



UNEP
FINANCE
INITIATIVE

BANKING AND SUSTAINABILITY

GUIDE TO

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I. WHAT AND WHO IS THE GUIDE FOR?

WHAT

- Hands-on guidance for practitioners on integrating sustainability across the bank, including real-life examples from banks around the world
- Helps banks to fulfil their commitments as UNEP FI members (Statement of Commitment on Sustainable Development)

WHO

- Senior management and board members seeking to educate themselves and their employees on banking and sustainability
- Sustainability teams seeking to engage employees across the bank
- Employees seeking to understand the relevance of sustainability issues to their work
- Banking associations seeking to understand and promote sustainability among their membership

2. HOW IS IT STRUCTURED?

Chapter I: Leadership			
Chapter II: Sustainability			
Chapter III: Risk			
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Chapter V: Corporate Banking	THE BUSINESS CASE Why is sustainability relevant for your department?	GUIDANCE How to go about it?	CASE STUDIES Current practice of UNEP FI banks
Chapter VI: Retail Banking			
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3. EXAMPLE CHAPTERS

I.4 “We recognize that sustainable development is an institutional commitment and an integral part of our pursuit of both good corporate citizenship and the fundamentals of sound business practices.”

BUSINESS CASE

Risks of inaction:

- Lack of preparedness for regulatory and policy adjustments
- Failure to identify material risks
- Disengagement of investors, etc

Opportunities:

- Competitive advantage and new business opportunities,
- Increased resilience due to better risk management
- Better rating – more valued bank

Chapter I: Leadership

STATEMENT OF COMMITMENT:

I.4 "We recognize that sustainable development is an institutional commitment and an integral part of our pursuit of both good corporate citizenship and the fundamentals of sound business practices."

WHAT CAN YOUR BANK DO?

- Embed sustainability in the bank's strategic vision
- Ensure accountability on sustainability issues for managers across the bank
- Corporate culture: actively communicate top-level buy-in and develop employee awareness and expertise
- Report on the bank's sustainability approach and performance internally, as well as externally

CASE STUDY:

Landesbank Baden-Wuerttemberg

- Sustainability integrated in mission statement and strategy
- Seven sustainability goals defined and operationalized through sustainability guidelines
- Accountability ensured through sustainability management system for all divisions
- Sustainability Committee consisting of division heads and chairman of the board to monitor performance and develop recommendations to the board for strategic decisions around sustainability

2.2 “We will comply with all applicable local, national and international regulations on environmental and social issues. Beyond compliance, we will work towards integrating environmental and social considerations into our operations and business decisions in all markets.”

BUSINESS CASE

Risks of inaction:

- Decentralized, fragmented and weak integration of sustainability
- Poor translation of why sustainability is relevant to core business
- Absence of first-line defenders when dealing with critical client and stakeholder inquiries

Opportunities:

- Dedicated expertise to ensure substance, accuracy and transparency for communication and reporting
- Cohesive sustainability strategy and objectives

Chapter II: Sustainability

STATEMENT OF COMMITMENT:

2.2 “We will comply with all applicable local, national and international regulations on environmental and social issues. Beyond compliance, we will work towards integrating environmental and social considerations into our operations and business decisions in all markets.”

WHAT CAN YOUR BANK DO?

- Sustainability teams must be familiar with the needs and ways of working and thinking of all bank departments to ensure uptake
- Sustainability teams need to
 - advise the board and senior management
 - facilitate the development of a shared and consistent understanding of sustainability across the bank
 - assist operation departments in implementing the general concept into their specific operational realities
 - define and monitor indicators for success

CASE STUDY:

ANZ's Corporate Sustainability and Diversity Committee

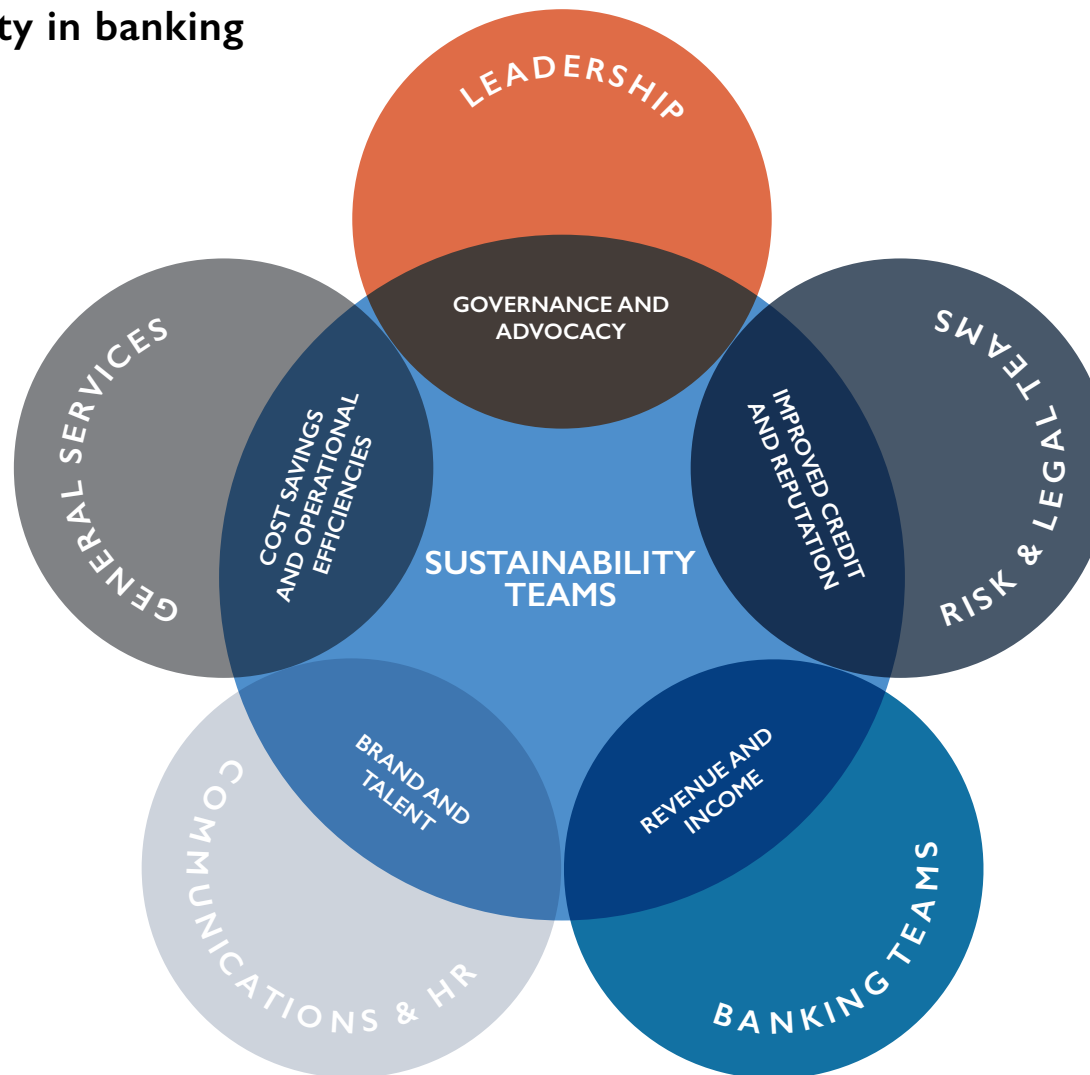
- Develops and oversees the implementation of ANZ's group-wide sustainability strategy
- Monitors and reports on the progress against ANZ's publicly announced sustainability targets
- Advises board and other governance bodies on sustainability issues and represents ANZ externally

Chapter II: Sustainability

STATEMENT OF COMMITMENT:

2.2 “We will comply with all applicable local, national and international regulations on environmental and social issues. Beyond compliance, we will work towards integrating environmental and social considerations into our operations and business decisions in all markets.”

Synergies of sustainability in banking



2.3 “We recognize that identifying and quantifying environmental and social risks should be part of the normal process of risk assessment and management, both in domestic and international operations.”

BUSINESS CASE

Risks of inaction:

- Overexposure to industries sensitive to transition risk from new regulations and policies as well as to environmental and social pressures
- Financial losses due to non-performing loans
- Adverse impacts to reputation, credibility and brand value

Opportunities:

- Increased resilience and competitiveness in a rapidly changing market environment
- Attracting and retaining clients with increasing social and environmental demands

2.3 “We recognize that identifying and quantifying environmental and social risks should be part of the normal process of risk assessment and management, both in domestic and international operations.”

WHAT CAN YOUR BANK DO?

- Work with internal and external sustainability experts to identify and understand the bank's exposure to environmental and social risks
- Work with client-facing teams and legal teams to develop and implement an integral environmental and social risk management system
- Build awareness and communicate on environmental and social risk management efforts within and outside the bank
- Use existing resources and networks to keep abreast of environmental and social trends

CASE STUDY:

UBS

- Comprehensive environmental and social risk framework that is applied to all transactions, products, services and activities
- Web-based compliance tool with enhanced data on companies associated with environmental and social risk to be used by staff before entering a client relationship
- Clients with potential ES risks referred to specialized environmental and social risk unit for enhanced due diligence
- Engagement only under strict criteria in sensitive sectors, such as soft commodities, power generation and extractives
- Regular review of sensitive sectors at portfolio level to improve future portfolio profile

2.7 “We recognize the need for the financial services sector to adapt and develop products and services which will promote the principles of sustainable development decisions in all markets.”

BUSINESS CASE

Risks of inaction:

- Loss of competitiveness and market position in relation to conventional and non-conventional financial actors better adapted to new market realities

Opportunities:

- Competitive advantage and potential first-mover gains where additive and replicable business and financing solutions are found
- Attracting and retaining clients best aligned with changing market realities

2.7 “We recognize the need for the financial services sector to adapt and develop products and services which will promote the principles of sustainable development decisions in all markets.”

WHAT CAN YOUR BANK DO?

- Identify existing sustainable assets in your portfolio and among incoming deals to structure sustainable investment products
- Develop and offer sustainability oriented banking products and engage with clients on sustainability issues
- Identify unmet sustainable development needs and financing opportunities that might become strategic business development areas for your bank
- Support your communications team in relaying transparent information on sustainable products and services inside the bank and to investors

CASE STUDIES:

Mizuho

- Green SME loan product with below-market interest rates

SEB

- Development of the Green Bond market

Societe Generale

- Positive Impact finance methodology and the first Positive Impact Bond

Chapter V: Corporate Banking

STATEMENT OF COMMITMENT:

2.7 “We recognize the need for the financial services sector to adapt and develop products and services which will promote the principles of sustainable development decisions in all markets.”

Diversity of sustainable banking products and services

BUSINESS LINE	EXAMPLES OF SUSTAINABLE PRODUCT/SERVICE
Commercial and Corporate Lending	<ul style="list-style-type: none"> ■ Green, social or responsible credit lines (energy efficiency, commercial buildings, etc.) ■ Green leasing ■ Financing circular economy ■ Environmental and social advisory services ■ Corporate lending to finance companies in their sustainability transition ■ Non-profit organizations with a sustainability angle
Project Finance	<ul style="list-style-type: none"> ■ Sustainable energy infrastructure (renewable energies, smart meters, energy efficiency, etc.) ■ Green transport projects ■ Socially and environmentally compatible telecommunication solutions ■ Environmentally and human rights compatible extractive industry activities ■ Water and waste projects ■ Large-scale green commercial developments, shopping centres etc.
Investment Banking	<ul style="list-style-type: none"> ■ Green, social, sustainable and/or positive impact bonds ■ ESG considerations in the context of mergers and acquisitions and IPOs
Trade Finance	<ul style="list-style-type: none"> ■ Certified sustainable soft commodities ■ Sustainable shipment letter of credit ■ Sustainable trade funds

2.7 “We recognize the need for the financial services sector to adapt and develop products and services which will promote the principles of sustainable development decisions in all markets.”

BUSINESS CASE

Risks of inaction:

- Loss of business opportunities to existing competitors or new market players
- Vulnerable lending and deposit portfolios

Opportunities:

- Increased market participation, penetration and business opportunities and stronger community ties
- Increased job satisfaction and retention amongst employees

2.7 “We recognize the need for the financial services sector to adapt and develop products and services which will promote the principles of sustainable development decisions in all markets.”

WHAT CAN YOUR BANK DO?

- Identify retail customers' sustainable development needs that open up strategic business and product development opportunities for your bank
- Work with risk management and sustainability teams to identify environmental, social and governance concerns that may adversely impact loan performance
- Develop and provide capacity building, training and seminars to assist your bank's retail client facing teams understand sustainability requirements their clients may have

CASE STUDIES:

KCB Bank (Kenya)

- Financial Inclusion: micro banking for small entrepreneurs; agent banking with > 10,000 transactions daily; mobile banking

ASN Bank (Netherlands)

- Energy saving loans for homeowners

Desjardins (Canada)

- Support for entrepreneurs and start-ups through a range of specifically designed financial products – from loans without down payments and security deposits to venture capital for equipment upgrade and expansion

4. RESOURCES SECTION

- Relevant literature and reports on (aspects of) Sustainable Banking
- List of sustainability Index providers and extra financial rating agencies
- Links to relevant tools and frameworks
- Links to trainings and training providers
- Sustainable Banking news outlets and magazines

Thank you.

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