The Business Case for Sustainable Banking: the UNEP FI Perspective

Harry Papageorgiou

Chair, European Task Force, UNEP FI
Head, Sustainability Committee, Hellenic Bank Association
Head, Group Environment & Quality Division, Eurobank

7 February 2013
Istanbul, Turkey
UNEP FI & the global agenda on finance and sustainability

Since 1992: a partnership between the United Nations and Finance Institutions on understanding, integrating and promoting environment, social and governance issues in business decision-making

2013: more than 220 members from banking, investment and insurance sectors

A finance community increasingly aware of sustainability challenges, risks and opportunities and its role in contributing to the well-being of society
How do we define sustainability at UNEP FI?

Financing sustainable development is about:

- **Financing Change**: mobilizing new capital for sustainability projects **AND**
  - **Changing Finance**: making sure that finance operations are conducted in accordance with the principles for sustainable development
  - For banks: applying environment, social and governance filters in core business and decision making
UNEP Statement by Financial Institutions on Sustainable Development:

“ We recognize that sustainable development depends upon a positive interaction between economic and social development, and environmental protection, to balance the interests of this and future generations. We further recognize that sustainable development is the collective responsibility of government, business, and individuals. We are committed to working cooperatively with these sectors within the framework of market mechanisms toward common environmental goals. ”
Sustainability & Banking: What is it about?

• Operational Footprint Management
  ➢ i.e. how do we manage our own “home”
    ◦ Environmental/Sustainability Management Systems
    ◦ Resource Efficiency
    ◦ GHG Emissions etc

• Financing Sustainability
  ➢ Green Products and Services
    ◦ Green Corporate Loans (e.g. for renewables)
    ◦ Green Credit Cards etc

• Environmental & Social Risk Management
  ➢ Decision-Making Structures
  ➢ Procedures
  ➢ Technical Capacity

• Sponsorships and Social Responsibility
  ➢ NGO Partnerships
  ➢ Sponsorship Programmes
Zoom on ESG Risks: why should a bank care?

- From ethical thinking to the materiality of ESG risks
  - Clients causing environmental/social damage:
    - Credit/collateral risk
    - Reputational risk
  - Increasing regulatory environment - liability risk
  - Expectations: end consumers, NGOs, employees...

- Opportunities:
  - Better risk management
  - Better relationships with stakeholders
  - Market differentiation
  - Staff attraction
International trends: Rio + 20, June 2012

• Government engagement:
  « The Future We Want », Rio+20 Outcome Document
  § 255 - 257: towards the design of a Sustainable Development Financing Strategy
  § 47: Sustainability Reporting; regulations will tighten, readiness means competitive advantage

• Finance community engagement – UNEP FI catalyser:
  Principles for Sustainable Insurance: insurers of over 10% of world premium volume sign global insurance principles for sustainability
  Sustainable Stock Exchanges Initiative: exchanges listing over 4,600 companies commit to promoting sustainability
  Natural Capital Declaration: 40 FIs sign and commit to natural capital
Trends at country level worldwide

• National frameworks on sustainable finance:
  - Green Sustainable Banking Principles in Nigeria
  - Green Protocol Colombia
  - Green Protocol Brazil
  - Green Banking Policy in Indonesia
  - Green Credit policy in China

• Central Banks and Banks Associations - key to mainstream sustainability within the banking sector
UNEP FI tools available for bankers to better understand ESG risks & opportunities

- ‘Guide to Banking and Sustainability’ (2011): a common language on the meaning of sustainability in banks, including ESG risks

- Online tool for practice-sharing (For launch in 2013): Sharing with and learning from peer banks & practitioners

- Environmental and Social Risk Analysis Training: Online Course (E,S,F) Introductory Training Workshop Advanced Training Workshop
Conclusion:

- Sustainability risks & opportunities: relevant now more than ever
- Pool of peer knowledge existing & expanding
- Tools available

- Time to act!
Thank You!