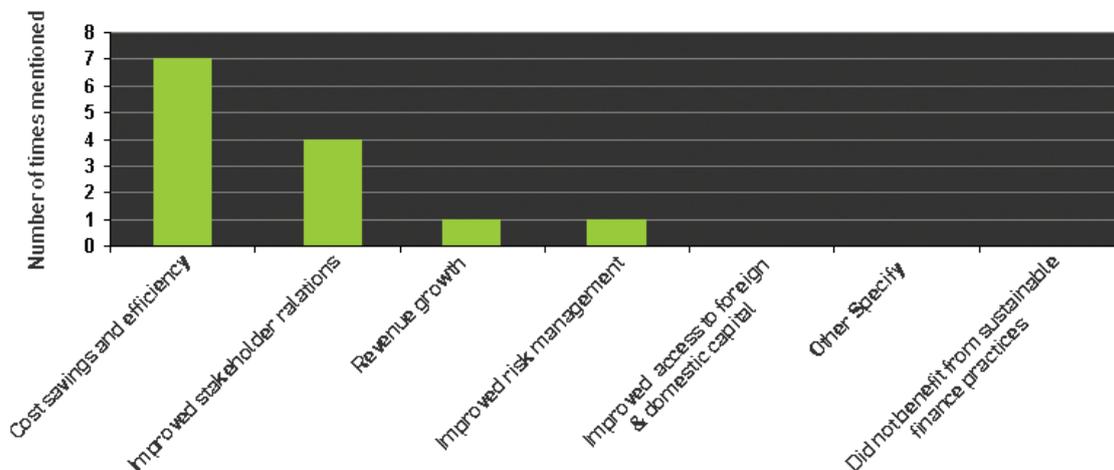
Surprisingly, NGO demand has been ranked rather low among the benefits of sustainable practices in Greece. In other EU countries, constructive NGO engagement in order to prevent campaigning and essentially protect reputation would usually rank higher among the benefits of sustainable financial practices. Apparently, the NGO community in Greece has not fully grasped the potential of the financial sector of contributing to a sustainable development and therefore too little engage with financial institutions on environmental and social matters.

Perceived barriers differ a lot among the surveyed financial institutions. The difficulty to measure benefits was only mentioned by companies under international ownership, despite the fact that their international owners might be experienced in sustainability and well aware of the potential benefits. Among companies listed on stock exchanges the lack of regulative pressure presents the highest hurdle. It has to be noted, that due to the European Union environmental legislation in Greece is not missing in general, but there is a lack of harmonisation of EU regulations with Greek law as well as enforcement of these regulations.

Experienced Benefits

9 out of the 13 surveyed financial institutions had implemented sustainable finance practices. All of them have perceived clear benefits, which confirms that sustainable finance practices are beneficial not only to society at large, but also to the individual financial institution. The financial institutions have mostly experienced cost savings and increased efficiency as the main benefit of sustainability. These gains clearly result from the strong focus on internal environmental activities. Revenue growth and improved risk management were only rarely mentioned as experienced benefits, because these are usually linked to a more far-reaching implementation of sustainable practices. Greek financial institutions currently predominantly manage their direct environmental impacts and thus miss out on real business opportunities.

Question to organizations that implemented sustainable finance practices (8):
how did your organization benefit from implementation of sustainable finance practices?



Recommendations

To Financial Institutions:

1. If you are not yet working on sustainability issues: Get started, the business case is real!

- Contact your peers in Greece and get advice on how to start
- Contact your international parent company for advice
- Regularly meet with your peers to learn from each other

2. If you have already started: Advance on the path that has been chosen – You're on a good track!

- Increase and broaden your supply of sustainable financial products
- Continue public campaigning to foster demand for such products among the Greek public
- Regularly meet with your peers in order to learn from each other and scope for possibilities how to work together e.g. to increase public awareness

3. Get into the real business- Or miss the best opportunities!

Environmental credit risk management

- Develop internal credit policies for the assessment and management of environmental risks.

Responsible Investment

- Explore international experience with SRI products and examine demand for such products in Greece.
- Consider environmental, social and good governance criteria in mainstream investment decisions, because they do affect your investment's performance.

Climate change:

- Companies regulated under the EU Emissions Trading scheme will sooner or later be affected by tighter emission reduction targets. Make sure this is taken into consideration in loan and investment decisions.
- Extreme weather events will increase in frequency and intensity in the future, which will heavily affect the size of insurance claims in the future. Consider the predicted effects for different sectors and geographical areas in Greece.
- Renewable energy and energy efficiency will become more attractive with tightening limitations for fossil fuel based energy supply. Explore investment and lending in this particular area.

To Financial Sector Stakeholders:

1. Increase awareness of the indirect links between environment and finance – This is how you have the strongest impact!

- Contact experienced NGOs to better understand the indirect environmental impacts of financial institutions.
- Spread the word among Greek civil society organisations in order to trigger higher interest in the financial sector.
- When consulting, push financial institutions towards tackling the integration of environmental and social issues into their “real” business.

2. Start a constructive dialogue with financial institutions – It will serve your agenda!

- Develop ideas how you can work with financial institutions to foster sustainability management in core business areas of financial institutions, e.g. joint campaigns for green financial products.
- Understand the constraints of financial institutions in sustainability management and be a constructive partner to overcome these problems.

Survey Participants:

Financial Institutions	Stakeholder Organisations
Alpha Bank*	Amacon EQI SA
Bank of Attica S.A.	Echmes Ltd.
Bank of Cyprus*	Ecological Recycling Society
Bayerische Hypo- und Vereinsbank*	European Business Ethic Network
Emporiki Bank of Greece*	EPTA Ltd.
Eurobank EFG*	Hellenic Environmental Law Society
Interamerican Hellenic Life Insurance Company*	International Nature Network
Laiki Bank	Joint Research Centre of the European Commission
Marfin Bank	National Technical University of Athens
National Bank of Greece	Prefecture of Magnesia, Dep. Of Environmental Protection
Pancreta Cooperative Bank	Texan Recycling Centers
Panellinia Bank	2 individual consultants
Piraeus Bank	

* UNEP FI SIGNATORIES

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UNEP Finance Initiative

UNEP FI is a unique global partnership between the United Nations Environment Programme and the private financial sector. Over 160 institutions including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance. Through task forces, working groups, training programmes and research, UNEP FI aims to address the opportunities and needs that sustainable development can provide to the financial opportunities and needs that sustainable development can provide to the financial and subsequently the larger stakeholder community. All activities in Greece are coordinated and undertaken by the UNEP FI Central and Eastern European Task Force.

For more information on UNEP FI or the Central and Eastern European Task Force please visit: www.unepfi.org

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The full study on sustainable finance practices in Greece is available at www.unepfi.org/ceetf



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