



SUSTAINABLE DEVELOPMENT

IN THE ARGENTINE
BANKING SYSTEM

◀ EXECUTIVE SUMMARY ▶



A survey of the Latin American and Caribbean regional groups
of the UN Environment Finance Initiative (LATF - UNEP FI)
and CAF -Latin American Development Bank-



EXECUTIVE SUMMARY

UNEP FI and the Latin American Development Bank (CAF) have carried out a survey in Argentina to analyze the current level of integration of environmental, social and corporate governance issues in the management of financial institutions. The survey also identifies areas where support is required to help Argentine banks better manage issues related to sustainable finance.

UNEP FI performed a similar survey in 2006, and the latest results show that socio-environmental issues remain central for some banks operating in Argentina, while non-domestic banks show a more advanced level of socio-environmental management as part of their headquarters' policies. The survey was carried out between September and November of 2016 through personal interviews with those in charge of risk and/or senior executives linked to socio-environmental issues, and obtained a response from 50% of the banks that operate in the country, representing approximately 87% of assets in the Argentine financial system.

The results show that since 2006, at least ten banks have adopted environmental, social and governance management into their business structure. However, there is still much ground to cover given that only 39% of the participating banks have implemented environmental and social risk assessment systems. Moreover, implementation of the management systems is not homogeneous and, in some cases, it has had a limited impact on the operational capacity of those entities interviewed. However, 58% of the financial institutions who responded to the survey reported that they adhered to one or more codes or environmental, social, or corporate governance initiatives, including the highest percentage adhering to the Equator Principles (35%, compared to 17% in 2006).

One could perceive that the issues linked to sustainable finance are not a priority for the majority of the banks that operate in Argentina. This conclusion is supported by a limited offering of green finance products, as only 26 % of the entities currently offer such products to their clients. The lack of a specific regulatory framework regarding the management of social and environmental risks, leaves the application of these criteria as a voluntary commitment which is not within institutions' priorities.

The greatest obstacles facing the banks attempting to integrate sustainable finance into their operations are: uncertainty regarding the applied normative framework (68%); the political and economic status of the country or of the entity (61%); and the lack of understanding of the adverse effects the environment may have on the performance of their clients, and thus on the financial entity itself (48%). These results show that many of the difficulties facing Argentine banks that adopt environmental and social management criteria could be addressed through clear signals from regulators and the training of personnel in environmental and social areas.

In fact, the surveyed institutions consider that developing communication channels between different actors in the market are key, which would include regulators from the Argentine financial system, the Ministry of Environment and Sustainable Development, and various financial entities. These channels of communication could be direct or through banking associations performing the important function of coordination.

The results presented in this survey indicate that the Argentine financial sector works with several initiatives to help include environmental and social practices into its operations. The banking associations ABA and ADEBA promote their members to join initiatives such as Global Compact, while the Central Bank has created a paperless statements initiative. Nevertheless, it is necessary to deepen these efforts through the involvement of other actors, which in turn will recognize and stimulate the effort undertaken so far. Through these processes and internal and external operations, banking initiatives promote policies and activities that seek to balance the environment, the well-being of the community, labor justice, gender equality, and of course, economic growth for clients.

The survey consisted of a list of 40 questions divided in six sections: i) General information ii) The nature of compromise considering environment and sustainable development iii) Financially green products iv) Analysis of social and environmental risks v) Examples and initiatives vi) Future treatment of the environment. Those interviewed were specifically chosen by each entity and contact with the institutions was developed through the assistance of the association of banks, ABA, ADEBA, and ABAPPRA.