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# The Business Case for Sustainable Banking: the UNEP FI Perspective

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# 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**

# Sustainability & Banking: Green Products & Services

*UNEP FI Survey 2007*

## Retail Banking

Home Mortgages  
Home Equity Loans  
Credit & Debit Cards  
Green Sale & Travel Money Products  
Commercial Building Loans  
Auto & Fleet Loans  
Personal Accounts

## Corporate & Investment Banking

Project Finance  
Securitization  
Venture Capital & Private Equity  
Carbon Commodity Products and Services

## Asset Management

Fiscal Funds  
Carbon Funds  
Investment Funds  
Cat Bond Funds

## Insurance

Auto Insurance  
Home & Business Insurance  
Carbon Insurance

# 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

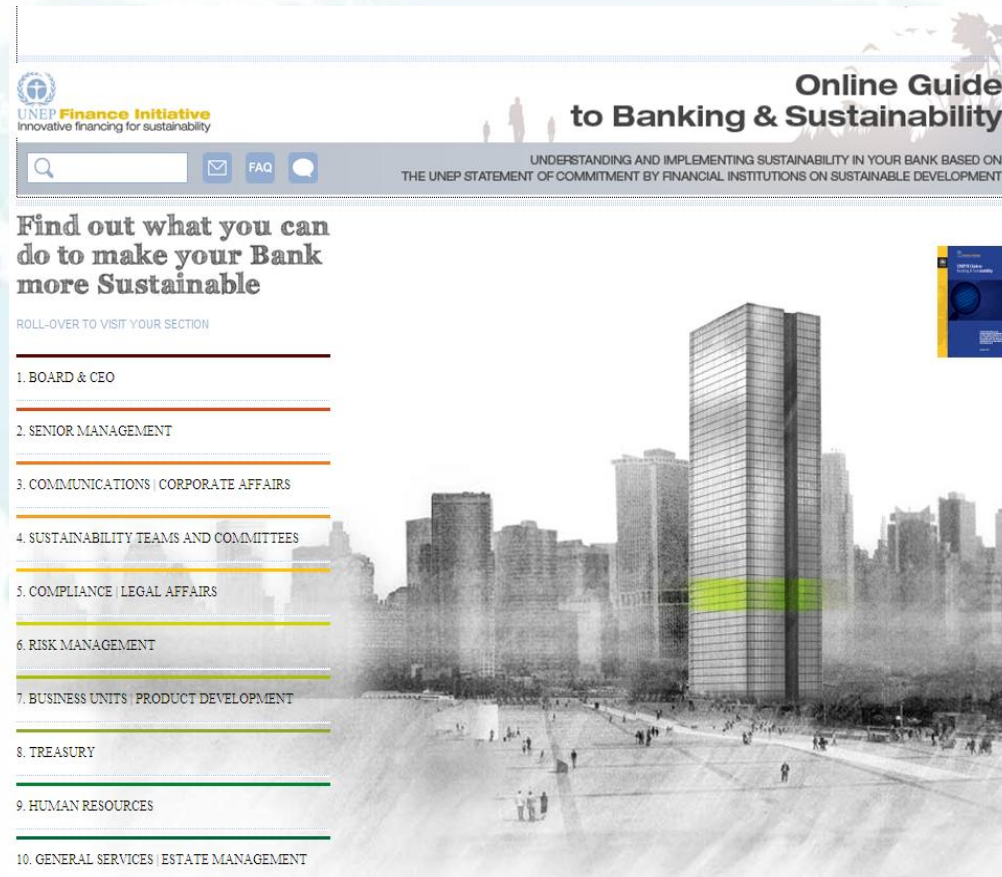
- **National frameworks on sustainable finance:**
  - **Green Sustainable Banking Principles in Nigeria**
  - **Green Protocol Colombia**
  - **Green Protocol Brazil**
  - **Green Banking Policy in Indonesia**
  - **Green Credit policy in China**
- **Central Banks and Banks Associations - key to mainstream 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!**

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**Thank You!**