Integrating environmental criteria to credit policy

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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
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](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.