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

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I. Executive Summary

Following an outreach event in Athens in June 2006, the UNEP FI Central and Eastern European Task Force in collaboration with the Union of Environmental Scientists of Greece and the support of SD Sustainable Development have undertaken a survey on the current best practices in sustainable finance in Greece. Sustainable finance in this survey refers to how financial institutions in Greece handle issues contributing to a sustainable development, e.g. environmental and social topics that financial institutions can have an impact on through their business activities.

The survey was distributed to 29 Greek financial institutions, out of which 13 financial institutions responded to the questionnaire. In most of the financial institutions that did not respond to the questionnaire, no person was assigned to environmental/social issues. For this reason it was assumed that they do not have any sustainability programs in place and thus were unable to complete the questionnaire. In order to collect stakeholder feedback the questionnaire was distributed at the conference in Athens and was placed on the website of the Union of Environmental Scientists. 13 organisations responded to the study through these two means. The respondents might therefore not be representative for Greek civil society in total, but is considered as an approximation for the views of Greek environmental organisations.

Our main conclusions from the responses we have received are summarised below:

- 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 much 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 in Greece is not working, certainly need to be further explored.
- Private, public and non-governmental financial stakeholders involved in environmental issues are not well informed about the indirect environmental impacts of the financial sector. Unlike in other EU countries civil society and in particular non-governmental organisations (NGOs) are currently not drivers for sustainable finance, as they are not pushing for the management of environmental and social issues in the core business areas of financial institutions.

Our main results from surveying Greek financial institutions and financial stakeholders can be summarised with the following bullet points:

Financial Institutions:

- Eight out of the 13 surveyed financial institutions stated a high or very high relevance of sustainability issues to their companies' opportunities and risks; no institution denied the importance of sustainability as a relevant business risk or opportunity. Stock market listings as well as an internationally dominated ownership structure positively influence the perception that sustainability presents an important risk and opportunity for a financial sector company.
- Corporate Social Responsibility (CSR), asset management/socially responsible investment (SRI) and environmental credit risk management were declared the most important sustainability topics. No importance at all was assigned to climate change/carbon finance, which strongly contradicts trends in the international financial sector.

- Environmental/sustainability reports are published by five institutions, all of them being listed on a stock exchange. This is a high number in our sample, but a rather moderate result considering that institutions, which have not responded to the survey, probably do not engage in non-financial reporting.
- 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.
- The offering of sustainable financial products seems to be one of the most advanced sustainability activities in Greek financial institutions. Most surveyed financial institutions in Greece already offer one or several sustainable financial products or plan to do so within the next years. Among the most frequently offered products are environmental loans, micro credit and environmental leasing. It was striking that no financial institution in Greece currently offers SRI funds.
- Demonstrating social responsibility was mentioned by all surveyed institutions as the key driver for adopting sustainable finance practices. Other main reasons stated by respondents were cost savings, achieving a competitive advantage and enhancing the company's reputation. NGO demand only plays a minor role.
- Barriers preventing a more far-reaching implementation of sustainable practices were mentioned to be high implementation costs, difficulties to measure benefits and the lack of legal requirements. It has to be noted here that an extensive regulatory environmental and social framework deriving from the European Union exists, but is either not appropriately integrated into Greek law or is not effectively enforced by the Greek government.
- Those financial institutions that had implemented sustainable finance practices have perceived cost savings and increased efficiency as the main benefits 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.
- Nine of the 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.

Stakeholder organisations:

- 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.
- 85% of respondents stated that financial institutions should report on their environmental performance, showing a large gap between expectations and current practice in non-financial reporting.
- More than 70% of stakeholders expect financial institutions to offer financial products that are beneficial for the environment. Environmental loans and environmental leasing were mentioned most as the products that should be offered. It was interesting to see that for all environmental products (apart from micro credit) demand is two to three 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 do currently not use any product that can be considered beneficial for the environment. Only 8% plan to use such products in the future.
- The environmental performance of a bank is an important factor for Greek stakeholders when choosing a bank to cooperate with. This contrasts with the low use of environmental products, leading to the assumption that stakeholders do not necessarily see green financial products as a positive contribution to the bank's environmental performance.

- Most of the respondents knew banks that are contributing positively to the environment. Banks most mentioned were in decreasing order: Piraeus Bank, EFG Eurobank and Alpha Bank. 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.
- When asked how financial institutions can most effectively help the environment, respondents mentioned the financing of environmentally friendly projects as the most significant approach. This was followed by the implementation of internal programmes with environmental aims and by granting better financing conditions to environmentally friendly companies.

A set of recommendations has been proposed at the end of the study, mainly concluding that financial institutions should continue to work on green financial products as this currently presents the most advanced sustainability field in Greek financial institutions (apart from internal programs and CSR campaigns). But they should also advance on incorporating sustainability aspects into their core business, and therefore take a closer look at environmental credit risk management, responsible investment and climate change. Greek stakeholder organisations can be recommended to acquire a deeper awareness of the indirect environmental impacts of financial sector activity and to push financial institutions further towards tackling environmental effects of their lending and investment activities.

II. Introduction

Following an outreach event in Athens in June 2006, the UNEP FI Central and Eastern European Task Force in collaboration with the Union of Environmental Scientists of Greece and the support of SD Sustainable Development have undertaken a survey on the current best practices in sustainable finance in Greece. Sustainable finance in this survey refers to how financial institutions in Greece handle issues contributing to a sustainable development, e.g. environmental and social topics that financial institutions can have an impact on through their business activities. Financial institutions can have direct impacts on the environment or social issues e.g. through reducing their paper or energy use on the environmental side, or through having a gender balanced employment policy on the social side. Indirect sustainability impacts occur when the environment or society can be positively or negatively influenced through lending or investment decisions, e.g. through applying environmental/social criteria to corporate loans.

II.1. Objectives

The UNEP FI Central and Eastern European Task Force (CEETF) together with the Greek Union of Environmental Scientists conducted this survey from June until October, 2006, in order to both

1. gain an insight on the status of sustainable finance practices in the Greek financial sector, and
2. acquire an understanding of what the Greek financial sector's stakeholders see as priority sustainable development topics for the financial sector in their country.

Following a first awareness-raising conference in June 2006 in Athens, the survey was designed to provide more clarity on the following questions:

- What is the current level of awareness in the region's financial sector with respect to sustainable finance?
- What are the areas of sustainable finance that financial institutions are predominantly interested in?
- What are the main drivers behind this interest and what are the barriers they are facing?
- To what extent have financial institutions implemented environmental practices/Corporate Social Responsibility and what are the benefits they have achieved?
- In the area of sustainability: in their role of customers and other stakeholders, what do non-financial private, public and non-governmental entities expect and demand from Greek financial institutions?
- How relevant are sustainability criteria for financial sector stakeholders when making their own financial decisions and accessing financial services?

II.2. Survey Design

UNEP FI staff in collaboration with the Greek Union of Environmental Scientists designed the survey questions. Multiple choice questions were used in order to secure comparable and measurable responses. At the same time, respondents were given an opportunity to elaborate on their answers.

Two questionnaires were developed and disseminated among financial institutions and financial sector stakeholders respectively. This differentiation is also reflected by the structure of this document: the first part deals with the views of the surveyed financial institutions whereas the second part presents the stakeholders' perspectives.

II.3. Survey Distribution

The survey targeted, on the one hand, executives and sustainability managers of Greek financial institutions and, on the other hand, representatives of financial sector stakeholder organisations, be it both private and public as well as non-governmental entities. The survey recipients included UNEP FI signatories and other financial institutions conducting operations in Greece. All major financial institutions operating in Greece (29 in total, excluding smaller local banks) were contacted. The survey results can therefore not be considered representative for the whole Greek financial sector, but certainly for the large Greek financial players.

In order to collect stakeholder feedback the questionnaire was distributed at the conference in Athens and was placed on the website of the Union of Environmental Scientists for download. The website is visited by approximately 3,600 visitors per month.

II.4. Respondents Profile

Thirteen financial institutions responded to the survey, among these the major financial institutions in Greece. One questionnaire was returned from the headquarters of an international financial institution operating in Greece. The responses could not be considered in this survey as the answers referred to international activities, rather than country-specific practices. Furthermore, a Greek institution replied with a copy of their environmental statement and thus could not be included in the survey. In most of the contacted financial institutions no person was assigned to environmental/social issues. For this reason it was assumed that they do not have any sustainability programs in place and thus were unable to complete the questionnaire. It should be noted that most of the Greek subsidiaries of international financial institutions, that are very active in sustainable finance, have not returned the questionnaires.

The responding financial institutions represent a broad range of different ownership structures, legal forms and international influence levels: among respondents, seven are listed on stock exchanges, mostly the Athens Stock Exchange, whereas six are non-listed. Seven institutions are furthermore dominated by foreign entities (dominance defined as one identifiable entity having a relative stake majority), the remaining six having largely national ownership structures. According to these criteria the sample comprising financial institutions was segregated into four different subsets: listed companies (8 entities), non-listed companies (5 entities), internationally dominated companies (7 entities) and not internationally dominated companies (6 entities). Very positive was the fact that all major Greek banks responded to the questionnaire.

With respect to the stakeholder questionnaire 13 organisations responded to the study. The respondents include private organisations (5 entities), public institutions (3 entities) and non-governmental organisations (5 entities). The sample was hence segregated into corresponding subsets and analysed respectively. Nevertheless, it becomes clear that the sample cannot lay claim to be entirely representative for the whole of Greek civil society. It rather portrays the views of private, public and non-governmental financial stakeholders involved in environmental issues and active in topics around sustainable finance or CSR.

The following organisations have taken part in the survey:

Financial Institutions	**Stakeholders**
Alpha Bank*	Amacon EQI Management Consultants S.A
Bank of Attica S.A.	Echmes Environmental – Chemical Consultants Ltd.
Bank of Cyprus*	Ecological Recycling Society
Bayerische Hypo- und Vereinsbank*	EPTA Environmental Engineers / Consultants Ltd
Emporiki Bank of Greece*	Greek Institute of European Business Ethics Network (EBEN GR)

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	

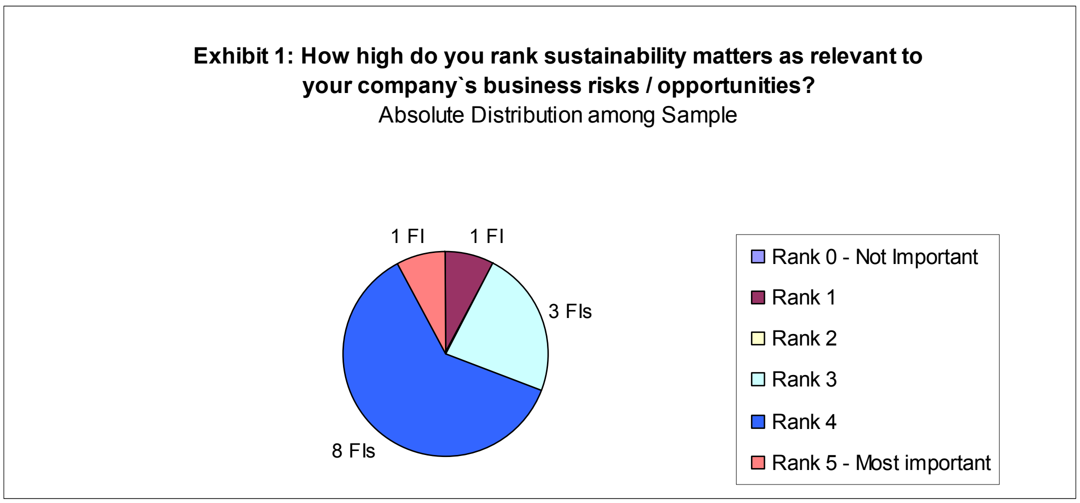
* UNEP FI signatories

III. Results of Greek Financial Institutions

III.1. Relevance of sustainability issues to business risks and opportunities

Question:
Survey participants were asked to rank the importance of sustainability matters as relevant to their companies' business risks and opportunities on a scale from 0 to 5 with 5 signalling highest importance.

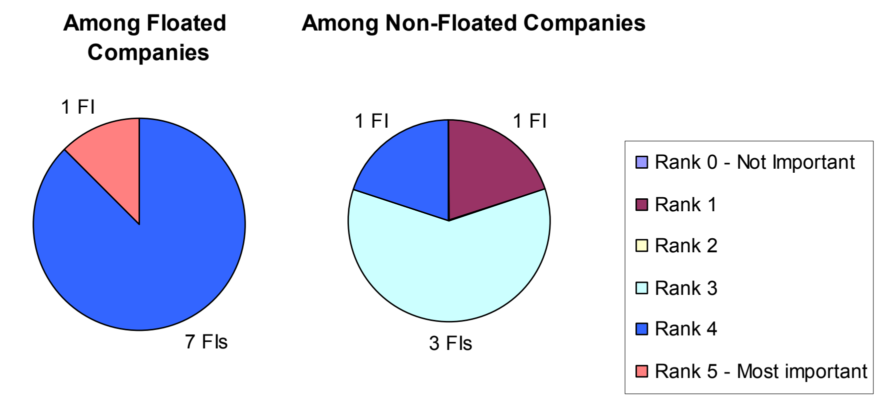
Results:
Generally the financial institutions surveyed seem to see sustainability issues as being relevant to their companies' opportunities and risks. Nine of 13 (75%) respondents answer that sustainability ranks high or very high (4 or 5 on scale from 0 to 5). None of the participating financial institutions denies the importance of sustainability as a relevant business risk or opportunity for the financial sector.



Respondents from financial organisations listed on a stock market had a much higher perception of the importance of sustainability than non-listed companies. Seven of eight respondents in listed companies assigned a high rank to sustainability issues (4 on a scale from 0 to 5), whereas the remaining respondent believes sustainability to be of very high importance (5 on scale from 0 to 5). None of the surveyed institutions stated that the importance of sustainability is lower than "high" (0-3 on scale from 0 to 5).

Among non-listed companies the perceived relevance of sustainability issues differs strongly from this: in this particular group only one respondent of five attaches a high importance (4), three respondents a medium importance (3) and one respondent even a lower importance (2) to business related sustainability matters. Among listed companies the average rank assigned to the importance of sustainability was 4,14 compared to 2,8 among non-listed companies.

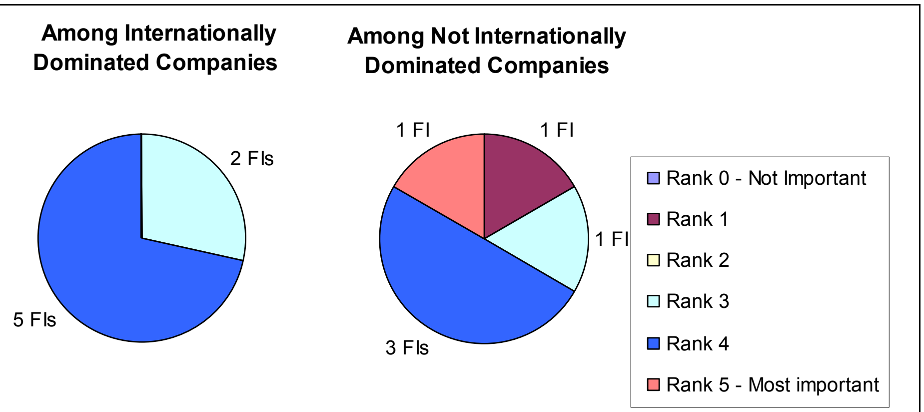
Exhibit 2:



A similar tendency is visible when comparing internationally dominated companies with such companies characterized by a national ownership structure. The majority of respondents from internationally dominated companies (5 out of 7) believe that sustainability is of high importance (rank 4), with the remaining 2 respondents attaching a medium importance (rank 3) to sustainability issues.

However, among institutions with a majority of Greek shareholders sustainability issues are generally perceived to be of lower relevance. Four of six respondents (67%) attach a high or very high importance (ranks 4 and 5), whereas the remaining two respondents (33%) believe sustainability to be of medium (rank 3) or very low importance (rank 1). Among internationally owned companies the average rank assigned to the importance of sustainability was 3,71 versus 2,43 among not internationally dominated companies.

Exhibit 3:



Discussion of the findings:

The results of the survey lead to thinking that the awareness of the importance of sustainability issues in the financial sector is generally high in Greece. In particular for the large financial institutions, which are well represented by this survey and which hold the majority of Greek financial assets, this is a valid assumption. It can therefore be expected that these large banks will push the topic further in the future. However, among the 16, mostly smaller financial institutions that have not responded to the questionnaire sustainable finance might be of a very low importance.

The diverging perceived importance of sustainability issues among listed companies relative to their non-listed peers derives from the fact that, being generally much more visible to the public, listed entities' exposure to reputational risks is considered to be greater than that of non-listed ones. Stronger visibility in public also increases pressure from non-governmental organisations, which have become more active in observing e.g. lending activities with negative environmental/social impacts in recent years. In addition, following shareholders' demands for better risk management systems, listed financial institutions start to encompass the environmental and social performance of their own operations as well as those of their clients into risk assessments.

One other reason for a higher importance of sustainability in listed companies could be the inclusion of their companies in sustainability indexes like FTSE4GOOD, Dow Jones Sustainability Indexes, etc. All major financial institutions in Greece are listed in one of these indexes. Listings in these indexes require financial institutions to demonstrate good corporate governance, strong risk management, as well as a high environmental and social performance. These requirements can explain the higher importance of sustainability matters for financial institutions that are already listed in a sustainability index or those listed on the stock market and striving for inclusion in sustainability indexes.

The higher importance of sustainability in internationally dominated companies 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, this assumption cannot be confirmed.

Conclusion:
Stock market listings as well as an internationally dominated ownership structure seem to positively influence the perception that sustainability presents an important risk and opportunity for a financial sector company. However, the local awareness of international sustainability leaders falls short of their potential to play a leading role also in their Greek branches.

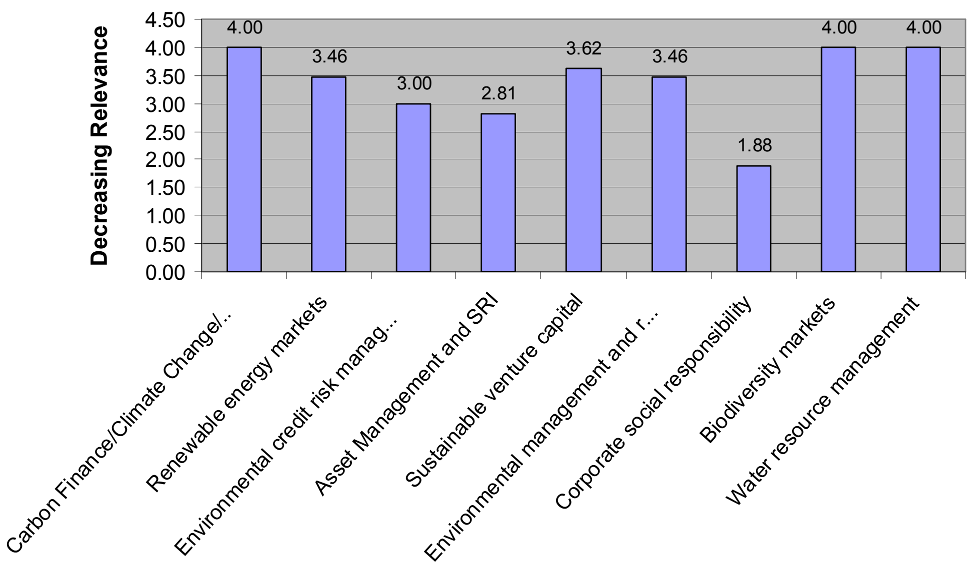
III.2. Most relevant sustainability topics in the Greek financial sector

Question:
Respondents were asked to rank sustainability topics, as they are deemed important for their respective companies, on a scale from 1 to 4 with 1 signalling highest importance. Topics offered to rank were climate change/emissions trading, renewable energy markets, environmental credit risk management, asset management and socially responsible investment (SRI), sustainable venture capital, environmental management and reporting, CSR, biodiversity and water resource management.

Results:
The highest importance by far is assigned to Corporate Social Responsibility (CSR) with an average ranking of 1.88. Following CSR the surveyed companies believe that asset management and SRI (average ranking: 2.81) and environmental credit risk management (average ranking: 3.00) are among the most important sustainability topics.

A low importance (average 3 or lower) is assigned to renewable energy, sustainable venture capital and environmental management and reporting. Respondents do not assign any importance to biodiversity markets, water resource management and climate change related risks and opportunities such as carbon finance or emissions trading.

Exhibit 4: What are the issues that are most relevant to your organization?
Averages among Sample



The results of the segregated data analysis do not differ from the general results. The only noteworthy observation is that financial institutions which are listed on a stock market attach a higher importance to environmental management and reporting than their not-listed counterparts.

Discussion of the findings:

In general it should be noted that all offered topics received only very low average rankings despite the findings of the question before, where the majority of respondents deems sustainability to be important.

This finding could lead to the assumption that respondents think environmental and social topics are important, but do not really understand yet how these considerations affect their core business.

The dominance of CSR as an important sustainability field for financial institutions can be explained by the public and political awareness this specific issue has been able to attract during the last few years: the European Commission has recently launched the European Alliance for CSR, as part of its strategy to give a new impulse to "make Europe a pole of excellence on CSR". The alliance is a political umbrella for CSR initiatives by large companies, small and medium-sized enterprises, and their stakeholders. Many financial institutions might want to benefit from that awareness by getting involved in respective topics and initiatives.

Compared to other regions that UNEP FI has surveyed, the assessment of the importance of climate change seems to rank far lower than e.g. in North America. In this particular region, climate change was ranked the priority issue for financial institutions working on sustainability even though there is no federal regulation in place to limit emissions in the United States. This result shows that financial institutions are already preparing for future emissions reduction regulations. Greece's emissions are regulated under the EU Emissions Trading scheme, which however will allow Greece an increase of greenhouse gas emissions of 25% by 2012 relative to 1990. The currently missing necessity of reducing emissions might explain why the awareness of climate change as a business risk or opportunity for financial institutions is significantly lower than in the international financial market. Business risks related to climate change can include default risks for lending to or losses for investments in emissions-regulated sectors, ruling out energy-related risks in property investment, preparing for an increase of extreme weather events and therefore an increase of claims in the insurance industry; business opportunities can include investing in renewable energy and energy efficiency, offering new products in the field of renewable energies or offering advisory services on emissions trading.

Also, the risks and opportunities from water-related problems seem to have been understated by the surveyed financial institutions. With Greece being a country of rather scarce freshwater resources, and additionally affected by climate change related changes like flooding or the rise of the sea level in the Mediterranean Sea[1], water-related issues should be granted higher attention in the Greek financial sector. According to a recent UNEP FI study on the challenges of water scarcity the risks for the financial sector predominantly lie in loan defaults, loss of collateral, project failures, and environmental liabilities due to water scarcity risks.[2] The water market with an annual investment of 100 billion USD, in which respective companies achieve high as well as long-term profits as water becomes a scarcer resource, also presents an interesting business opportunity for financial institutions[3].

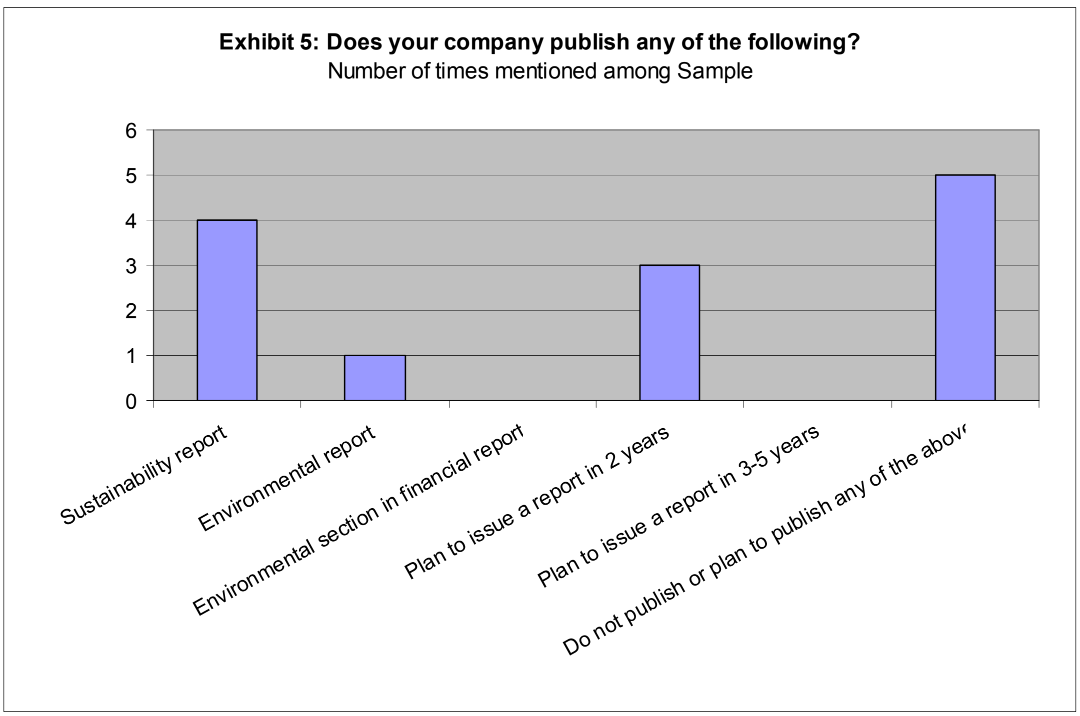
Conclusion:
Despite a clear trend in the international financial market and successful international initiatives, e.g. the Carbon Disclosure Project, to increase awareness of climate change in corporations and in particular in the financial sector, Greek financial institutions are not aware of how climate change can impact their businesses. Not even internationally dominated or listed companies seem to have a more advanced approach to acting according a common knowledge of changing weather patterns and environmental conditions. The same applies to the water market, which might present a pressing issue in the future considering Greece's geographical conditions. The Greek finance sector should start preparing for managing risks and seizing opportunities in these two particular fields, even though tighter regulations might only come up or be effectively enforced in the future.

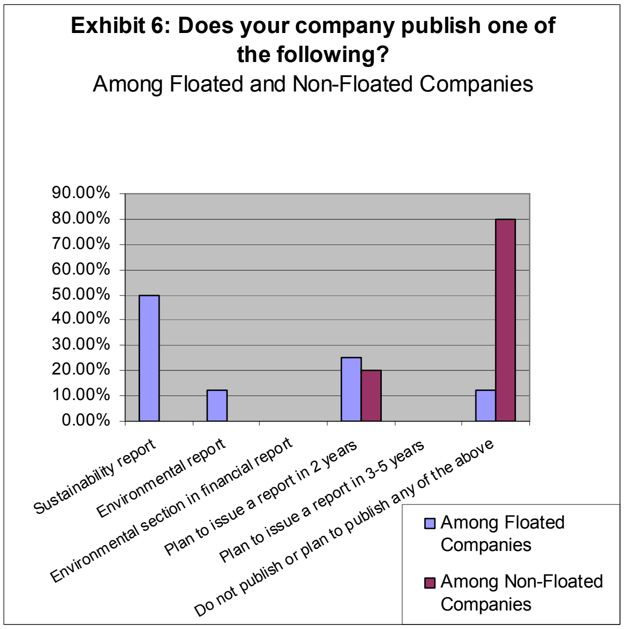
[1] Global Water Partnership-Mediterranean, 2002:
http://hydrogis.geology.upatras.gr/HYD/WATER_RESOURCES_GREECE.PDF
[2] UNEP FI, 2005: Challenges of Water Scarcity Report – A business case for financial institutions
[3] SAM Group, 2006: Presentation on the effects of climate change: http://www.sam-group.com/klimawandel/

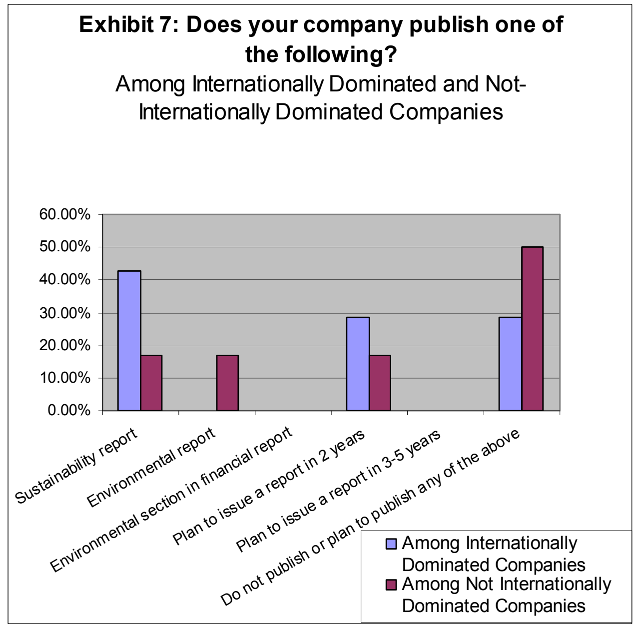
III.3. Sustainability-related publications

Question:
Survey participants were asked to state if they publish sustainability relevant information in any form. Given options were: sustainability report, environmental report, and an environmental section in the annual report. Furthermore, companies not publishing any of the mentioned publications could indicate their plans for the future, e.g. whether they plan to publish any of the mentioned reports in the near future (within 2 years) or in the midterm (within 3-5 years) or whether they do not intend to engage in non-financial reporting at all.

Results:
Currently five out of the 13 institutions surveyed are publishing sustainability or environmental reports, with the majority focusing on a more comprehensive sustainability report. It is worthwhile noting that all of the five companies producing non-financial reports are listed on a stock exchange. Another three companies are planning to publish a report within the next two years. Two are internationally owned companies whereas one is not. Five institutions are not planning to publish a non-financial report of any kind. Only one out of these institutions is listed on a stock exchange.







Discussion of the findings:

In 2005, 57% of the world's top 250 companies published non-financial reports. That number has more than doubled since 2002.[4] With 40% of the surveyed financial institutions producing sustainability or environmental reports, Greek results seem to be close to international developments. However, one has to bear in mind that our sample only covers 35% of the Greek financial market. It is likely that the majority of financial institutions that have not taken part in the survey do not engage in non-financial reporting of any sort. That would mean that five out of 35 institutions produce sustainability or environmental reports. In the KPMG study of CSR reporting in 2002 Greece was found to be among the countries of lowest sustainability reporting rates (2% of the top 100 Greek countries published a report). Considering these numbers the financial sector in Greece seems to be in line with other corporations in Greece.[5]

The segregated results confirm the tendency that listed companies are to some extent more advanced in managing sustainability than non-listed companies. For reasons stated under III.1 stock exchange listing seems to be a clear driver for undertaking non-financial reporting. However, the assumption that an internationally dominated ownership structure is connected with higher sustainability awareness cannot be confirmed regarding sustainability reporting either. Ownership structure does not seem to play a significant role in the decision to produce non-financial reporting of any sort.

Conclusion:

Abstracting from the sample and taking the whole Greek financial sector into account, Greek financial institutions seem to be behind international trends of sustainability reporting in the financial sector, but not necessarily less advanced than other corporations in their country. In particular, groups that seem more likely to engage in non-financial reporting such as Greek financial institutions, where the international parent company produces a sustainability report, do not publish any of the questioned reports. With the sustainability experience of their parent companies, these local Greek institutions would usually be expected to be at the forefront of non-financial reporting in Greece.

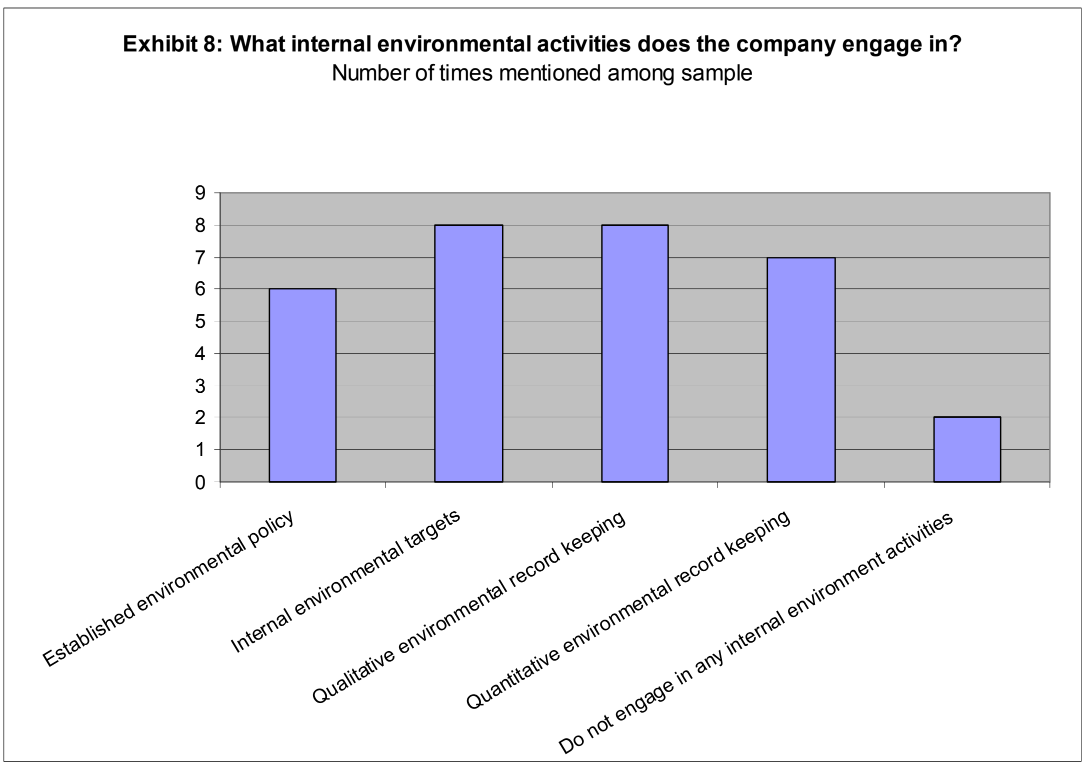
4 KPMG International Survey of Corporate Responsibility Reporting 2005

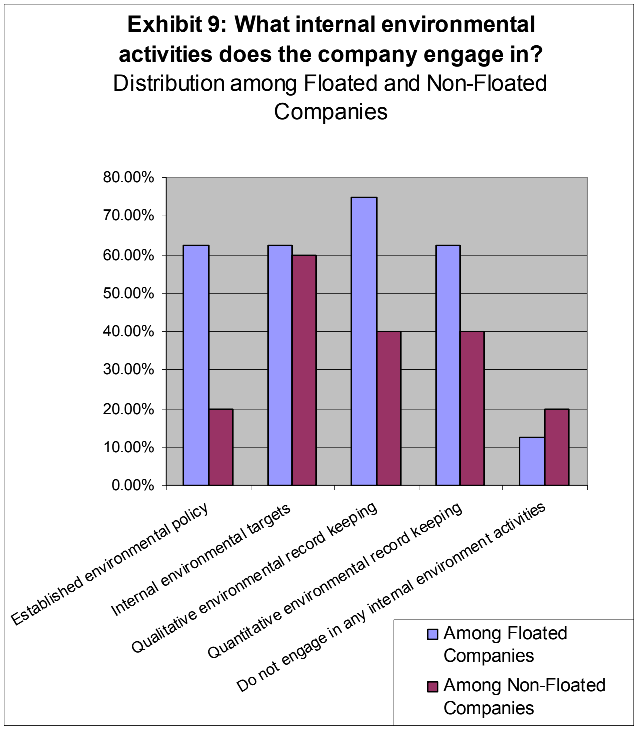
5 KPMG International Survey of Corporate Responsibility Reporting 2002

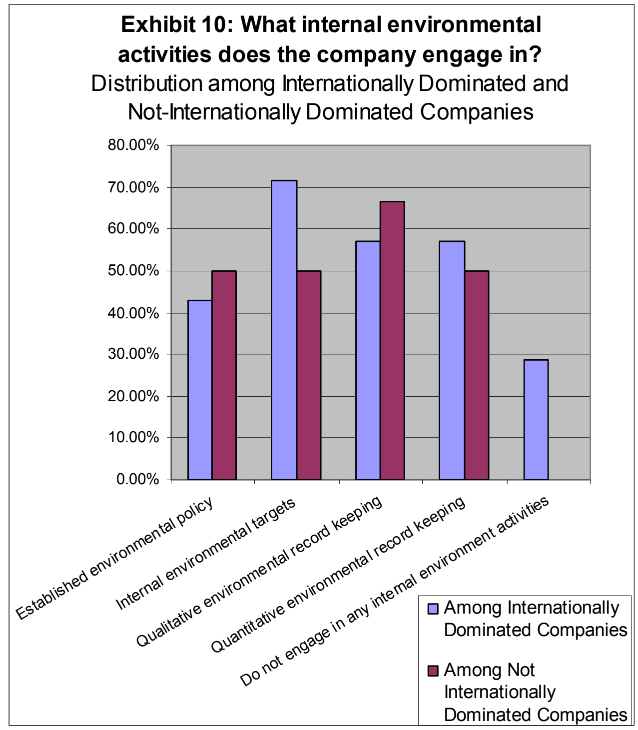
III.4. Internal environmental activities

Question:
Respondents to the survey were asked to make a selection as to which internal environmental activities they undertake. Several options could be selected. Possible answers were that the company has established an environmental policy, that they have set internal environmental targets (e.g. reduce paper use by 20 percent), that they keep record of environmental achievements in a qualitative (e.g. "we reduce the use of paper") or a quantitative way (e.g. "we reduce the use of paper by 20 percent"). The institutions could also state that they do not engage in any internal environmental activities or describe activities that were not included in the questionnaire.

Results:
Most of the surveyed financial institutions in Greece engage in some sort of internal environmental activities, e.g. energy saving, paper saving, etc. Six out of the 13 respondents have established an environmental policy. Eight out of 13 institutions have set environmental targets. Eight institutions keep qualitative record of their environmental impact or quantify the resource use of their internal activities. Only two companies are not engaging in any form of activity to limit their organisation's direct environmental impact.







Discussion of the findings:
Listed companies seem to have a stronger tendency to reduce the environmental impact of their internal operations. Among the five companies that have an environmental policy four are listed on a stock market. Also, setting targets and record keeping is much more common among listed companies than non-listed companies. There is not a strong difference in terms of internal environmental management between companies characterised by Greek or international ownership.

Conclusion:
The high degree of internal environmental activities shows that a general awareness for environmental protection exists among Greek financial institutions. In contrast, respondents attached a rather low importance to environmental topics like climate change, renewable energies or water, which do affect the "real" business of financial institutions, i.e. their products and services (as seen in the question about the most important sustainability topics, III.2). This demonstrates a lack of awareness of how environment constitutes a business risk or is turned into a business opportunity in the different areas of banking, asset management and insurance.

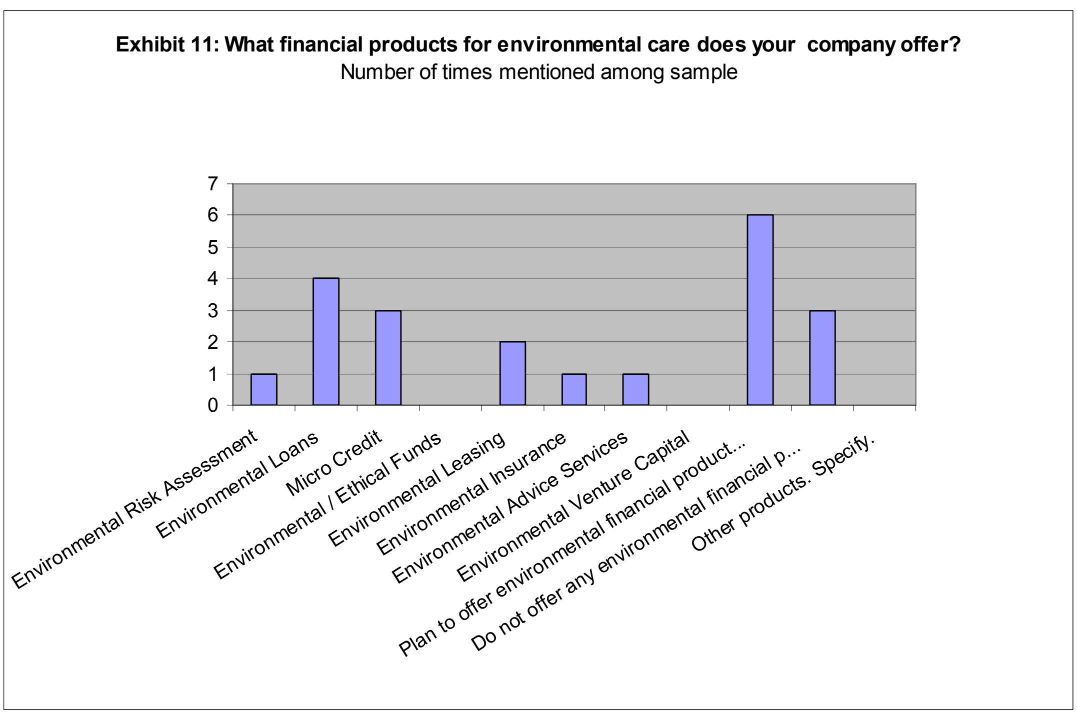
III.5. Sustainable financial products

Under question five respondents were asked to indicate the sustainable financial products their organisations offer. The surveyed organisations could choose various answers from environmental risk assessment, environmental loans, micro credit, environmental/ethical funds, environmental leasing, environmental insurance, environmental advisory services to environmental venture capital. Organisations that did not offer a product to date could indicate whether they plan to do so in the future or whether they have no intentions at all to launch sustainable financial products.

Results:
Most surveyed financial institutions in Greece already offer sustainable financial products or plan to do so within the next years. Six of the financial institutions are already offering sustainable financial products, whereby four institutions out of the six have already added two or more sustainable products to their product portfolios. Five 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. Four out of seven institutions offer sustainable banking products; these include three out of the four institutions that already have two or more products in their portfolios. Among the non-listed companies only two out of five companies offer sustainable banking products. In contrast the ownership structure does not seem to have an impact on the provision of such products.

Among the most frequently offered products are environmental loans (4 of 13 respondents), micro credit (3 of 13) and environmental leasing (2 of 13). Less common to date are environmental insurance and environmental advisory services. No financial institution in Greece currently offers environmental/ethical funds or venture capital.



Discussion of the findings:
Particularly in the asset management field the Greek financial market seems to be behind developments in international/EU financial markets. EUROSIF has calculated in 2006 that the SRI market in Europe

includes more than one trillion EUR of assets under management, showing a 36% increase compared to the same study undertaken by EUROSIF in 2003. EUROSIF estimates that this presents about 10-15% of all assets under management in Europe.[6] Considering the uptake of SRI in Europe, Greek financial institutions should consider becoming more active in the field of responsible investment.

The non-existence of SRI funds in Greece to some extent contradicts the findings on the most important sustainability topics (III.2). Here SRI and asset management were mentioned as the second most important sustainability topic for the surveyed institutions. The strong difference in stated importance of SRI and actual products offered could hint at difficulties of developing SRI products or at demand for such products being unclear. In most EU countries SRI approaches are mainly demanded by institutional investors, whereas in Italy for example demand mainly comes from retail clients. The Greek financial sector might be interested in further exploring what the potential for responsible investment products is as well as where demand in Greece could come from.

Another field of sustainable products, which does not seem to be very common yet, is environmental insurance. However, with the upcoming EU regulation on environmental liability the need for environmental insurance products might increase. This area hence presents a new business opportunity for financial institutions in Greece to explore.

Environmental advisory services could also play a stronger role in relation to emissions trading and carbon finance. As explained above, advisory services e.g. for managing and transferring carbon credits under the EU Emissions Trading Scheme could be a new business field to be explored.

Furthermore the newly issued Greek legislation on Renewable Energy Sources as well as the subsidies given by the Greek government for such investments present a real opportunity for business development in the energy sector.

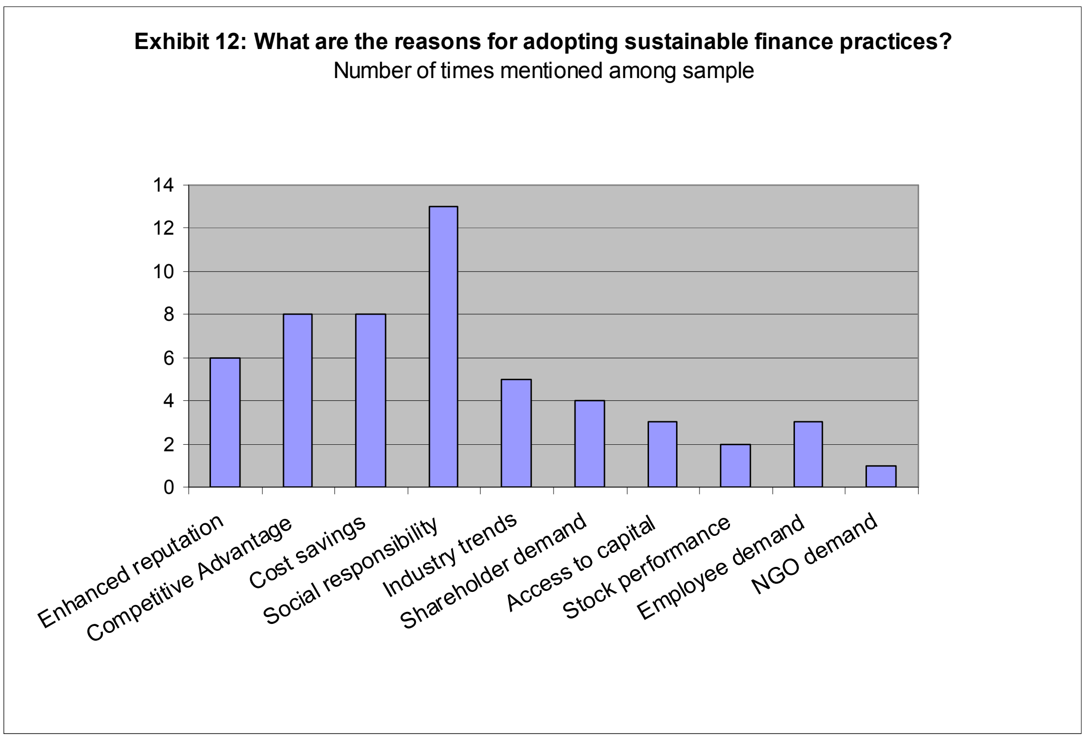
Conclusion:
The offering of sustainable financial products seems to be one of the most advanced sustainability activities in Greek financial institutions. However, these activities currently leave out the important field of responsible investment. Reasons for this could lie in difficulties around product development or an uncertain demand for SRI products, but further reasons need to be explored in more depth. Other business opportunities in the fields of environmental insurance remain currently untapped.

[6] EUROSIF SRI study 2006: http://www.eurosif.org/publications/sri_studies

III.6. Reasons for adopting sustainable finance practices

Question:
The surveyed financial institutions were asked to state their motivation for implementing sustainable practices. As possible answers the questionnaire offered enhanced reputation, competitive advantage, cost savings, social responsibility, industry trends, shareholder demand, access to capital, stock performance, employee demand and NGO demand. Various answers were permitted.

Results:
Integrating sustainability aspects into financial services are triggered by a variety of incentives in Greece. All Greek financial institutions agree that demonstrating social responsibility is the key driver for adopting sustainable finance practices. Other main reasons stated by respondents are cost savings, achieving a competitive advantage and enhancing the company's reputation. Other potential reasons like industry trend, shareholder performance, access to capital, stock performance as well as employee or NGO demand seem to play a minor role in adopting sustainable finance practices.



Financial institutions that are listed on the stock market seem to clearer see the benefits of sustainable finance practices than their non-listed counterparts. Only 40% of the surveyed non-listed financial institutions believe that a sustainability approach can lead to cost savings, whereas 75% of the listed financial institutions state so. In addition, seeking a competitive advantage through sustainability is also mentioned by merely 40% of non-listed respondents, but by 75% of respondents from companies listed on stock markets. Finally, reputation enhancement is considered to be an important driver of sustainable finance practices by 40% of non-listed institutions and 50% of respondents from listed companies.

Discussion of the findings:
Surprisingly, NGO demand has been ranked rather low among the benefits of sustainable practices in Greece. With a higher awareness of the NGO community on the impact that the financial sector can have on sustainable development, cases of strong NGO-campaigning mostly against specific projects that financial institutions are financing have become more common. From UNEP FI's experience in other EU

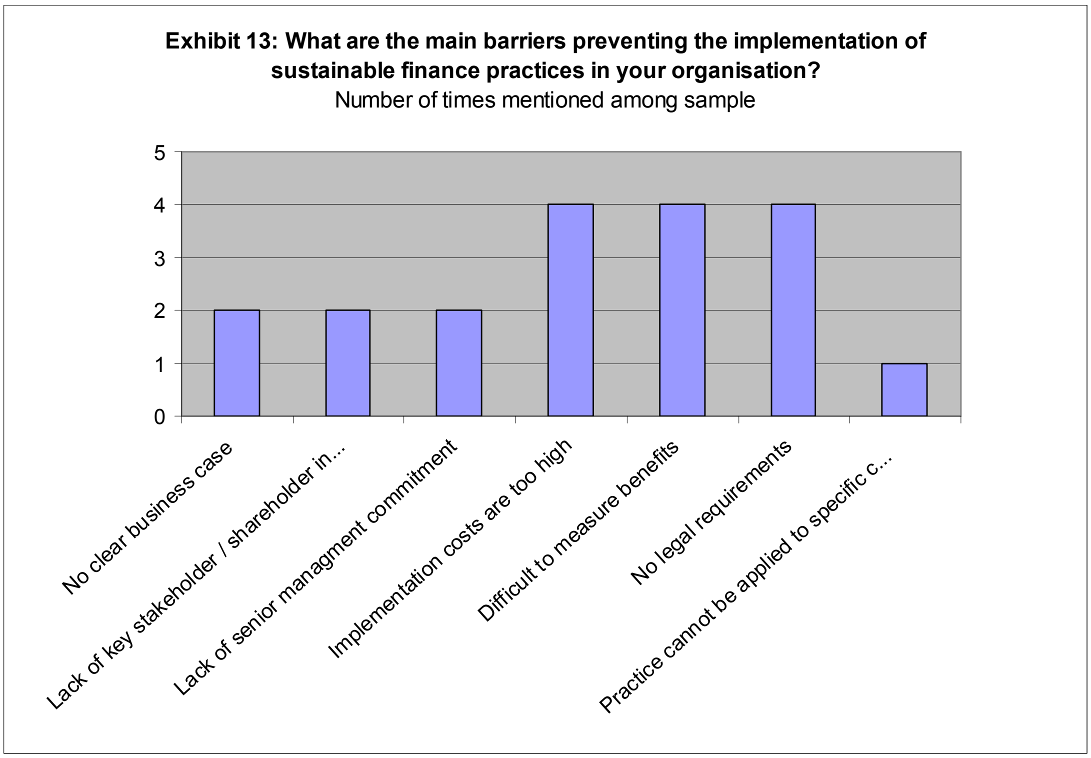
countries, constructive NGO engagement in order to prevent campaigning and essentially protect reputation would usually rank higher among the benefits of sustainable financial practices. The low ranking of NGO demands in this survey indicates that the NGO community in Greece has not fully grasped the potential of the financial sector's contributions to a sustainable development and therefore too little engage with financial institutions on environmental and social matters.

Conclusion:
The survey finds that the demonstration of social responsibility, cost savings, achieving a competitive advantage and an enhanced reputation are the key drivers for sustainable finance. The answers of the financial sector show that NGO demand and therefore engagement with their representatives is currently too low in Greece. A stronger engagement of NGOs could certainly help to foster sustainable financial practices in a mutually beneficial way.

III.7. Barriers for preventing the implementation of sustainable finance practices

Question:
Respondents were asked to name problems, which prevent them from implementing sustainability aspects into their businesses. Several problematic areas were given to choose from: no clear business case, a lack of stakeholder/shareholder demand, lack of senior management commitment, high implementation costs, the difficulty to measure benefits, a lack of legal requirements and the fact that such practices might not be applied to the country's conditions.

Results:
The majority of respondents mentioned the implementation costs, the difficulty to measure benefits and the lack of legal requirements as the main preventing factors for a more far-reaching implementation of sustainable practices. All other in the questionnaire offered barriers seemed to be of lower importance.



Within companies that are listed on the stock market, the lack of regulatory pressure seems to be the highest barrier. In contrast, non-listed companies are less held back by the lack of regulatory pressure. For this group of financial institutions the implementation costs and the difficulty to measure benefits seem to be more problematic. It is noteworthy that companies under Greek ownership do not see the measurement of benefits as a difficulty at all. Neither are they depending on regulation to be enforced. For them the highest barrier was stated to be the cost of implementation.

Exhibit 14: What are the main barriers preventing the implementation of sustainable finance practices in your organisation?

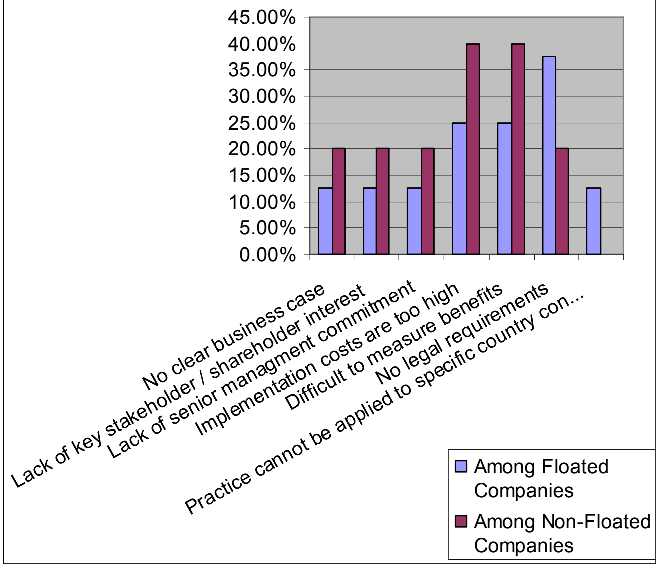
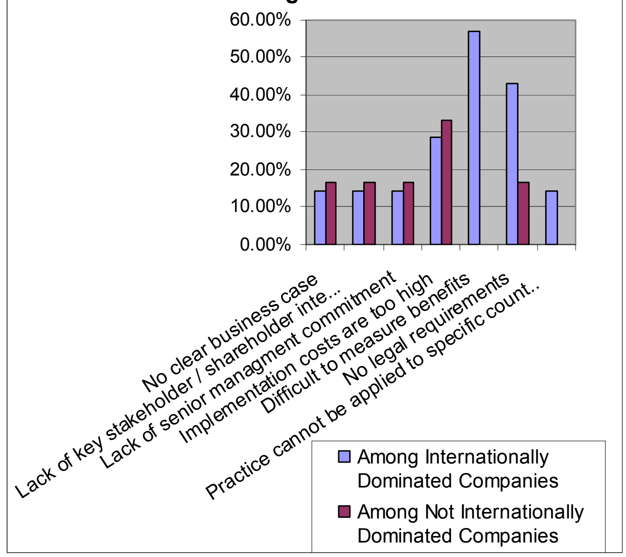


Exhibit 15: What are the main barriers preventing from the implementation of sustainable finance practices in your organisation?



Discussion of the findings:

It is interesting to highlight that all of the four institutions that mentioned difficulties to measure benefits were companies that have a majority of international owners. Again, one can assume that in most cases the international owner is already active in the sustainability field and therefore should be aware of the benefits. The stated barrier of measuring benefits can therefore only be explained by a lack of communication regarding sustainability management between the international owner and the local institution. In contrast, nationally owned financial institutions seem to have no difficulties with measuring benefits of sustainable practices. One possible interpretation of this could be that companies predominantly under Greek ownership have stronger ties with their communities and therefore find it easier to see positive impacts of socially/environmentally friendly practices.

On the issue of lack of legislation it is apparent that financial institutions in Greece have little knowledge on the new and extensive legislative framework that has been developed especially by the EU and harmonised with Greek law. Environmental issues (e.g. waste management, energy consumption etc) as well as social requirements (e.g. occupational health and safety, equality, etc.) are encompassed by stringent legislation and financial institutions should be aware of the risks involved. In order to overcome this lack of awareness the Union of Environmental Scientists with the support of SD Sustainable Development Ltd have prepared a sustainability guide including the main legislative requirements for Greek financial institutions. The document will be available for download on www.unepfi.org/ceetf.

Conclusion:

All financial institutions predominantly mentioned the implementation costs and the lack of regulatory pressure as important barriers. However, as stated before, regulation is not lacking due to EU legislation, but in some cases harmonisation with Greek law and appropriate enforcement is missing. Apparently there is a lack of awareness on these legislative requirements and the related risks are currently not considered in the business practice of financial institutions. The difficulty to measure benefits was only mentioned by companies with international ownership structure. International parent companies active in sustainability management should therefore better communicate the benefits of sustainability management to their local institutions and encourage and guide them to implement the headquarters' sustainable finance practices on a local level.

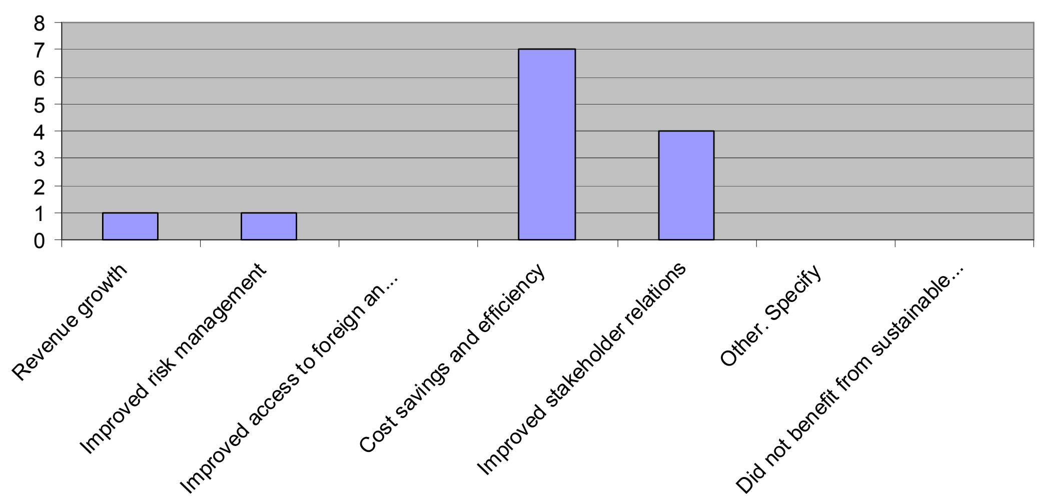
III.8. Benefits of sustainable practices

Question:
Under this question the companies that had implemented sustainable finance practices were asked to state what kind of benefits they have perceived through the management of social and environmental issues. The options respondents were given are: Revenue growth, improved risk management, improved access to foreign and domestic capital, cost savings and efficiency and improved stakeholder relations. The option of not having perceived any benefits was also given. Various answers were allowed.

Results:
Nine out of the 13 organisations surveyed had implemented sustainable practices and answered the question. Seven of the nine companies benefited from cost savings and increased efficiency. Four of the nine companies experienced an improvement in relations with stakeholders. Revenue growth and improved risk management seemed to be of minor importance and improved access to capital was not perceived as a benefit at all.

The results only slightly differ between listed/non-listed and international/national organisations. Due to the smaller sample size in this question no meaningful conclusions can be drawn from the segregated data.

Exhibit 16: Question to organizations that implemented sustainable finance practices (8): how did your organization benefit from implementation of sustainable finance practices?
Number of times mentioned



Discussion of the findings:
It is important to note that none of the financial institutions that have implemented sustainable practices have stated that they could not perceive any benefit, which confirms that sustainable finance practices are beneficial not only to society at large, but also to the individual financial institution. To some extent the mainly stated benefit of cost savings also mitigates the main barrier identified under III.7, where respondents stated implementation costs as too high.

Cost savings and efficiency, however, usually result from direct environmental activities such as reductions in energy use, water use etc. Benefits that come with a more encompassing introduction of environmental and social impacts into the core business of financial institutions would usually lead to revenue growth, better risk management or improved access to capital. In particular the low ranking of better risk management is consistent with previous findings that financial institutions are not aware of the environmental and social legislation. The fact that the surveyed financial institutions have not or only weakly experienced these benefits shows that financial institutions have not integrated the full potential of sustainability management in their products and services yet.

Conclusion:
Greek financial institutions have confirmed that engaging in environmental activities is beneficial. However, looking at the types of benefits they have perceived, one can draw the conclusion that Greek financial institutions are still scratching on the surface of sustainability by managing mostly direct environmental impacts. Real business opportunities that could lead to higher revenue or better risk management are not clearly understood yet and remain untapped.

III.9. Emphasis on sustainability in five years

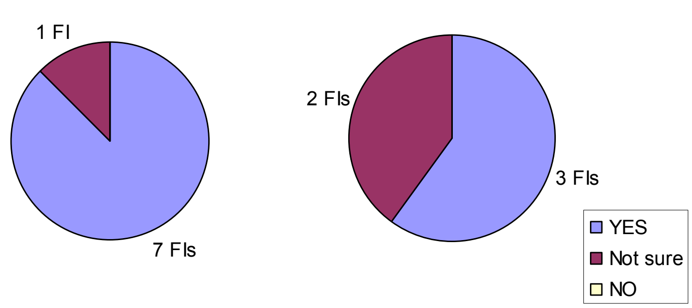
Question:
In order to get a feeling for the future of sustainability in the financial sector, respondents were asked whether they believed that there would be more emphasis on sustainability in the financial sector in five years compared to today. Respondents could answer with "yes", "no" or "not sure".

Results:
Ten of 13 respondents believe that the importance of sustainability in the financial sector will increase within the next five years. The remaining respondents state to be "not sure" about developments. No respondent at all denies that sustainability will become more important.

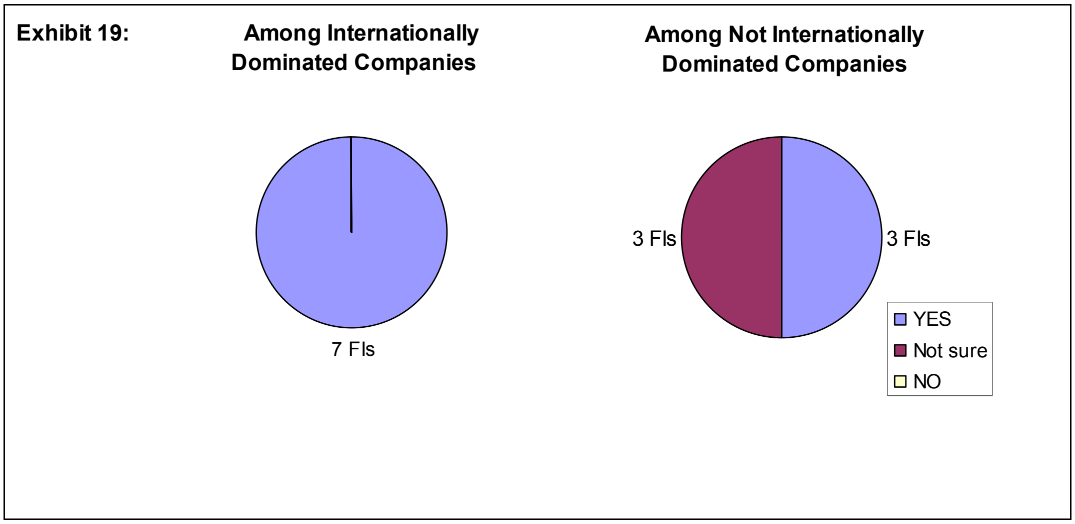
Exhibit 17: Do you believe that in five years there will be more emphasis on sustainability in the financial sector than today?
Number of times mentioned among sample

This perception is even higher among listed companies, where it is expressed by seven of eight (88%) respondents of that subset. Among non-listed companies, on the other hand, only three of five respondents (60%) do so.

Exhibit 18: **Among Floated Companies** **Among Non-Floated Companies**



Respondents in internationally dominated companies seem to be entirely convinced that a sustainability focus will become more important in the next years (100%). To the contrary, surveying only companies with predominant national ownership shows that these companies are less confident with regards to an upcoming sustainability emphasis. Half of this group is not sure whether the importance of sustainability will grow within the next years.



Discussion of the findings:
The strong confirmation by Greek financial institutions that the emphasis on sustainability will increase in the next five years is in line with the trend in international capital markets. Sustainability management has become much more mainstream in financial institutions in the past years. With more and more evidence and positive case studies confirming that environmental, social and governance issues can be material, the emphasis on sustainability is indeed likely to increase in banks, asset management houses and insurances. This international trend will certainly affect the Greek market maybe with a time lag of a few years. Greek financial institutions, and in particular those that are internationally dominated are aware of this trend.

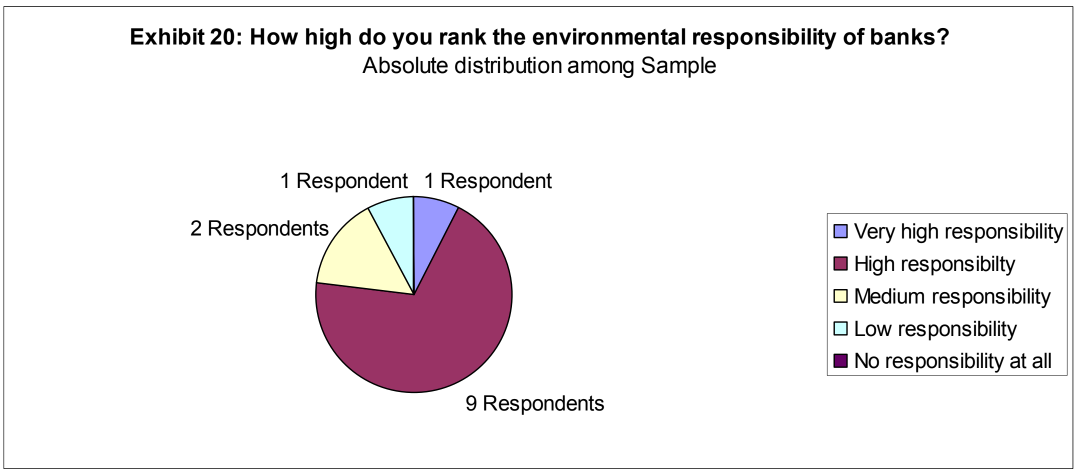
Conclusions:
Greek financial institutions believe that sustainability will grow in importance in the next five years. This assumption is in line with visible trends in international capital markets.

IV. Results of Greek Stakeholders

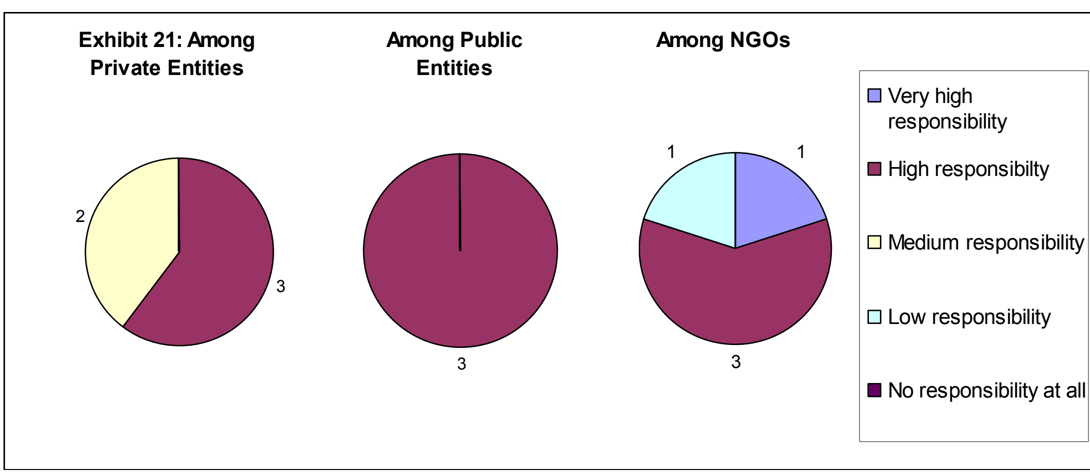
IV.1. The environmental responsibility of banks

Question:
Survey participants were asked how high they rank the environmental responsibility of banks by providing a number ranging from 4 for "very high responsibility" to 0 for "no responsibility at all".

Results:
According to their answers a vast majority of respondents believe that financial institutions do have either a "very high responsibility" or a "high responsibility" with respect to environmental concerns (10 of 13). Two of 13 respondents on the other hand believe that the environmental responsibility is only of a "medium" degree whereas only one of 13 estimates it to be "low". No respondent stated that banks did not have any environmental responsibility at all.



Public sector institutions and NGOs believe that the financial sector's environmental responsibility is higher than the private sector institutions' assessment. The majority of private sector institutions see a high responsibility. All public sector respondents rank the environmental responsibility as being "high". The distribution among NGOs is more diverse: whereas one of five ranks it as being "very high" and three of five believe it to be "high", the remaining respondent categorizes it as "medium".



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Discussion of the findings:
Generally stakeholders believe that financial institutions have a high environmental responsibility. Nevertheless, most of the financial institutions did not mention NGO demand when they were asked for reasons to implement sustainable practices (III.6). Here, apparently there is a large disparity between the stakeholders' assessment of the environmental responsibility of the financial sector and their activities to pressure financial institutions towards more actions for a sustainable development. Reasons could be a lack of resources connected with differing priorities in civil society organisations. Another reason could be a lack of a thorough understanding on how important the role of the financial sector in achieving a sustainable development can be. The diversity of answers among the NGO respondents confirms this assumption.

The perception of the environmental responsibility of the financial sector is stronger among NGOs and public sector institutions than it is among private sector institutions. The reason for this might be that private sector institutions can better identify themselves with banks, and are more hesitant in accepting an environmental responsibility with potential costs and burdens for the private sector.

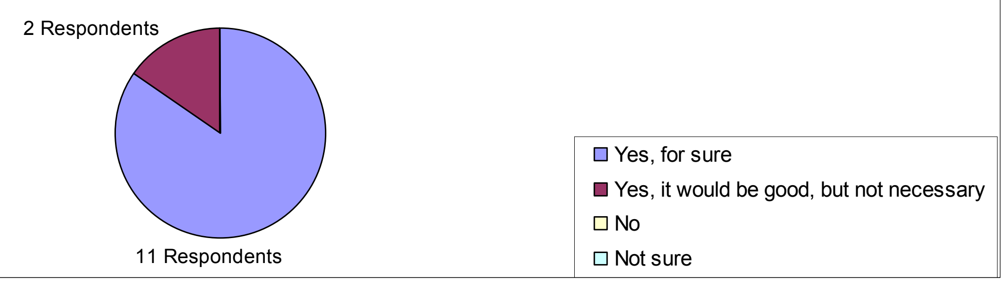
Conclusion:
Stakeholder organisations have indicated a high environmental responsibility of the financial sector, but seem to fall short on actual measures to pressure financial institutions towards appropriate actions, as the following results will show.

IV.2. Publication of sustainability-related reports

Question:
Respondents were asked whether financial institutions should publish a report explaining and detailing their environmental performance. The questionnaire offered the answers "yes, for sure", "yes, it would be good, but not necessary", "no" and "not sure".

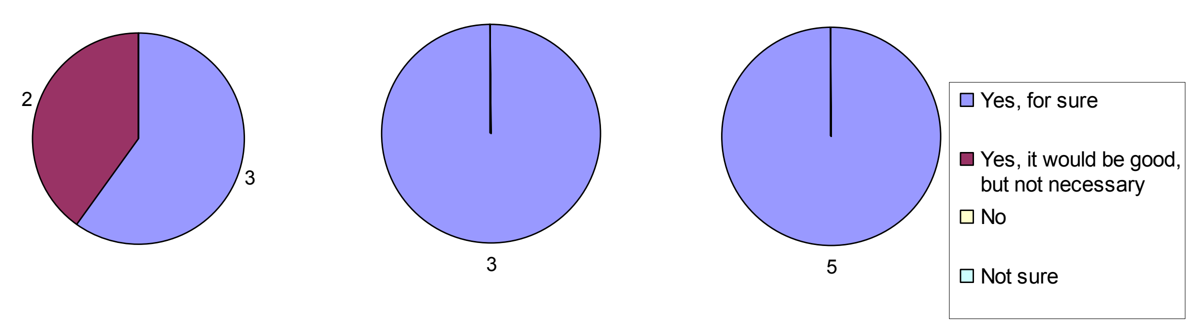
Results:
All respondents stated that financial institutions should publish information on their environmental performance. More specifically, 11 of 13 gave the response "yes, for sure", while the remaining two respondents said that "yes, it would be good, but not necessary". It should be noted that none of the respondents said that financial institutions should not report or were not sure about it.

Exhibit 22: Do you believe banks should publish a report containing their environmental performance ?
Absolute distribution among Sample



It is noteworthy that the entirety of both public sector and NGO respondents gave the answer "yes, for sure". Among private sector institutions, on the other hand, the distribution was not as unambiguous: while 60% of corresponding respondents answered "yes, for sure", still 40% thought it was a good idea, but not really necessary.

Exhibit 23: Among Private Entities **Among Public Entities** **Among NGOs**



Discussion of the findings:
Greek stakeholders strongly believe that banks should publish a report containing their environmental performance. This perception is stronger among NGOs and public sector institutions than it is among private sector institutions. Again, apart from positive long-term improvements of the bottom line, negative aspects of environmental disclosure-requirements in terms of short-term and immediate costs might namely be more obvious and relevant to private sector institutions than they are for NGOs and the public sector.

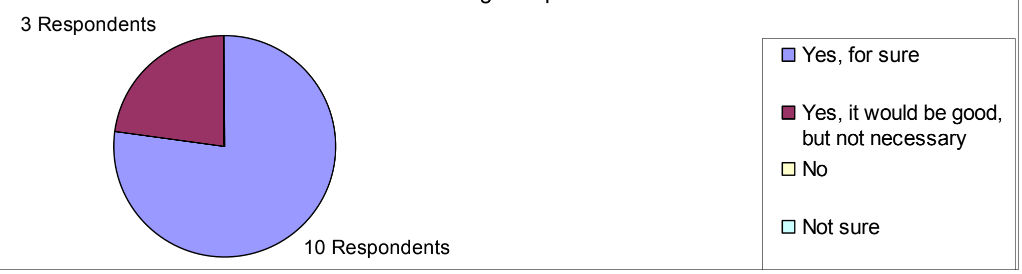
Conclusion:
As seen under III.3 on reporting practices currently around 50% of the surveyed Greek banks are reporting on their environmental performance. For organisations that are not engaging in reporting yet, the unambiguous expectations of Greek stakeholders could present an additional incentive to start non-financial reporting.

IV.3. Sustainable financial products

Question:
Under the third question stakeholder organisations were asked whether financial institutions should offer products that are beneficial for the environment. Allowed answers apart from "yes" and "no", were "yes, it would be good, but not necessary" and "not sure".

Results:
As with the expectations towards environmental reporting issues, the belief that banks should offer financial products that are beneficial for the environment is widespread: ten respondents share it unconditionally ("for sure") and the remaining three respondents believe that "it would be good, but not necessary". The answers do not significantly differ when looking at private, public and non-governmental organisations separately. It should be noted that none of the respondents was uncertain or denied the necessity to offer sustainable financial products.

Exhibit 24: Do you believe banks should offer financial products that are beneficial for the environment?
Absolute Distribution among Sample

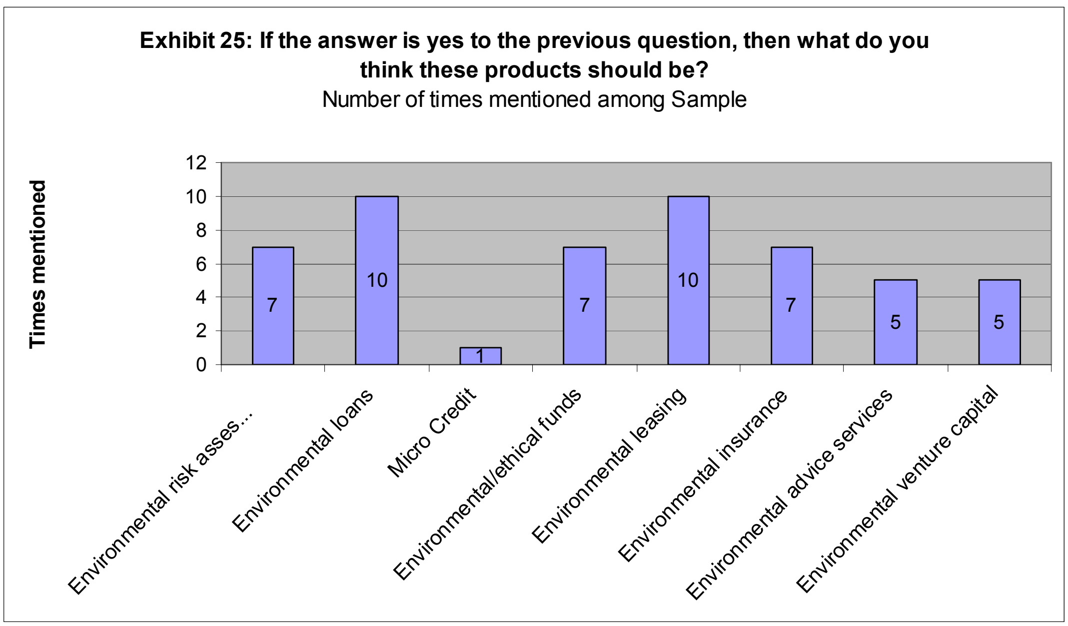


Conclusion:
Greek stakeholder organisations believe that financial institutions should develop products that are beneficial to the environment. This expectation is in line with reality in Greece, where the majority of the surveyed financial institutions offer one or more products and sustainable banking products seem to be the most advanced area of sustainable financial practices apart from internal environmental and CSR activities.

IV.4. What products should financial institutions offer?

Question:
Under this question those respondents that had answered the previous questions with "yes" were invited to give further specification as to which products they would like to see offered by financial institutions. The list of products offered to choose from comprised: environmental risk assessment, environmental loans, micro credit, environmental/ethical funds, environmental leasing, environmental insurance, environmental advisory services and environmental venture capital.

Results:
Out of the list of financial products, survey respondents mostly mentioned two products that they would like to primarily see further developed: environmental loans and environmental leasing. These products are followed (in terms of number of times mentioned by the sample) by the following: environmental risk assessment, environmental/ethical funds and environmental insurance. Fewer mentioned product-categories were environmental advice services and environmental venture capital, with micro credit being the least mentioned product category of all (only named once).



When segregating the results into different sample classes, two noteworthy observations can be made: Private sector institutions and NGOs do mention more products than public sector institutions. The relative distribution of answers within the different groups is not parallel. The different sectors have different priorities with respect to which environmental products the financial sector should offer primarily: Among private sector institutions environmental loans and environmental leasing sticks out as being mostly mentioned. Among public sector institutions environmental leasing seems to be slightly more important than other products. And NGOs mention environmental risk assessment, environmental loans as well as environmental insurance most often.

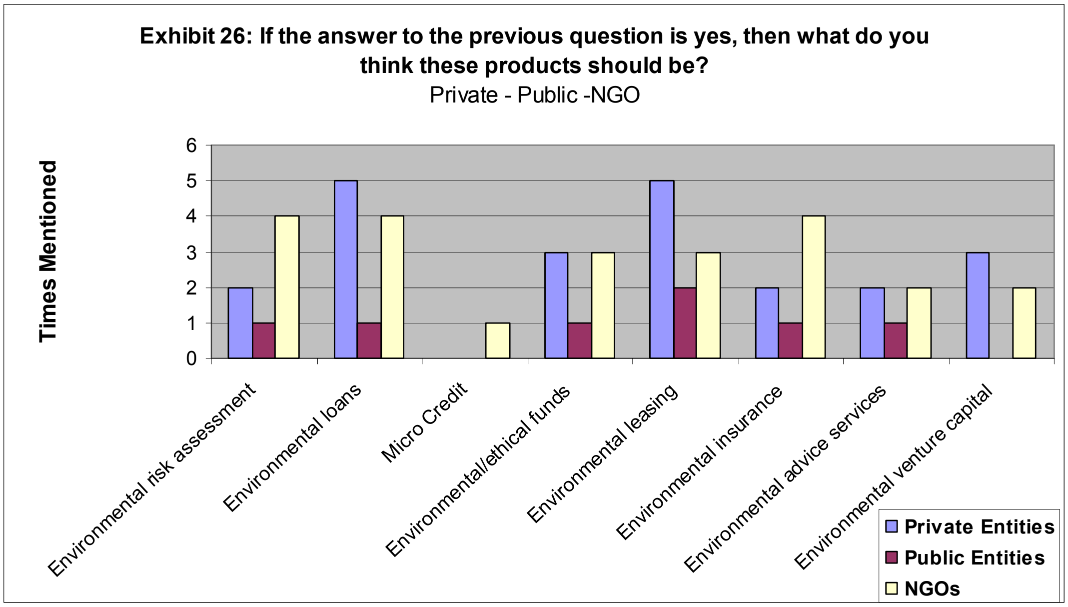


Exhibit 26: If the answer to the previous question is yes, then what do you think these products should be?
Private - Public -NGO

Discussion of the findings:
This observable gradation is probably due to the fact that some financial products and their environmental relevance are more obvious to the general public than others: everybody knows what an environmental loan may look like, but not what venture capital or environmental advice services may be and how these products could help the environment.

It seemed to be interesting to directly compare in a chart what stakeholders expect financial institutions to offer and what products are actually offered in return. The most obvious gaps in demand and offer seem to lie in the fields of environmental leasing and SRI funds. In particular the high demand for environmental (SRI) fund solutions is in line with the financial sector respondents' answers on the most important issues (III.2). These expectations do, however, not reflect current practice.

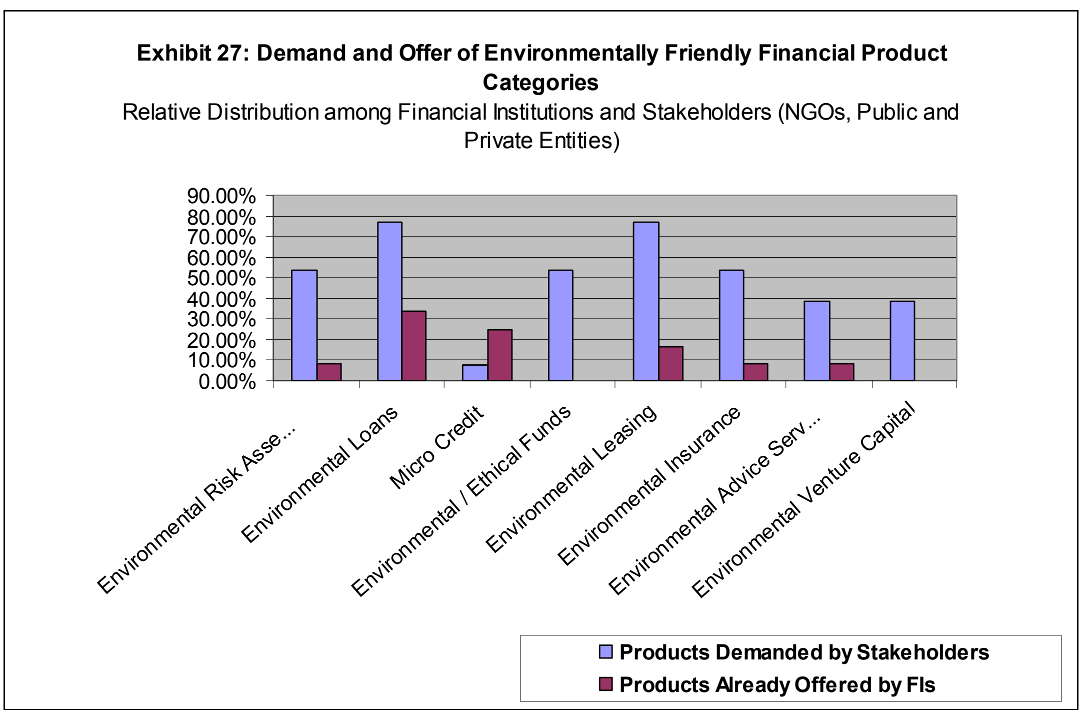


Exhibit 27: Demand and Offer of Environmentally Friendly Financial Product Categories
Relative Distribution among Financial Institutions and Stakeholders (NGOs, Public and Private Entities)

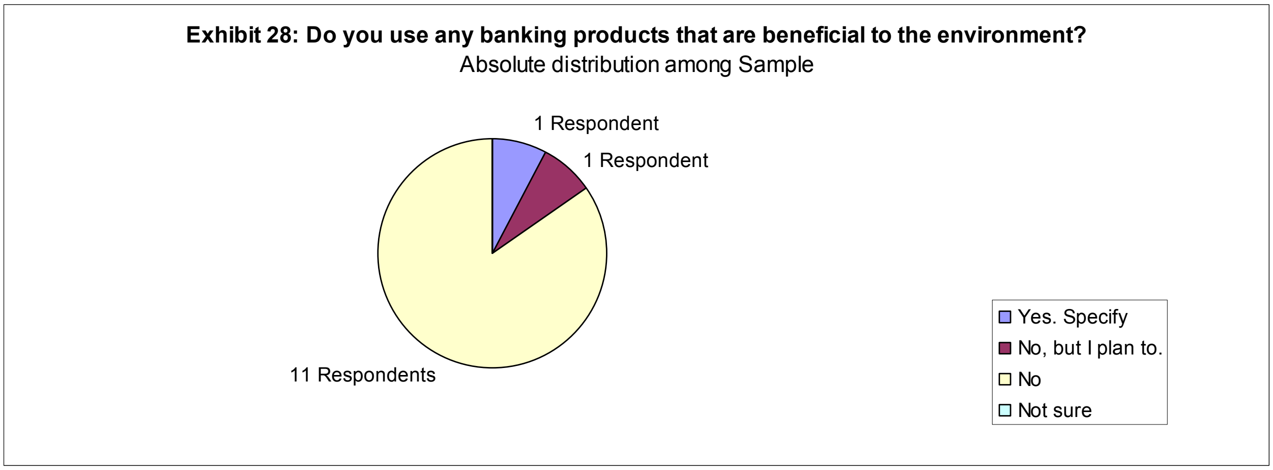
It is interesting to see that for all environmental products (apart from micro credit) demand in the survey is 2 to 3 times higher than the current supply. This could pose an incentive for financial institutions to further develop these products. However, when drawing that conclusion one has to bear in mind that demand here is derived from an audience that is very aware of environmental problems. Regular retail and corporate customers are certainly less informed about the environment and might attach a lower importance to environmental considerations in banking, asset management and insurance.

Conclusion:
The strong disparity between demand and supply of sustainable financial products seems to indicate a strong opportunity for financial institutions in Greece to further develop and launch such products. However, further research on demand might be necessary as the surveyed group here might be more aware of environmental issues than the general public.

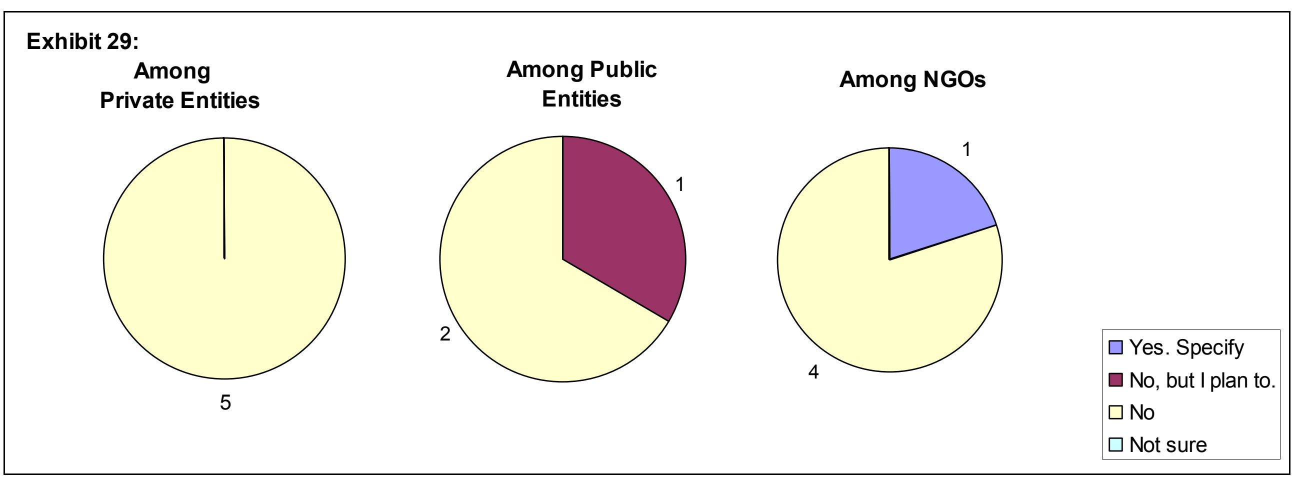
IV.5. Use of banking products that are beneficial to the environment

Question:
Respondents were asked if they use any of the sustainable products that are currently offered in the Greek financial market. Organisations could answer with "yes", "no", "no, but I plan to" and "not sure".

Results:
The large majority of stakeholder organisations surveyed do currently not use any product that can be considered beneficial for the environment (11 of 13). Only one respondent plans to use such products in the future, and only another one already does use sustainable banking products.



The respondent that has already made use of such services is an NGO. The remaining four NGO respondents neither use nor plan to use such products in the future. Within the subset of public sector institutions two of three respondents neither make use nor plan to make use of environmentally friendly financial products in the future. The remaining respondent does not currently make use of such products but intends to do so in the future. The percentage of respondents already using available products is hence 0%. Within the subset of private sector institutions all respondents neither make use nor plan to make use of environmentally friendly financial products in the future.



Discussion of the findings:
In terms of real demand/use of environmentally friendly financial products by respondents, the answers appear to be in contradiction to those above: even though the entirety of the sample believes that banks should offer environmentally friendly products, only one entity actually makes use of such products already available in the market. Only a tiny fraction of the surveyed organisations plan to do so in the future whereas the bulk of 11 respondents neither uses nor plans to use such products in the future.

With the exception of a few NGOs, Greek stakeholders as represented by our sample, indeed expect from banks to develop environmentally friendly products and services but until now have not made use of such products and services already available. The already existent demand for such products by NGOs is logical as especially environmentally NGOs and its members represent the target group of such product development par excellence. Taking that into consideration, one out of five appears to be a quite modest proportion.

Thus, although the general perception that using eco-friendly products costs more does not apply in banking products, consumers are still reluctant to use them. These results could indicate that there is very little awareness of consumers regarding the presence and benefits of sustainable finance products. Also, consumers might still not be conscious of the fact that by using such products they will not be burdened financially.

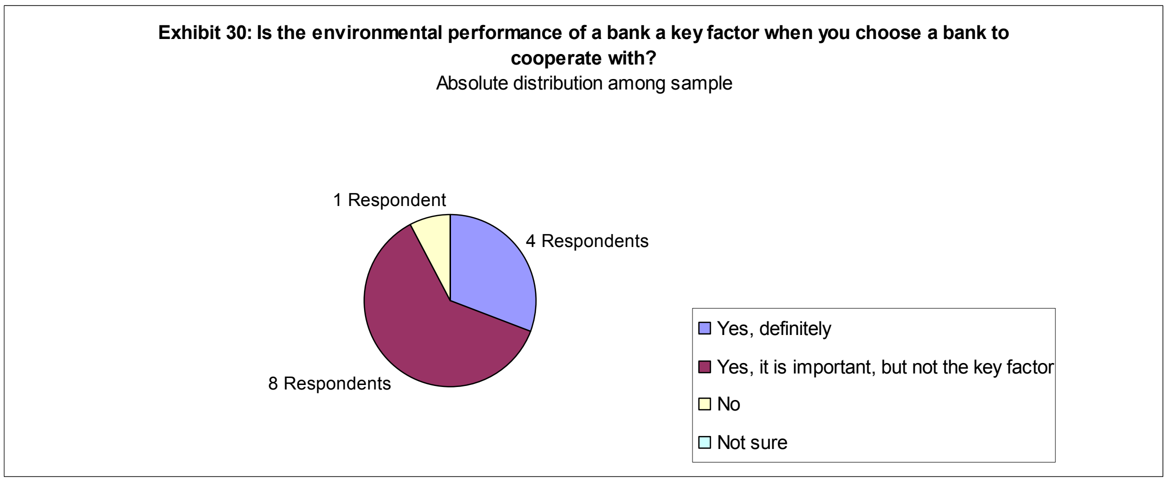
Another conclusion that may explain the gap between demand and actual use could be that the products actually offered might be scarce and not meet the needs of consumers. Financial institutions should design and offer a wide range of sustainable products like they do for other product categories rather than assuming that one environmental product will ´fit-all´. Furthermore financial institutions should promote these products like they do with their other product categories where heavy marketing campaigns exist.

Conclusion:
The low usage of sustainable products by stakeholders that are generally interested in the environment is disappointing. More information needs to be disseminated by financial institutions on the environmental benefits of such products. The results also indicate that a better effort might be necessary to tailor green products to different customer groups. Common beliefs that such products are pricier than regular banking products should be clarified in awareness-raising campaigns.

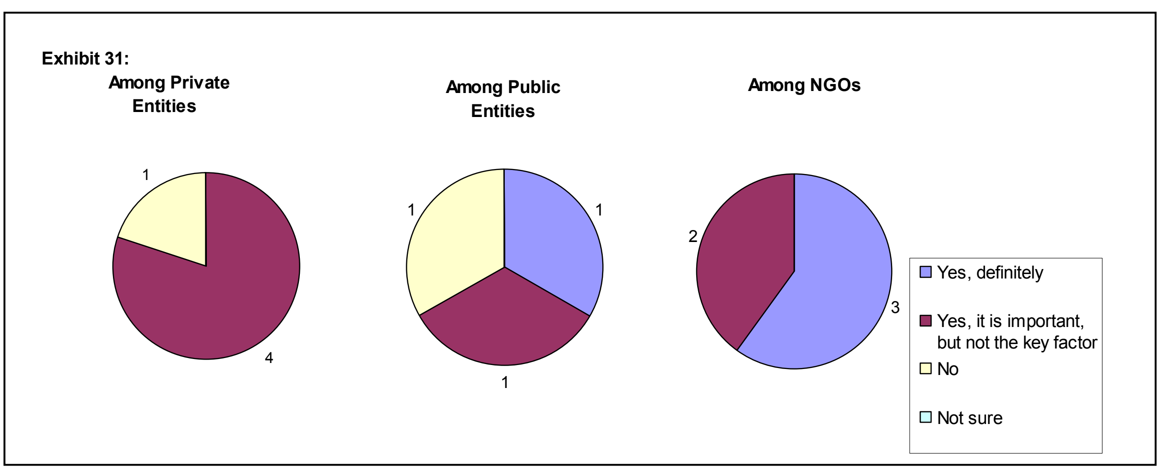
IV.6. The environmental performance of a bank as a key factor?

Question:
In this question survey participants were asked whether the environmental performance of a bank is a key factor when they choose a bank to cooperate with. Respondents could confirm this by answering with either "yes" or "yes, it is important, but not the key factor", or they could deny it by answering "no". In the case of uncertainty "not sure" could be chosen.

Results:
The vast majority of respondents say that the environmental performance is an important factor when choosing a bank to cooperate with (12 of 13 respondents). In total four surveyed entities give the answer "Yes, definitely" and eight "yes, it is important, but not the key factor". Only one respondent denies the importance of environmental performance.



The importance of environmental performance issues is especially strong among NGO respondents, none giving "No" as an answer: Three of five NGOs believe it to be definitely a key factor, while the remaining two say that environmental performance is important to some extent, but not the key factor for cooperation. Among both public and private sector respondents the majorities give a positive answer, while only one entity of three and one of five say "no" respectively. However, none of the private sector respondents says "Yes, definitely", while one public sector respondent does so.



Discussion of the findings:
The majority of respondents confirm that the environmental record of a bank is important, either as a key factor or one factor among others. This priority is strongest among NGOs, followed by the public sector. Most private sector institutions (4 of 5) believe environmental aspects to be important, however, none believes them to be the key factors. Again, this result is in contrast with the actual or planned use of environmental products that was surveyed above (IV.5) Reasons for this might be that stakeholders understand different activities under "environmental performance" than offering green financial products. It could be that they place more emphasis on the direct environmental impacts of business operations, e.g. paper or energy use.

Furthermore, it is a general perception of NGOs that financial institutions should protect the environment anyway, regardless of their sustainability derived profits. Financial institutions should use their own funds and profits to help the environment and society instead of using the good image of sustainability issues in order to make profits. Only then can they convince the public that they have acted sustainably and expect consumers to ´award´ them by using their sustainability products. This conclusion somehow creates the well-known ´chicken or the egg´ phenomenon where the financial sector expects consumers to be environmentally aware and to demand sustainable products while on the other hand consumers expect from the financial institutions to be proactive and help the environment first before they invest in them.

Greek stakeholders give importance to environmental performance aspects when deciding which financial institutions to cooperate with. Another explanation of the low use of sustainable products among the surveyed institutions could be that the products on offer are mostly designed for corporate clients and fewer offers are available for either not-for-profit clients or retail customers. Possibly there is also not enough information for retail customers on the products that are on offer.

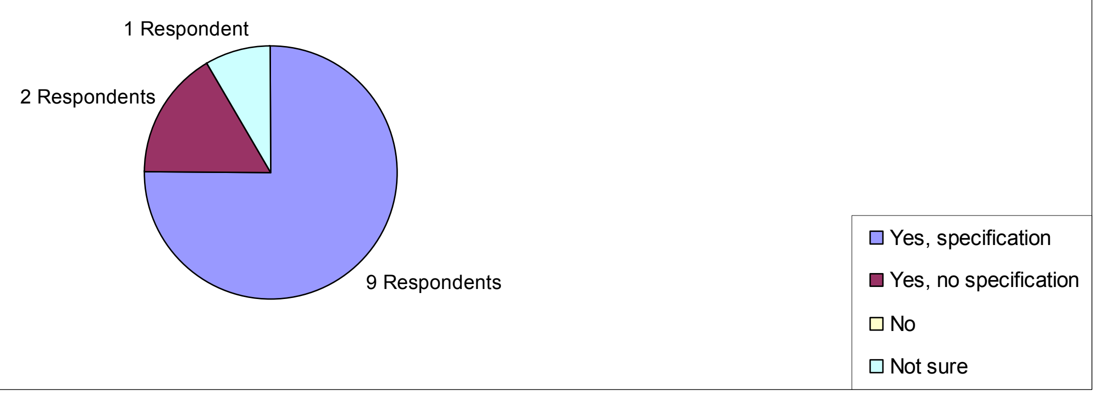
Conclusion:
Apparently the environmental performance of banks is important to Greek stakeholder organisations. However, there seems to be a large discrepancy in understanding what is meant with the "environmental performance" of a financial institution. It would be beneficial to open a dialogue between stakeholders and the financial sector to clarify what stakeholders expect on the one hand, but also to explain to them in more depth what indirect environmental impacts financial institutions can have by offering financial products with an environmental component.

IV.7. Greek banks helping the environment

Question:
Survey participants were asked to answer whether they know any banks that are helpful to the environment. If they knew a bank, they were asked to name the institution and what their environmental achievement was. Respondents could also answer "yes" without specifying the institution or the environmental action. In case of not knowing or uncertainty, the answer options "not sure" and "no" were offered.

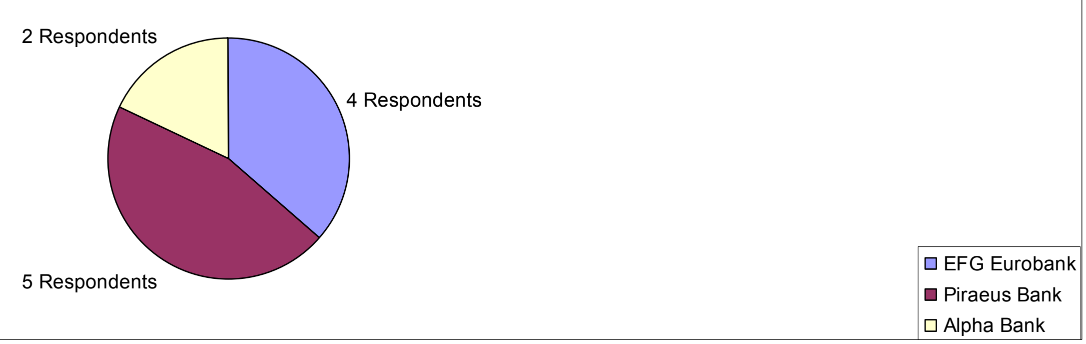
Results:
One respondent did not mark any box giving an invalid answer. Eleven of 13 respondents are aware of financial institutions that are supporting the environment in any way. Among these, 10 respondents are able to specify the name and/or the action of the financial institution. Only one surveyed entity is not sure if there are banks that help the environment. Four of five NGOs are able to name best practice institutions, while two of three public sector respondents and three of four private sector respondents do so.

Exhibit 32: Do you know of any banks in Greece that help the environment?
Absolute Distribution among Sample



Respondents specifying which institutions they connect with being helpful to the environment mentioned Piraeus Bank most often (6 times), followed by EFG Eurobank (4 times) and Alpha Bank (2 times).

Exhibit 33: Distribution of banks among "yes, specification" respondents' answers



Discussion of the findings:
Awareness of environmentally friendly financial institutions is strong among Greek financial stakeholder organisations. However, one should bear in mind the earlier findings that these organisations rather seem to judge "environmental performance" by direct environmental actions such as management of paper/energy/waste etc. and sponsoring/funding of environmental groups, projects etc. This might explain

why Emporiki Bank, who has co-sponsored the sustainable finance event in Athens in June 2006, from which respondents were selected, has not been mentioned. Emporiki Bank, having been an active member of the UNEP Finance Initiative for many years, has a very strong focus on internal sustainable finance procedures (e.g. on environmental risk assessment). Such measures helping to prevent indirect environmental effects of banking have a much bigger impact on the environment, but are less obvious to the public. The financial institutions that were primarily mentioned in this survey as being helpful to the environment strongly engage in social responsibility campaign programs targeted at consumers.

Conclusion:
The financial institutions focusing on more PR effective sustainability actions seem to be more known among Greek financial stakeholder organisations. Again, it seems recommendable for civil society to gain a better understanding of the different ways of how sustainability approaches can be integrated into banking, asset management and insurance. Then in-depth sustainability management in the core business of financial institutions will be better acknowledged on the one hand, but also more intensively demanded from less active institutions on the other hand.

IV.8. How should financial institutions help the environment?

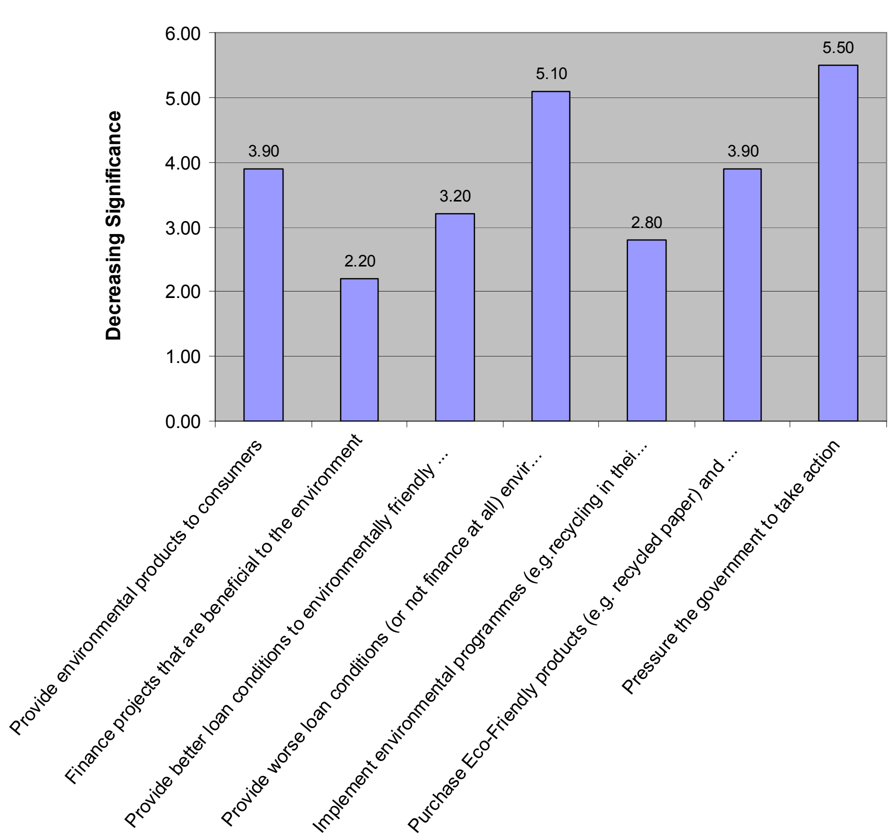
Question:

Survey participants were given a list of different approaches/ways/strategies of how financial institutions could help the environment. The list included providing environmental banking products to consumers, financing projects that are beneficial to the environment, providing better loan conditions to environmentally friendly companies, providing worse loan conditions for (or not finance at all) environmentally harmful activities, implementing environmental programmes (e.g. recycling in their buildings), purchasing eco-friendly products (e.g. recycled paper) and pressuring their suppliers to protect the environment, as well as pressuring the government to take action. Respondents were asked to assign a number to every category according to the perceived importance, from 1 for most important, over 2 for less important and so forth.

Results:

Respondents mentioned the financing of environmentally friendly projects as the most significant approach to be undertaken by financial institutions in order to help the environment. This is followed by the implementation of internal programmes with environmental aims and by granting better financing conditions to environmentally friendly companies. Providing environmental financial products and purchasing eco-products seem to be of medium importance. Least importance is given to the approaches of getting involved in policy-making by "pressuring the government to take action" and the provision of worse financing conditions to environmentally harmful companies or projects. These results are relatively consistent and parallel across public, private and non-governmental organisations.

Exhibit 34: How do you think banks should help the environment?
(where 1 is the most important, 2 is less important and so forth)
Sample



Discussion of the findings:
The stated priority for financing environmentally friendly projects is consistent with the answers to the question what products financial institutions should offer (IV.4). Here respondents gave priority to environmental loans as the banking products to be offered by financial institutions. The financing of environmentally friendly projects again, shows that stakeholders focus on financial activities with a direct environmental benefit.

However, the related activities of remunerating good environmental performance or penalising bad environmental performance through worse conditions or no financing at all seems to be less wanted by the surveyed organisations. These two approaches however refer to regular loans without an immediately visible environmental objective. Assessing the environmental impacts of regular loans and adjusting loan conditions accordingly, however, has a much larger impact, because regular loans are given with a much higher frequency than those with a direct environmental objective. The ranking here shows again that the core business of financial institutions is not yet fully on the radar screen of financial stakeholder groups.

The assumption of a heavy focus on direct environmental benefits is also confirmed again by the high ranking of fostering internal programmes like recycling and the purchase of environmentally friendly products.

Conclusion:
The ranking of environmentally beneficial actions that a financial institution can undertake confirms the earlier assumption that financial stakeholders are not fully aware where the real environmental impacts of the financial sector lie. As a service provider financial institutions can hardly have a large impact on the environment through reducing resource use in their internal operations. The area of introducing environmental/social assessments into mainstream lending and investing is therefore left out in stakeholder thinking and action.

V. Summary and recommendations for further work in Greece

The results of the survey among financial institutions and corresponding stakeholder organisations in Greece have revealed many good approaches regarding sustainability management in the Greek financial sector. In particular in the supply of sustainable financial products the surveyed financial institutions are quite advanced. However, compared to the more progressive financial institutions in the European Union, sustainability management in Greek financial institutions still seems to be in its infancy. Green financial products are niche areas in terms of demand and the value of sales compared to the entire product portfolio of financial institutions, and maybe always will be. But even if those products never leave the niche, they are most effective for corporate branding and therefore are an attractive first step for sustainability in financial institutions.

Most surprising was the low engagement of Greek subsidiaries of large international banks that are very advanced in sustainability management. One could assume that an active parent company is eager to implement the same practices in their regional subsidiaries. However, the survey has shown that institutions under international ownership have either not taken part in the survey, which can be interpreted as not being active in sustainability, or are not as advanced as their local Greek counterparts. It will have to be further explored why the transfer of knowledge in the area of sustainability from the headquarters of international financial institutions to their regional subsidiaries is not functioning effectively and how these barriers can be overcome.

The main areas where financial institutions can have an impact like environmental risk assessments in mainstream lending, or responsible investment measures are not yet or very sparsely implemented even in the leading institutions in Greece. This is partly due to the fact that sustainability and in particular the concept of Corporate Social Responsibility is mostly approached from a public relations perspective. Partly the low integration of sustainability criteria into the "real" business of financial institutions can also be explained by the lack of demand, be it from the regulatory side, which does not effectively enforce environmental/social regulations or from the customer/stakeholder side. One step towards more legal responsibility for the financial sector will certainly come with the EU Directive 35/2004 on Environmental Liability, which is placing the financial burden of environmental damage to the polluter. Subsequently financial institutions should implement environmental due diligence processes in order to assess the risks involved with polluting activities of their clients. However, as with other environmental/social regulations it will depend on the level of enforcement whether this Directive can have an impact on Greek financial practices.

Stakeholder interest in Greece is currently only concentrated on direct environmental impacts and leaves out the most important opportunities of sustainability management. Consideration of sustainability criteria in investment and lending, e.g. through better risk management will provide the path to benefits that go beyond the social responsibility branding and small costs savings through minimising internal resource use. Herein lie opportunities for large cost savings through preventing loan defaults or wrong investment decisions and higher returns through future-oriented investments in the environmental sector or new products such as ethical funds.

These findings therefore lead to propose the following recommendations for further work with and in Greek financial institutions as well as their stakeholder organisations:

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 and systems 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. This applies in particular to investors of large capital volumes i.e. insurances and pension funds. The UN's Principles for Responsible Investment are a framework to look into.
    - 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 Stakeholder Organisations:

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.

VI. Annex

Financial institutions that were invited to participate in the survey:

ABN AMRO
Aegean Baltic Bank
Alpha Bank
American Bank of Albania
Aspis Bank
ATE Bank
Attiki Bank
Bank of America
BNP Paribas Hellas
Cetelem Bank
CITI Bank
Cyprus Bank
Egnatia Bank
EFG Eurobank
Emporiki Bank
Eurohypo
FBB
Hellenic Bank
Hypovereinsbank
Laiki Bank
Loans and Trusts Fund
Marfin Bank
National Bank of Greece
Nova Bank
Omega Bank
Pagkritia Bank
Panelinia Bank
Probank
PROTON