Integrating environmental criteria to credit policy

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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 warning.
- Serious impact on markets and products and on corporate performance.
- A growing threat to the economic system.
- Institutional investors require disclose of exposures to climate risks as well as to policy and actions to manage these risks.

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.

c) Corporate sustainability assessment

- FTSE4GOOD www.ftse4good.org
- Dow Jones Sustainability Index

  www.sam-group.com
- Ethibel Sustainability Index 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?
- Sorter 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.