



UNEP **Finance Initiative**
Innovative financing for sustainability



UNEP FI Guide to Banking & Sustainability

UNITED NATIONS ENVIRONMENT PROGRAMME



Understanding and
Implementing Sustainability
in your Bank based on
the UNEP Statement of
Commitment by Financial
Institutions on Sustainable
Development

October 2011

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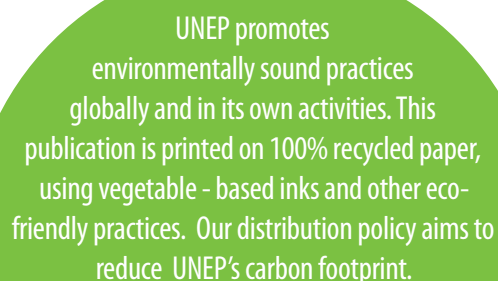
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Foreword

In 2009, a new operational structure for the United Nations Environmental Programme Finance Initiative (UNEP FI) was agreed by its Members, to ensure that all Signatories be provided with appropriate fora and platforms for engaging with co-Signatories on relevant topics and platforms. An essential element to this restructuring was the creation of the Industry Commissions, for banking, insurance and investment respectively.

During its first year of existence in 2010, the Banking Commission identified as one core area for action, the need to provide explicit guidance to the banking community regarding the meaning and implementation of sustainability for different groups of practitioners across banking operations, especially for institutions and/or employees new to the topic.

Members of the Banking Commission were keen to offer newcomers and pioneers in the sustainable finance arena a comprehensive, yet simple starting and reference point, something which two of UNEP FI's Regional Task Forces, the Central & Eastern European Group and the Latin American Task Force, had already started to work on. Moreover, the overall sustainability scene was maturing.

Indeed, while the Principles for Responsible Investment (PRI) and the nascent Principles for Sustainable Insurance provided the investment and insurance audiences with a corpus of guidelines and benchmarks for pursuing the sustainability agenda in their respective businesses, the banking audience remained confronted with a variety of standards, ranging from the Equator Principles to a number of more local approaches, in a variety of different countries.

With these needs and developments in mind, the Commission Board resolved to develop a Guide to Banking & Sustainability, based directly on the UNEP Statement of Commitment by Financial Institutions on Sustainable Development.

It is our hope that the Guide you presently hold will serve a number of purposes:

- Offer UNEP FI's banking members a clear and practical interpretation of the UNEP Statement, and how to comply with the Statement in the specific context of banking.
- Provide all banks seeking to embark upon (or further advance on) the long road to sustainability with a baseline standard.
- Forward an explanation of UNEP FI and Signatories' vision according to the banking and sustainability agenda, to the broader community of stakeholders.

It is our belief that the UNEP Statement, as the only United Nations standard specifically aimed at the finance sector, offers a unique foundation for all banks in their efforts to drive sustainability issues.

The Co-Chairs, UNEP FI Banking Commission

Dag Arne Kristensen Executive Vice President External Relations DnB Nor	Kim Brand Director, Environmental Affairs Scotiabank	Laura Celia Méndez Herrera Special Advisor FIRA
Harry Papageorgiou Head, Environment & Quality Office Eurobank EFG	Madeleine Ronquest Head, Environmental and Social Risk Management, Climate Change, Occupational Health and Safety FirstRand Group Ltd	Anindya Datta President & Chief Marketing Officer YES BANK Ltd.

How to use this Guide

The UNEP FI Guide to Sustainable Banking is structured directly around the UNEP Statement of Commitment by Financial Institutions on Sustainable Development. You will find several types of information against each clause of the Statement as per the example provided below.

1.4 We recognize that sustainable development is an institutional commitment and an integral part of our pursuit of both good corporate citizenship and the fundamentals of sound business practices.

WHAT DOES THIS MEAN?

HOW DO I SHOW AND FULFILL THIS COMMITMENT?

While clause 1.1 establishes sustainability the the necessity for sustainability to be inherent in sound business management and business sustainability itself, this clause spells out the key to implementation: in order to become a reality, sustainability needs to be fully integrated across the institution's policies, processes and operations. In other words, sustainability is central to corporate identity and culture itself.

This means action directly at the highest levels of the institution, i.e. the Board of Directors and the Management Committee.

Board Members and CEOs

Things that Board Members and CEOs might want to ask themselves include:

i. What is my understanding of sustainability issues and what vision should I derive thereof, for the institution?

When it comes to sustainability issues, ignorance can no longer be bliss. While institutions can position themselves in a variety of ways on the matter, they cannot remain positionless. Seeking at least minimal understanding of sustainability issues will be key to establishing a line that makes sense for the institution.

'By embedding corporate social responsibility into our business processes, we link our non-financial performance with our business strategy. This enables us to focus our efforts on long-term value drivers that contribute to the success of our Bank and progress for society as a whole. Our objective is to integrate corporate responsibility into Access Bank's day-to-day operations and to make it the way we conduct our business as it becomes particularly clear in these difficult times that corporate responsibility and business success belong together. Therefore, at a time when the global economy is undergoing challenges, Access Bank is mainstreaming corporate responsibility to bring about positive and sustainable change.'

Gbenga Oyebo (MFR), Chairman, Access Bank, Sustainability Report 2009
http://www.accessbankplc.com/Library/Documents/CSR_Reports/CSR_report_2009.pdf

● **CLAUSE**

●● **INTERPRETATION**

●●● **IMPLEMENTATION**

●●●● **Q&A**

●●●●● **ILLUSTRATIONS**

FURTHER INFORMATION

UNEP FI Resources on Effecting Corporate Culture Change

- If you ask us...: Making environmental employee engagement happen
http://www.unepfi.org/fileadmin/documents/ifyouaskus_engagement.pdf

Navigating the Guide's Illustrations and Call-out Boxes

List of Illustrations

Illustrations of current practice in a number of UNEP FI Member institutions are embedded throughout the text. Illustrations are categorised below according to the geographic scope of their activities, independently of their area(s) of specialisation (retail, corporate, investment, savings, private, etc.), with the exception of development banks (local and international).

Global banks

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Bank of America p. 15 and 23
Barclays Group plc, UK p.17
BBVA Group, Spain p. 16 and 23
Citigroup, USA p.23
HSBC Holdings plc, UK p. 17 and 24
Royal Bank of Canada p. 16, 26 and 29
Scotiabank, Canada p. 27
Société Générale, France p. 15 and 30
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Development Banks

Bancoldex S.A. – Banco de Comercio Exterior y Desarrollo Empresarial, Colombia p.26
Corporacion Andina de Fomento (CAF), Latin America p. 26
Development Bank of the Philippines p.26
European Bank for Reconstruction and Development (EBRD) p. 21
Export Finance and Insurance Corporation (EFIC), Australia p. 20
FIRA – Banco de Mexico p. 26
KfW Bankengruppe, Germany p. 26
Netherlands Development Finance Company (FMO) p. 16, 21 and 30
Nordic Investment Bank (NIB), Scandinavia p. 16
PT Bank Negara Indonesia p. 29
Turkiye Sinai Kalkinma Bankasi (TSKB), Turkey p. 15

Regional banks

Access Bank Plc., Nigeria p. 14
BMCE Bank, Morocco p. 13
Canadian Imperial Bank of Commerce (CIBC) p. 23
DnB NOR, Norway p. 30
EFG Eurobank Ergasias S.A., Greece p. 14 and 24
FirstRand Group Ltd., South Africa p. 12 and 21
National Australia Bank Ltd. p. 23 and 27
Piraeus Bank S.A., Greece p. 18 and 29
Santander Brazil p. 21 and 22
Toronto Dominion Bank, Canada p. 17
UniCredit Bank Austria p. 19

Local banks

Banca Commerciala Romana, Romania p. 20
Banco de Galicia y Buenos Aires S.A., Argentina p. 14
Industrial Bank Co. Ltd., China p. 18, 21, 24 and 25
Mutualista Pichincha, Ecuador p. 15
The Sumitomo Trust and Banking Co., Ltd., Japan p.15
YES BANK Ltd., India p. 26

Note: There are many more illustrations of Members' sustainability practices than those contained here. The extracts contained in this Guide seek to offer a sample of current strategies and approaches, with no claim to comprehensiveness in any form.

List of Call-out Boxes

Definitions & Sources

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United Nations Protect, Respect and Remedy Framework for Business and Human Rights p. 17
The Precautionary Principle p. 18
Green Economy p. 25

Standards & Guidelines

International Standards & Guidelines p. 18
The Equator Principles p. 20
Further Useful Standards for Risk Decision-making ... p. 22
Measuring the Carbon Footprint p. 23
UNEP Mercury Programme p. 30

Building up Sustainability Capacity

Of Sustainability and Sustainability Policies p. 16
Of Sustainability and ESRM Systems p.20
Of Sustainability and Environmental Management Systems p. 24
Of Sustainability and Sustainability Reporting p. 28

What the Multilateral /Bilateral Banks are doing ...

Corporacion Andina de Fomento (CAF), Latin America p. 26
European Bank for Reconstruction and Development (EBRD) p. 21
KfW Bankengruppe, Germany p. 26
Netherlands Development Finance Company (FMO) p. 16, 21 and 30

Stakeholders

Banks, Regulators & Sustainability p. 13
IOs and NGOs p. 19
Sustainability Networks p. 25
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UNEP FI Collaborative Efforts with other Sustainable Finance Networks p. 31

UNEP FI Resources

Effecting Corporate Culture Change p.17
Risk p. 22
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Sustainability Reporting p. 28

Finding what's relevant to you depending on your role

The aspiration of this Guide is to be directly relevant to all bank departments, whether at senior management level within sustainability departments, or at the core of business and risk departments. The table below indicates how the tool might be of use to you, depending on where you sit in the institution. An overall 'Sustainability Map' is further included in Annex III.

Board Members & Senior Management	Sustainability Departments, Committees and/or Teams	All other Departments
<ul style="list-style-type: none"> • Help you steer the bank towards its commitments as a UNEP FI Member • Help you understand the issues faced by different departments and understand the things they could or should be doing 	<ul style="list-style-type: none"> • Help you steer the bank towards its commitments as a UNEP FI Member • Help you understand the issues faced by different departments and understand the things they could or should be doing • Provide you with material to build up the business case for sustainability within the organisation • Provide you with material to educate new staff (and refresh current staff) on sustainability issues 	<ul style="list-style-type: none"> • Help you understand the issues relevant to your department and the things you could or should be doing • Provide a roadmap or a benchmark against which to measure and orient your sustainability work
<p>Key Sections:</p> <p>Clause 1.4 – institutional commitment (key words: vision, governance, policy, strategies) p. 14-15</p>	<p>Key Sections:</p> <p>Clause 1.4 – institutional commitment (key words: vision, governance, policy, strategies) p. 14-17</p> <p>Clause 2.1 – precautionary approach (impacts, sources of information) p. 18</p> <p>Clause 2.6 – progress against sustainability goals p. 25</p> <p>Note: While the above clauses constitute the backbone of what sustainability departments, committees or teams are about, their role as a sustainability hub within the organization implies that they should be aware of all aspects of sustainability – hence all the clauses of the Statement are of relevance to them.</p>	<p>Key Sections:</p> <p>Risk & Compliance</p> <p>Clause 2.2 – compliance p. 19</p> <p>Clause 2.3 – E&S risk (key words: management systems, teams, tools) p. 19-22</p> <p>Business</p> <p>Clause 2.7 – products & services (key words: green finance, responsible investment, public-private partnerships) p. 25-27</p> <p>Clause 3.2 – supporting customers (key words: value creation, advisory services) p. 28-29</p> <p>General Services</p> <p>Clause 2.4 – environmental management (key words: environmental footprint, resource efficiency, responsible procurement) p. 22-24</p> <p>Corporate Communications</p> <p>Clause 3.1 – sustainability reporting p. 28</p> <p>Clause 3.3 – stakeholders (key words: engagement, ratings/rankings) p. 29-30</p> <p>Human Resources</p> <p>Clause 1.4 – institutional commitment (key words: vision, governance, policy, strategies) p. 17</p>

Not everything is here...

The guidelines and actions outlined in this Guide are grounded in the reality of what is being done and what is feasible. Nevertheless, users should not view these as the full and definite story. There are numerous further actions, models and approaches, that can and are being implemented.

Going further

This Guide is part of a much broader set of tools. It is not within the scope of this Guide to document the full details of how to implement sustainability inside a bank, nor is it to provide a comprehensive account of some of the newest frontiers and horizons of banking and sustainability. Complementary resources for those needing to go further are referenced throughout the Guide, including an extensive set of trainings for practitioners.

UNEP Statement of Commitment by Financial Institutions on Sustainable Development – An Interpretation¹

We members of the Financial Services Sector recognize that economic development needs to be compatible with human welfare and a healthy environment. To ignore this is to risk increasing social, environmental and financial costs. We further recognize that sustainable development is the collective responsibility of governments, businesses and individuals. We are committed to working collectively toward common sustainability goals.

WHAT DOES THIS MEAN?

The Statement's preamble establishes the recognition of financial institutions' (FI), on the basic principles of sustainable development as the conceptual framework for their sustainability efforts.

HOW IS IT RELEVANT TO MY INSTITUTION?

Within this conceptual framework, the business drivers for sustainability are numerous and compelling: compliance with environmental and social laws/regulations; cost savings/efficiency; financial risk mitigation; new business opportunities; and reputation/image/branding management.

"As we have seen all too recently, when banks fail, the economic stability of nations and indeed the entire global financial system are threatened. This has brought the issue of "sustainability" into sharp focus... sustainability has been considered somewhat of a "soft" topic until fairly recently, an addendum to the normal course of running a business and relying too heavily on anecdotal evidence rather than measurable benchmarks. This approach is now a thing of the past... sustainable economic development is not a luxury, but a requirement to strategically position our economy for this century."

Mr Sizwe Nxasana
CEO, First Rand Limited

What's in a name? A few Definitions

While this Guide is constructed upon the concept of sustainability, as derived from the Brundtland Commission's definition of sustainable development, a number of other terms are commonly used to encapsulate FI's approaches to issues, such as the environment and society, which have not traditionally been at the heart of FI operations.

Sustainability

The Brundtland Commission, convened by the United Nations in 1983, produced the report *Our Common Future*, which established the widely accepted definition of sustainable development as "Meeting the needs of the present without compromising the ability of future generations to meet their own needs." The definition is supported by the equally widely acknowledged three pillars: economic, social and environmental development.

Sustainability has since become a generic concept utilized in a variety of domains, to support the worldview that economic, social and environmental issues are fundamentally interlinked and must therefore be considered in unison.

<http://www.un-documents.net/wced-ocf.htm>

ESG

ESG is a generic term usually traced back to the initial work of United Nations Global Compact on financial markets and sustainability issues, now widely used in capital markets/by investors. ESG (environmental, social and governance) factors are considered as a subset of non-financial performance indicators, which serve to evaluate corporate behaviour and determine the future financial performance of companies.

United Nations Global Compact Who Cares Wins Series, 2004-2008
http://www.unglobalcompact.org/Issues/financial_markets/index.html

Corporate Social Responsibility

The origins of Corporate Social Responsibility (CSR) terminology are closer to the corporate sector itself, with a distinct focus on the concerns, needs and expectations of society. As such CSR addresses the integration of issues of concern to society in companies' business operations and their interaction with stakeholders, on a voluntary basis.

Social Responsibilities of the Businessman, Howard Bowen, 1953.

Corporate Citizenship

Corporate Citizenship is a concept close to CSR but perhaps preferred by some (and especially in North America) for its more intimate connection to the communities directly surrounding the corporation. Corporate Citizenship strives to meet the social, cultural and environmental responsibilities with the community wherein which the institution seeks a license to operate, as well as economic and financial responsibilities to its shareholders or immediate stakeholders.

Business Ethics

Business Ethics is an approach founded more closely on ethical and moral beliefs: what is the right (or wrong) thing to do? When the actions of individuals and firms, in the pursuit of self-interest and profits, adversely affect others, it is an ethical imperative to exercise appropriate constraint.

¹ See Annex IA and IB respectively for an uncommented version of the Statement and a brief history of the Statement. A list of Banking Signatories to the Statement (as at October 2011) is available in Annex II.

1. Commitment to Sustainable Development

•	CLAUSE
•	INTERPRETATION
•	IMPLEMENTATION
•	Q&A
•	ILLUSTRATIONS
•	FURTHER INFORMATION

1.1

1.1 We regard sustainable development - defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs - as a fundamental aspect of sound business management.

WHAT DOES THIS MEAN?

This implies that Signatories consider 'good business' and 'sustainable business' to be one and the same thing; over time, unsustainable business cannot be good business and vice versa. Business, (whether their own, their peers', their clients' or their suppliers') should be placed in the context of the broader needs of society and the environment.

"Over the years, BMCE Bank [Morocco] has undergone a strategic restructuring in the field of sustainable development, recognising that the challenges it faced were better dealt with not only by giving back to the community and the environment, but by incorporating such considerations into its methods of doing business. BMCE has thus taken a further step in separating sustainability in finance from philanthropy in society, recognising that both are complementary constituents of the bank's commitment to its shareholders, stakeholders and local citizenry."

Financial Times (FT), FT Sustainability Banking Awards: Shortlists in other categories. June 2 2010
<http://www.ft.com/intl/cms/s/0/80b26f5e-675c-11df-a932-00144feab49a.html#axzz1XAJeX1M>

1.2

1.2 We believe that sustainable development is best achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. Governments have a leadership role in establishing and enforcing long-term priorities and values.

WHAT DOES THIS MEAN?

This clause points to the policy and regulatory frameworks that are necessary in order for FIs in general, and Signatories in particular, to attain sustainability goals. It reinforces the notion that sustainable development is a multi-stakeholder process in which a core role for governments is to strive to establish a level-playing field for all, and to provide an enabling environment for FIs to fully play their role in the achievement of sustainable development.

Banks, Regulators & Sustainability

Brazil

In 2009, the Brazilian banking association, Febraban, signed an agreement, the Green Protocol (Protocolo Verde), with their Environment Ministry. Commitments made under the Protocol include the promotion of green/social financing, ESRM, internal environmental management, and awareness-raising. A set of indicators on compliance with the Protocol were developed jointly by the banks, the government and NGOs, under the auspices of the banking association. Banks have started to report on the basis of the indicators.

<http://www.febraban.org.br/protocoloverde/>

Bangladesh

In January 2011, the Central Bank of Bangladesh took a proactive step in promoting the management of environmental and social issues by the country's financial sector, by issuing a set of Environmental Risk Management Guidelines for Banks and Financial Institutions and a further set of Policy guidelines for Green Banking in Bangladesh. These now make it obligatory for banks to address environmental and social issues in their lending processes, develop internal frameworks, introduce sector-specific policies, train staff and start reporting on environmental and social issues.

<http://www.bangladesh-bank.org/aboutus/regulationguideline/guidelist.php>

China

In 2007, the People's Bank of China (Central Bank), the China Banking Regulatory Commission and the Ministry of Environmental Protection of China jointly launched the Green Credit Policy. The Policy urges FIs to integrate environmental issues in their activities, especially in the form of withdrawing lending from high-pollution and high energy consumption industries while facilitating financial support to green industries. Chinese banks have since then been actively seeking to understand environmental issues and their implications, with a view to implementing this policy.

http://english.mep.gov.cn/News_service/media_news/200712/t20071217_114997.htm

UK

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, which is a mandatory carbon emissions reporting and pricing scheme covering all organisations using more than 6,000MWh of electricity per year, came into force in the UK in April 2010. The Scheme aims to significantly reduce UK carbon emissions not covered by other pieces of legislation. Its primary focus is to reduce emissions in non-energy intensive sectors. This complements the role of the Climate Change Agreements and the European Union Emissions Trading Scheme, which are directed primarily at energy-intensive organisations. The Scheme was further amended in October 2010.

<http://www.carbontrust.co.uk/policy-legislation/business-public-sector/pages/carbon-reduction-commitment.aspx>

1.3 We regard financial institutions to be important contributors to sustainable development, through their interaction with other economic sectors and consumers and through their own financing, investment and trading activities.

WHAT DOES THIS MEAN?

This clause further establishes the unique - though not exclusive - responsibility of the financial sector in contributing towards sustainable development, and points to the importance of engaging with other economic players.

“The financial sector holds a key function in society, being as it is at the core of all savings, investment and lending activities, whether for individuals, companies, governments or other entities. As a result, financial institutions need to consider and define their objectives in the broader context of society, and as a member of the community they service. Responsible finance further requires financial institutions to be keenly aware of the constant changes around them, so as to be able to meet societies expectations.”

Banco Galicia, Argentina, Sustainability Report 2010.
http://www.galiciasustentable.com/GaliciaSustentable/Informe_RSC/BG_Informe2010.pdf

We [financial institutions] can for example, (1) support the activities of corporations and organizations that are actively engaged in CSK activities, (2) encourage corporations to shift their activities in a positive direction to realize a sustainable society, and (3) act as the institutional host or entity for efforts to create a better society.

The Bank of Tokyo-Mitsubishi UFJ, Japan, CSR Report 2007

1.4 We recognize that sustainable development is an [institutional] commitment and an integral part of our pursuit of both good corporate citizenship and the fundamentals of sound business practices.

WHAT DOES THIS MEAN? HOW DO I SHOW AND FULFILL THIS COMMITMENT?

While clause 1.1 establishes the necessity for sustainability to be inherent in sound business management and business sustainability itself, this clause spells out the key to implementation: in order to become a reality, sustainability needs to be fully integrated across the institution's policies, processes and operations. In other words, sustainability is central to corporate identity and culture itself.

This means action directly at the highest levels of the institution; the Board of Directors and the Management Committee.

Board Members and CEOs

Things that Board Members and CEOs might want to ask themselves include:

i. What is my understanding of sustainability issues and what vision should I derive thereof, for the institution?

When it comes to sustainability issues, ignorance can no longer be bliss. While institutions can position themselves in a variety of ways on the matter, they cannot remain positionless. Seeking at least minimal understanding of sustainability issues will be key to establishing a line that makes sense for the institution.

‘By embedding corporate social responsibility into our business processes, we link our non-financial performance with our business strategy. This enables us to focus our efforts on long-term value drivers that contribute to the success of our Bank and progress for society as a whole. Our objective is to integrate corporate responsibility into Access Bank’s day-to-day operations and to make it the way we conduct our business as it becomes particularly clear in these difficult times that corporate responsibility and business success belong together. Therefore, at a time when the global economy is undergoing challenges, Access Bank is mainstreaming corporate responsibility to bring about positive and sustainable change.

Gbenga Oyeboode (MFR), Chairman, Access Bank, Sustainability Report 2009
http://www.accessbankplc.com/Library/Documents/CSR_Reports/CSR_report_2009.pdf

ii. What governance structures should be put in place to enact this vision?

Sustainability is a complex, cross-cutting set of issues, that needs to be understood and managed by all of the bank's departments. Finding hard and soft governance structures that will hold all the pieces together is key. Some banks have set up dedicated sustainability teams, while others have embedded sustainability responsibilities directly into traditional management functions. To-date experience seems to show that there is no silver bullet – each institution needs to find its own setup.

Eurobank EFG, Greece

At Eurobank, all environmental issues are entrusted to a specially-designated environmental committee, chaired by the General Manager of Operations, Technology & Organization. The Environmental Committee comprises the heads of all units involved in the implementation of environmental policy, so that the environmental management policies and actions are strategically coordinated.

The Bank's Environment Office was further established in 2004, and is responsible for the consistent and integrated day-to-day management of the procedures for implementing the environmental policy and achieving its targets. Moreover, the Group has appointed environmental officers in all divisions with business activities that have significant direct or indirect impact on the environment, as well as in the branches. The Environmental Officers are responsible for the smooth implementation of the Environmental Management System and the monitoring of the relevant indicators.

<http://www.eurobank.gr/online/home/generic.aspx?id=16&lang=en&mid=>

Mutualista Pichincha, Ecuador

Mutualista Pichincha sees Corporate Social Responsibility (CSR) as a distinct way of doing business and as a form of corporate culture. It believes that such a CSR culture can only be achieved with a firm decision from the highest levels of the institution, a cross-cutting approach that involves all areas of the institution, and the appointment of staff to plan, implement and oversee CSR strategies on constant basis.

Based on this belief, there is no CSR department at Mutualista Pichincha. Instead, leaders (usually at managerial level) have been designated for each area of work (e.g. Corporate Governance, Stakeholder Relations, Environment, Human Resources, Human Rights, Society, Corporate Responsibility, etc.). Each leader is responsible for raising awareness on the institution's CSR objectives and ensuring that they are met, thereby ensuring that these are absorbed by all employees.

A CSR Committee, led by the Chair of the Board of Directors and the CEO provides general oversight.

<http://www.mutualistapichincha.com/mupi/memoria2010/MemoriaSostenibilidad2010.htm>

Sumitomo Mitsui Trust Holdings, Inc., Japan

The commitment of Sumitomo Mitsui Trust Holdings, Inc. to the principles of sustainable development are embodied in its group-wide sustainability policy. Based on the policy, a CSR committee was established with a cross-company mandate to ensure that the entire group maintains a unified direction in the promotion of CSR. The President of Sumitomo Mitsui Trust Holdings, Inc. serves as the Committee's Chairman. Each business unit has its specific responsibilities, where the corporate banking unit looks after environmental screening of loans; the asset management unit provides sustainable investment funds such as the China stock SRI fund and an SRI fund which specializes in biodiversity issues; and, the real estate unit which offers consulting services on environmentally-friendly property.

<http://smth.jp/en/csr/management/index.html>

Bank of America

Bank of America's Board of Directors regularly reviews and evaluates important risks and opportunities faced by the company, which can include social and environmental factors and issues. There are well-established processes for the board to execute these responsibilities, including the creation of board committees such as the Enterprise Risk and Audit Committees. The annual proxy process allows shareholders to highlight social and environmental concerns to the board and management.

http://webmedia.bankofamerica.com/aheadbankofamerica/v4/video_files/CSR/Bank%20of%20America%202010%20Corporate%20Social%20Responsibility%20Report.pdf

iii. What else can I do?

Strive to establish a sense of belief. In many cases policies and strategies will be better received if top management is seen as engaged, and fully convinced on the importance of sustainability issues. This will provide extra legitimacy and authority for the institution to be properly mobilized and for corporate culture to evolve.

Senior Managers

Further points Senior Managers may wish to reflect on, include:

iv. How is our vision on sustainability issues captured in our institutional policies?

Current global practice shows the development and use of policies that specifically address sustainability issues. Embedding sustainability directly within existing strategic and operational policies can further be viewed as a clear indication of institutional culture shifting towards sustainability.

- Sustainability issues are integrated directly in the Vision/Mission, and/or Values and Principles statements of the organisation
- Sustainability issues are addressed as a broad cross-cutting institutional policy
- Separate policies address different sustainability issues (e.g. climate change, human rights, etc.)

Industrial Development Bank of Turkey , Turkey

Industrial Development Bank of Turkey's (TSKB) reflection on environmental, social and climate change issues was first defined in its environmental policy in 2006. TSKB structured its sustainability approach around four dimensions: minimizing environmental and social risks arising from lending activities (i.e. managing external environmental impacts of TSKB); defining, controlling and reducing internal environmental impacts of TSKB arising from operational services (systematic management of electricity, water, natural gas usage, paper consumption and CO2 emission); emphasizing products and services of TSKB on sustainable banking (financing renewable energy, energy efficiency and environment investments); and, informing all the bank's stakeholders on a continuous basis and encouraging them to actively participate in the processes (increasing awareness on environment, encouraging stakeholders to participate in the combat against climate change and promoting low-carbon economy). The bank's approach has been recognised by the Financial Times-International Finance Corporation Sustainable Banking Awards, in the Emerging Markets Category, in 2008, 2009 and 2010.

<http://www.tskb.com/images/PartDocuments/CevreselBankacilikveTSKB.pdf>

Société Générale, France

Société Générale has established Environmental and Social (E&S) General Principles and sector policies which are in line with its commitments. They stem from the legal and regulatory framework applicable to the bank's activities, as well as from the voluntary initiatives it has joined and to which it has adhered. These E&S principles apply to all the banking and financial services provided by the Group worldwide.

<http://csr.societegenerale.com/home-page/vision-challenges-and-commitments/our-commitments/environmental-social-general-guidelines-for-business-engagement>

Of Sustainability and Sustainability Policies

Sustainability policies enable each institution to provide its own, distinct account of how it relates to environmental and social issues and the actions it is committed to taking, in relation to these issues. As such, each account will be different. However, if your institution is just getting started (or embarking on a revision), remember to think about...

Terminology

Terms such as Sustainability, CSR, ESG ... most options will enable the institution to address most sustainability issues, but which will suit its culture, style and image best?

Scope

How much of the institution's operations will the policy cover? How about subsidiaries, branches or holdings – or financial intermediaries in the case of second-tier banks?

Commitments

What will the institution commit to? Policy developers need to think about specific aims and objectives, as well as means to achieve these, and the indicators that will enable the institution to measure success.

Building-up internal support

Policy developers need to ensure the text truly espouses the vision and aspirations of senior management while seeking a formulation that the institution as a whole will be able to identify with; engaging key staff and overall employee base is important.

Communicating externally

Who needs to know and how will you tell them?

Revisions

Think ahead. How will you monitor the uptake and implementation of the policy and how will that inform the timing and process of your next revision?

v. How does the sustainability policy (and/or related policies) translate into concrete objectives and strategies?

Supporting tools, such as action plans, mid-term strategies and roadmaps, can be helpful to provide direction on the exact actions to be undertaken within the bank in order to live up to its sustainability commitments. The more specific these are (i.e. to different departments), the more deeply the sustainability culture is likely to permeate.

Royal Bank of Canada

The Royal Bank of Canada (RBC) Environmental Blueprint is a comprehensive framework that contains the Bank's environmental policy, its priority environmental issues, its objectives and its commitments to action. RBC's objectives are: to reduce its environmental footprint; to lend responsibly; to offer clients green products and services; and, to promote environmental sustainability both within the organization and the communities in which it does business.

www.rbc.com/environment

vi. In the case of international banks: does our policy (or policies) cover our branches/subsidiaries/holdings abroad, and if not have local policies been established?

Banks operating in a variety of locations face the challenge of defining and implementing sustainability concerns in an equal variety of ways. While establishing a global policy may be possible, current practice suggests that locally-adapted and -driven approaches are important.

BBVA Group, Spain

BBVA's Corporate Responsibility (CR) policy is approved by the Board of Directors, while the CR department is responsible for managing and coordinating it. A Global CR and Reputation Committee formulates and monitors CR policy and programmes. This body is made up of the executive managers of the Group's main areas of business and support, and is chaired by the Brand and Communication manager (who is in turn a member of the Bank's Management Committee).

Each of the countries where the Group has a significant presence, has also created a Corporate Responsibility and Reputation (CRR) committee, with representatives from each of the local business areas, chaired by the Country Manager, who is the Bank's CEO in each country. At the close of 2010, there were local CRR committees in Spain and Portugal, Mexico, Argentina, Colombia, Chile, Peru, Venezuela, Paraguay and Uruguay.

Workshops designed to promote strategic reflection on CRR were held in 2010 in Spain and Portugal, Argentina, Chile, Colombia, Peru and Venezuela. Those participating included the main managers of the Group's various business areas. The aim was to ground concepts and look for greater synergies in developing new CR initiatives.

<http://bancaparatodos.com/en/informacion-de-responsabilidad-corporativa-2010/principios-politicas-grupos-de-interes/principios-politicas-gobierno-de-la-responsabilidad-corporativa/>

vii. For second-tier banks and other banks with operations through financial intermediaries: how does our policy (or policies) extend to these financial partners and/or clients?

Second-tier and public banks face the challenge of operating both directly with clients and indirectly through financial intermediaries. Due thought should be given to the sustainability implications that derive from these two separate roles.

Nordic Investment Bank

The Nordic Investment Bank's environmental policy and guidelines include a section specifically on financial intermediaries. The section spells out the

What the Multilateral/Bilateral Banks are doing...

FMO

FMO's sustainability policy underpins the commitment to an investment approach that ensures that the costs of economic development do not fall disproportionately on those who are poor or vulnerable, that natural resources are managed efficiently and sustainably, and that environmental degradation is avoided or mitigated.

FMO's E&S Policy focuses specifically on addressing E&S issues in financing decisions. Within FMO, these E&S requirements are fully integrated in each and every step of the internal process manual.

<http://www.fmo.nl/smartsite.dws?id=44>

Bank's expectations and procedures vis-a-vis these intermediaries, including its environmental review procedure, whereby the Bank reviews the FIs' capacities to handle the environmental aspects of their lending operations.

http://www.nib.int/about_nib/environment/environmental_policy_guidelines

viii. How is/are our policy/ies communicated and promoted inside the bank? What strategies are put in place overall to stimulate employee engagement on sustainability issues? To what extent is the Human Resources Department involved in these efforts?

Current staff

- Issuing of newsletters and company intranets
- Organizing of special events (e.g. Earth Day)
- Training
- Contests and challenges
- Creation of dedicated/special teams to drive environmental employee engagement initiatives
- Providing enabling conditions to make it simpler for employees to make environmentally friendly choices in the workplace (recycling, co-commuting, etc.)
- Recognising efforts and accomplishments (HR-based awards/reward systems)
- Identifying and discouraging inadequate performance

Recruitment

- Inclusion of sustainability criteria in standard ToRs
- Active search for sustainability-related profiles and skills

TD Bank, Canada

TD has developed two parallel programmes in which employees from two different sections of the bank take over the responsibility for raising awareness about environmental issues, thereby enhancing the level of employee engagement across the organisation.

Retail operations: Volunteers called Green Coordinators are responsible for raising employee awareness about environmental issues within their branches. They are also the one-stop shop for information regarding the bank's environmental initiatives and given that they are at the frontline of the bank's operations, they are able to reach out to the customer base and inform them about the bank's environmental credentials.

Business units and sub-units: Green Ambassadors champion environmental programmes and identify mechanisms for involving employees in the realization of the organisation's environmental strategy. Green Ambassadors also possess the ability to convene green working committees and to strategise and pursue the implementation of their own ideas.

<http://www.tdcanadatrust.com/greenbanking/index.jsp>

UNEP FI Resources on Effecting Corporate Culture Change

- If you ask us: Making environmental employee engagement happen
- http://www.unepfi.org/fileadmin/documents/ifyouaskus_engagement.pdf

1.5 We recognize that the sustainable development agenda is becoming increasingly inter-linked with humanitarian and social issues as the global environment agenda broadens and as climate change brings greater developmental and security challenges.

WHAT DOES THIS MEAN

The complexity of sustainability issues has led an increasing number of FIs to develop issue-specific policies, strategies and actions that enable them to better manage exposure and impacts, whether their own or that of their clients and/or other stakeholder groups.

HSBC Group, UK

Led by the belief that climate change will continue to impact its clients and operations, HSBC has taken a number of actions to tackle the issues. These include the following: (i) the establishment of the HSBC Climate Change Centre of Excellence, which investigates the likely economic risks and opportunities of climate change for the financial markets; (ii) being committed to financing the 'climate business' sector and what they believe, will be the low carbon technologies of the future, including low carbon energy production and energy efficiency; (iii) launching the HSBC Global Climate Change Benchmark Index, which lists companies focused on developing solutions to combat the effects of climate change across many business sectors; (iv) setting challenging targets to reduce the carbon emissions resulting from its operations; (v) working in partnership with leading NGOs and engaging HSBC employees in understanding and taking action to address climate change.

<http://www.hsbc.com/1/2/sustainability/protecting-the-environment/climate-change>

Barclays

Barclays aims to always operate in accordance with the Universal Declaration of Human Rights, among other international standards. Barclays Statement on Human Rights outlines the issue's relevance to its employment policies and practices, its supply chain screening and management and the responsible use of its products and services. The institution helped the development of the business and human rights agenda through its membership in key organizations, such as UNEP FI and the Business Leaders Initiative on Human Rights. It also provides guidance for its lending and relationship managers on how to include advice on integrating human rights issues into their assessment of financial transactions.

<http://group.barclays.com/Citizenship/The-way-we-do-business/Human-rights>

United Nations Protect, Respect and Remedy' Framework for Business and Human Rights

<http://www.reports-and-materials.org/Ruggie-report-7-Apr-2008.pdf>

The framework proposed by United Nations Special Representative John Ruggie, at the Human Rights Council in June 2008, is based on three pillars:

- the state duty to protect against human rights abuses by third parties, including business
- the corporate responsibility to respect human rights
- greater access by victims to effective remedy, both judicial and non-judicial

In March 2011 Ruggie issued the report *Guiding Principles in Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*

<http://www.business-humanrights.org/media/documents/ruggie/ruggie-guiding-principles-21-mar-2011.pdf>

Both documents were unanimously endorsed by the Human Rights Council.

2. Sustainability Management

2.1

2.1 We support a precautionary approach to environmental and social issues, which strives to anticipate and prevent potential negative impacts on the environment and society.

WHAT DOES THIS MEAN AND HOW DO I PUT THIS INTO PRACTICE?

In the context of the banking sector, the precautionary approach implies exercising prudence in business activities and operations, so as to try to avoid causing negative impacts on the environment and society. Knowledge and access to information are defining elements towards fulfilling this commitment, through the corresponding due diligence and risk management mechanisms.

The Precautionary Approach as per Principle 15 of the Rio Declaration

One of the primary foundations of the precautionary principle, and globally accepted definitions, results from the work of the 1992 “Earth Summit” and the resulting ‘Rio Declaration’, which stipulates:

“In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.”

<http://www.unep.org/Documents.Multilingual/Default.asp?documentid=78&articleid=1163>

Sustainability Heads and Departments

A few questions sustainability heads and departments may want to think about:

i. Have we systematically identified our direct and indirect impacts on the environment and society?

Proper identification of both direct (operational footprint) and indirect (products and services) impacts is a key first step for sustainability management based on the precautionary principle. A number of internationally recognised standards and guidelines offer guidance on how to identify impacts, as well as how to develop and continuously improve environmental/social performance.

International Standards & Guidelines

- The **International Organization for Standards (ISO) 14000** series provides an internationally recognized norm that defines what should be done in order to establish an effective environmental management system (EMS).

http://www.iso.org/iso/iso_14000_essentials

- The **Eco-Management and Audit Scheme (EMAS)** established by the European Union acknowledges companies, organizations and administrations that are legally compliant, operate an EMS, and report on their environmental performance as per the EMAS requirements.

http://ec.europa.eu/environment/emas/index_en.htm

- **ISO 26000** was released in November 2010 to provide guidelines for Social Responsibility.

http://www.iso.org/iso/social_responsibility

ii. Where do we get our information on sustainability issues and how do we keep track of burning issues? Are we engaging with some of the key players who hold such information first hand, both on the local and region/global level?

Needless to say, in today's world, information is everywhere. Current practice reveals the importance of liaising and even engaging with key government and civil society players to build up the knowledge and access to information that will enable proper sustainability management.

- Governments - Consultation and liaison on relevant environmental/social legislation, licenses and fines)
- International Organisations – Consultation and engagement on relevant international norms and trends
- NGOs – Consultation and collaboration on understanding and integrating sustainability issues
- Media – Ongoing tracking of spotlight issues in the press, on TV, internet sites and blogs, etc.

Industrial Bank of China

The Industrial Bank (IB) makes constant use of the environmental information made available by the Chinese government. For instance, IB follows the news on breaches of environmental rules published on China's Information Disclosure System, which it then compares to its client list, so as to take appropriate risk management measures.

http://www.cib.com.cn/netbank/en/Sustainability/Environmental_and_Social_Risk_Management/Sustainable_Finance_Policy/20090721_1.html

Piraeus Bank, Greece

Piraeus Bank has established a long-standing relationship with the major national and international environmental non-governmental organisations (NGOs) operating in Greece. These NGOs provide insight and expertise on sustainability and environmental management issues. Piraeus Bank has also partnered with NGOs in projects supported by the European Union under the LIFE funding instrument for managing environmental impacts and environmental risks (GREENbanking4Life and climabiz projects). Additionally, the Bank employs an environmental lawyer with the main task to follow international organisations and agreements regarding environmental and social issues, as well as relevant legislation (national, European and international) and provide input for developing new strategies within the Bank.

<http://www.piraeusbank.gr/ecportal.asp?id=296932&lang=2&nt=98%20&sid=>

IOs and NGOs

NGOs

Banktrack
<http://www.banktrack.org/>

Human Rights Watch
<http://www.hrw.org/>

International Union for Conservation of Nature (IUCN)
<http://www.iucn.org/>

Rainforest Action Network (RAN)
<http://ran.org/>

WWF (World Wildlife Fund)
<http://www.wwf.org/>

IOs

Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal
<http://www.basel.int/>

Rotterdam Convention
(International trade of hazardous chemicals)
<http://www.pic.int/>

Stockholm Convention on Persistent Organic Pollutants (POPS)
<http://chm.pops.int/default.aspx>

United Nations Convention on Biological Diversity (CBD)
<http://www.cbd.int/>

United Nations Environment Program (UNEP)
<http://unep.org/>

United Nations Framework Convention on Climate Change (UNFCCC)
<http://unfccc.int/2860.php>

United Nations Human Rights Council
<http://www2.ohchr.org/english/bodies/hrcouncil/>

World Health Organization (WHO)
<http://www.who.int/en/>

2.2

2.2 We will comply with all applicable local, national and international regulations on environmental and social issues. Beyond compliance, we will work towards integrating environmental and social considerations into our operations and business decisions in all markets.

WHAT DOES THIS MEAN?

This clause establishes compliance with relevant regulations as the baseline of sustainability management, both for a bank's own activities and those of its clients, and its clients' providers/vendors. Importantly, it acknowledges the importance of verifying such compliance across the full geographic breadth of Signatories' activities.

The integration of environmental and social issues across operations, including due diligence procedures, is explored in further detail in

clauses 2.3-2.7 and shows that the verification of legal compliance is but one of several tools available to banks to assess their clients' sustainability credentials.

UniCredit Bank Austria, Austria

With numerous subsidiaries in various countries across Central & Eastern Europe (both European Union (EU) members and non-members), Bank Austria is faced with a variety of applicable environmental legislations. A sector-specific information platform has been developed on the bank's intranet, so as to assist relationship and risk managers in identifying key EU environmental legislation.²

In EU member states, if the local law is stricter than the corresponding EU Directive, then the local law applies. For non-EU members, the International Finance Corporation (IFC) standards are used as the baseline norm if there are no stricter local standards in existence. In sum, the Bank always abides by the stricter legislation or standard. Once the applicable norm has been identified, the Bank's risk team can proceed with the necessary legal verifications, from checking authorizations/licenses to operate and environmental fines, to reviewing the existence of any sustainability-related lawsuits.

<http://www.bankaustria.at/en/open.html#/en/14777.html>

2.3

2.3 We recognize that identifying and quantifying environmental and social risks should be part of the normal process of risk assessment and management, both in domestic and international operations.

WHAT DOES THIS MEAN AND HOW DO I DO THIS?

This clause seeks to embed environmental and social risk analysis and management directly into

Signatory institutions' risk management processes. This is a deeply nuanced area of implementation,

where a number of institutions have already established best practices.

Risk Departments

The following provides some orientation as to what Risk Departments should be considering:

i. Do we have an environmental and social risk management (ESRM) system, and if so what is the scope of the environmental risk analysis carried out?

Environmental and social risk is potentially present at all scales of business, from Project Finance to Microfinance. They require very different management techniques however, which take time to develop and master.

- What are the environmental and social risks associated with the sectors/types of activity or projects financed by the bank, and which of these should be prioritized in our ESRM?

² Most environmental legislation in EU member states now originates at the European level, in the form of EU regulations, which apply directly, and EU Directives, which have to be transposed into national legislation by each member state.

- Should certain sectors/activities be excluded altogether from financing?
- Does our ESRM enable us to address the cumulative environmental and social risks of the activities and projects we finance, especially in smaller operations, for instance at small and medium enterprises (SME), retail or even microfinance level?
- How does our ESRM look at specific sustainability issues such as climate change, biodiversity, human rights – both at a client level and at a portfolio level?
- Does our ESRM assess both the impact on the environment and society by the client (pollution, threat to natural habitats, health and safety concerns for communities and employees), and potential impacts of the environment and society on the client (flooding and other severe weather events, alternation of vital ecosystem services, community perceptions, traditions, etc.)?
- In the case of international institutions, does the analysis extend to branches/subsidiaries/holdings abroad and/or do these run their own management systems?
- In the case of second-tier banks, does the analysis extend to the operations of the bank's financial intermediaries?

The Equator Principles

The Equator Principles (EPs) are a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions.

The EPs are adopted voluntarily by FIs and are applied where total project capital costs exceed \$10 million.

Based on the IFC Performance Standards on social and environmental sustainability and on the World Bank Group Environmental, Health, and Safety Guidelines, the EPs are intended to serve as a common baseline and framework for the implementation by each adopting institution of its own internal, social and environmental policies, procedures and standards related to its project financing activities.

<http://www.equator-principles.com/>

Standard Chartered, UK

Standard Chartered evaluates and mitigates social and environmental risks across its lending, debt, capital markets activities, project finance, principal finance and advisory work. As a signatory to the Equator Principles, the bank assesses and classifies environmental and social risk as set out in the principles. In addition, potential business deals are reviewed against the Bank's 14 position statements covering sectors with high risk for environmental or social impact. The Bank currently has position statements on child labour, climate change, gaming and gambling and water among others. As a signatory to the Climate Principles, Standard Chartered reports on its progress against engaging clients and mitigating the impact their business has on climate change.

Standard Chartered has developed sector-specific risk assessment tools, comprising a series of questions related to a client's operations and ability to manage environmental and social risks. These tools, known collectively as ESRA, are sector-specific in line with the Bank's position statements. They are designed to provide relationship managers and credit officers in the Bank's wholesale banking business with an adaptable yet simple means of

assessing clients' E&S and reputational risk performance.

The Bank is currently enhancing its internal processes for identifying and mitigating E&S risk across its SME business. This work will include rolling the existing position statements to SME customers, and developing ESRA tools specially adapted to SMEs.

<http://www.standardchartered.com/sustainability/positions-statements/en/index.html>

EFIC, Australia

Australia's Export Finance and Insurance Corporation (EFIC) has a Policy and Procedure mandate for environmental and social review of transactions that detail how it implements its corporate value to "uphold best-practice environmental and social standards in the transactions we [EFIC] support". The Policy and Procedure applies to all of EFIC's transactions. The Policy and Procedure also describes EFIC's public reporting of transactions and the institution's commitment to have the application of the Policy and Procedure externally audited every two years.

<http://www.efic.gov.au/corp-responsibility/envr-responsibility/Pages/default.aspx>

Banca Commerciale Romana, Romania

In 2003, the European Bank for Reconstruction and Development (EBRD) and IFC became shareholders of the Banca Commerciale Romana (BCR), bringing about profound changes with regard to sustainability issues. Currently BCR's environmental procedures cover all of its lending activities: corporate, SMEs and micro-clients.

www.bcr.ro
(in Romanian only)

Of Sustainability and ESRM Systems

ESRM systems come in different hues and colours, however a beginner's guide to ESRM might look as follows:

ES Risk Identification

What are the potential risks associated with the client/ the client's undertaking?

ES Risk Analysis

How real are these potential risks and how might they impact the bank?

ES Risk Categorisation

Based on the analysis, what category (between proceed without qualifications, proceed with qualifications, don't proceed) does the transaction fall into?

ES Risk Mitigation

For transactions requiring mitigation measures, what will these be?

ES Risk Monitoring

How will the bank monitor that the mitigation measures are effectively being enacted?

International organisations, NGOs, Multilateral and Bilateral Finance institutions have developed a wealthy corpus of guidelines and tools on how to set up an ESRM, including the IFC's FIRST for Sustainability dedicated website. See also UNEP FI training at the end of this section.

<http://firstforsustainability.org/homepage.php>

ii. Who implements the system?

A meaningful ESRM system will require the involvement of both the risk department and the bank's relationship managers / deal-makers. Staff across the credit process need a baseline understanding of ES risk and its materiality for the institution – this calls for ongoing awareness-raising and capacity-building.

A designated person/team within the risk department

Proper detection and evaluation of environmental risks often requires an expert technical eye; current best practice involves recruiting biologists, geologists, engineers and other such specialists within the ESRM teams.

The relationship managers/deal-makers

While ESRM systems are implemented by risk teams, the due diligence process cannot be initiated without the relationship managers. Resistance to what is often seen as an additional hurdle to securing deals is commonplace, requiring strategies to be put in place accordingly. Commercial teams need to be particularly aware of the correlation between sustainability performance and traditional business performance, as well as the many business opportunities that can arise from applying sustainability considerations to clients' undertakings – a service which many already appreciate and an increasing number will come to expect over time.

Santander Brazil

Santander Brazil trains account managers, as well as those on the front line of the credit risk analysis process. Training includes ways in which to approach clients and inform them of sustainable investment opportunities, while credit analysis staff are trained to carry out pre-analyses of environmental and social risks.

<http://sustentabilidade.santander.com.br/oquefazemos/praticasdegestao/Paginas/RiscoSocioambiental.aspx>

FirstRand, South Africa

The FirstRand Executive Committee established an Environmental Risk Forum in 2007. Chaired by the Head of ESRM for the Group, the Forum reviews FirstRand's progress and status regarding environmental and social footprints, and risk management practices. Each of the divisions of FirstRand is represented at the Forum by members of their risk, strategy, compliance, legal and operational teams.

The Environmental Risk Forum is a sub-committee of the Group Operational Risk Committee and the Regulatory Risk Management Committee, and provides formal feedback through these two committees to the FirstRand Risk, Audit and Compliance Committee and the FirstRand Executive Committee.

<http://www.firstrandsustain.co.za/group-environmental-programme/>

Industrial Bank of China

The organizational structure of Industrial Bank's Environmental & Social Risk Management System involves a variety of players across the organisation:

- Board of Directors - Determines overall strategy and system
- Senior management - Formulate policies and operational guidelines
- Environmental officials (general managers from the Bank's Credit Approval Department, as well as its Legal and Compliance Department)
 - Coordinate environmental and social risk management work on a day-to-day basis
- Departments relevant to credit business at headquarters and branch level
 - Implement environmental and social risk management according to the Bank's standards
- Headquarters' Sustainable Finance Division: Takes the lead in managing environmental and social risks and promote sustainable finance development

http://download.cib.com.cn/netbank/download/en/Sustainability/Report_2010_1.pdf

What the multilateral/bilateral banks are doing...

European Bank for Reconstruction and Development

EBRD has established an Environmental and Social Risk Categorisation List designed to provide the user (typically credit or investment officers) with an indication of the inherent environmental and social risks associated with a particular business activity and hence assist in ensuring that the appropriate level of environmental and social due diligence is undertaken on the project under consideration.

A project's actual exposure to environmental and social risks will also depend upon other factors such as the nature and size of the transaction and the financial and managerial capacity of the company to effectively manage environmental and social issues. These factors should be taken into account when using this list.

<http://www.ebrd.com/pages/about/principles/sustainability/resources/financial.shtml>

FMO

The Netherlands Development Finance Company (FMO) has developed several tools for social and environmental risk analysis, including a tool for private equity funds to manage E&S risk in compliance with IFC's Performance Standards and a tool that guides microfinance institutions and SME banks in the identification and management of E&S risk.

<http://www.fmo.nl/smartsite.dws?id=1680>

<http://www.fmo.nl/smartsite.dws?id=2805>

iii. How do they implement our ESRM system and what tools do they use?

Risk Identification

- Verification against external guidelines (see boxed information)
- Use of internal guidelines
- Collection of key information through questionnaire applied to client
- Verification of compliance with legal requirements applicable to the operation
- Further legal verifications (eg. review of environmental fines or review of any sustainability-related lawsuits)
- Consultation of sustainability indices and ratings (see Table III)
- Verification of adherence to relevant initiatives (see Table II)

Risk Analysis

- Verification against external/international policies, standards and exclusion lists (e.g. EPs, MFI guidelines)
- Verification against internal policies, standards and exclusion lists
- Further information collected via dialogue with relevant authorities and NGOs
- Further information collected via sustainability report (if available)
- Further information collected via site visits

Risk Categorisation

- Application of Equator Principles and/or multilateral/bilateral FI categorization systems
- Application of own categorization systems

Risk Mitigation

- Environmental Impact Assessment
- Environmental audit
- Environmental action plan

- Public consultation and disclosure plan

Risk Monitoring

- Monitoring, evaluating and reporting of client performance and compliance against agreed action plans

Further Useful Standards for Risk Decision-making ...

Banks that are involved in commodity finance may find the documents and resources produced by the following standard-setting institutions useful to guide their credit decisions:

- Palm oil - Roundtable on Sustainable Palm Oil (RSPO)
<http://www.rspo.org/>
- Seafood - Marine Stewardship Council (MSC)
http://www.msc.org/?set_language=en
- Soy - Roundtable on Responsible Soy association (RTRS)
<http://www.responsiblesoy.org/>
- Sugar - Better Sugar Cane Initiative
<http://www.bonsucro.com/>
- Wood - Forest Stewardship Council (FSC)
<http://www.fsc.org/>

iv. Do we ensure consistency vis-a-vis our clients based on ESRM results?

ESRM systems yield valuable information and decisions vis-a-vis clients/potential clients – but this information may not always be appropriately circulated and acted upon.

Santander Brazil

Since 2010 Santander Brazil's Compliance department includes environmental and social factors in its analysis of new client applications (including individuals). This involves the Compliance department doing due diligence not simply on issues such as money laundering and terrorism, but also looking into any precedents of slave labour, or illegal logging. This additional screening is applied to all the bank's clients.

http://www.santander.com.br/document/wps/Indicadores_de_Sustentabilidade.pdf

UNEP FI Risk Resources:

Environmental Risk Briefings by Sector

<http://www.unepfi.org/signatories/toolkit/index.html>

Training on Environmental & Social Risk Analysis:

- One day introductory workshop
- Three week online course
- One and a half day risk research workshop
http://www.unepfi.org/training/risk_workshop/index.html
http://www.unepfi.org/training/risk_training/index.html

Reports on Water-related Risk

Half full or half empty?

http://www.unepfi.org/fileadmin/documents/half_full_half_empty.pdf

Chief Liquidity Series - Issue 1: Agribusiness

http://www.unepfi.org/fileadmin/documents/chief_liquidity1_01.pdf

Chief Liquidity Series - Issue 2: Power Sector

http://www.unepfi.org/fileadmin/documents/chief_liquidity2_01.pdf

Human Rights Online Tool

<http://www.unepfi.org/humanrightstoolkit/>

2.4

2.4 We will endeavour to pursue the best practice in environmental management, including energy and water efficiency, recycling and waste reduction. We will seek to form business relations with customers, partners, suppliers and subcontractors who follow similarly high environmental standards.

WHAT DOES THIS MEAN AND HOW DO I DO THIS?

This clause requires Signatories to 'walk the talk' in terms of their direct impacts on the environment and society, that is to say, the impacts stemming from their facilities and employees.

Sustainability Teams and General Support Teams

Sustainability Teams and General Support Teams should track some of the issues outlined below:

i. Do we measure the environmental footprint of our facilities and what measures are being taken to diminish this footprint?

Measuring impact and establishing targets

Key measurements that will help track the bank's impact on ecosystems, communities and the climate:

- Emissions (CO₂ and other GHG gases)
- Energy consumption
- Water consumption
- Paper consumption
- Waste
- Environmentally/socially certified procurement

Strategies for Resource Efficiency

- Emissions management (reduce and where not possible, offset) by measures such as tele-/videoconferencing, green commuting and other approaches to reducing business travel
- Energy consumption reduction strategies (optimized use of daylight, motion-sensitive lighting, energy efficient equipment, etc.)
- Water consumption reduction and recycling programmes
- Green printing (use of recycled/chlorine-free paper, double-sided printing, soy-based inks)
- Waste management (recycling and appropriate disposal)

Measuring the Carbon Footprint

World Business Council for Sustainable Development / World Resources Institute Greenhouse Gas Protocol

The Green Housegas (GHG) Protocol Initiative was launched to develop a set of practices that companies can use to account for, and report on, their GHG emissions.

The GHG Protocol categorizes direct and indirect emissions into three broad scopes

Scope 1 – all direct GHG emissions

Scope 2 - indirect GHG emissions from consumption of purchased electricity, heat or steam.

Scope 3 - Other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. transmission and distribution losses) not covered in Scope 2, outsourced activities, waste disposal, etc.

<http://www.wbcsd.org/templates/TemplateWBCSD1/layout.asp?type=p&MenuId=Mjc3&doOpen=1&ClickMenu=LeftMenu>

Bank of America

As one of the world's largest financial institutions with operations in more than 40 countries, Bank of America is committed to making its operations more environmentally sound through the reduction of emissions, consumption, and waste, and by working with its suppliers to help accomplish those goals.

The company's goal to reduce its global greenhouse gas emissions by an aggregate 30% over 2004 levels, and its paper procurement policies, which curtail the virgin wood fibre content of the paper it purchases, are two examples of this commitment. Additionally, Bank of America is helping its employees reduce their emissions through a programme that provides a US\$3,000 reimbursement to employees who buy a new hybrid, natural gas or electric vehicle.

The company is aiming to have 20 percent of its corporate workplace real estate portfolio certified under the U.S. Green Building Council's LEED (R) (Leadership in Energy and Environmental Design) rating system by 2015. Currently 11 percent of the company's workplace portfolio, 13.2 million square feet, is comprised of LEED -certified space, the most notable example being the Bank of America Tower in New York, which is the first Platinum Core and Shell Certified high rise office building in the world.

<http://environment.bankofamerica.com/>

BBVA, Spain

BBVA has devised the Global Eco-efficiency Plan 2008-2012, which includes: a 2% reduction in energy use, a 7% reduction in water, a 10% reduction in paper and a 20% reduction in CO2 emissions (objectives per employee), in addition to a 20% increase of people working in buildings with the ISO 14001 certification.

<http://bancaparatodos.com/en/informacion-de-responsabilidad-corporativa-2010/banca-responsable/medio-ambiente/>

Itau-Unibanco, Brazil

Itau-Unibanco's Green Information Technology (IT) Program rests on four pillars: the life cycle of products, energy efficiency, the green workplace and green applications. It is worth pointing out that the IT area is responsible for approximately 50% of the electric energy consumed by the entire holding company.

Specific actions taken under the programme include: the installation of videoconferencing facilities; reducing the need for physical movement and consequently of greenhouse gas emissions; the modernization of a Data Center infrastructure and the substitution of computer monitors at the end of their useful life for the more efficient LCD models; and the correct disposal of obsolete electronic equipment.

http://ww2.itaubr.com.br/sustentabilidade/_/no-seu-dia-a-dia/sustentabilidade-n pratica/cases.aspx?pagina=case-ti-verde

Green/responsible procurement

- Purchase of environmentally friendly products and equipment (e.g. recycled materials, paper from sustainably managed forests, etc.)
- Consideration of the environmental performance of suppliers, distributors and subcontractors

National Australia Bank

National Australia Bank (NAB) aspires to educate, influence and support its supply chain and improve its sustainability performance through procurement. NAB introduced the Supplier Sustainability Program in Australia in 2008 and has been working to introduce NAB's Supplier Sustainability Principles into new contracts with key suppliers. In Australia, the Supplier Sustainability Principles have been incorporated into more than 150 supplier contracts.

<http://www.nabgroup.com/0,,100401,00.html>

CIBC, Canada

When CIBC purchases a particular product, it takes associated environmental impacts into account, such as the way in which the product was designed and manufactured. When acquiring services that might have an adverse environmental impact, it encourages responsible conduct from suppliers so as to minimize their ecological footprint.

It is also committed to working with suppliers that share its level of commitment to the environment and those that take into consideration energy efficiency, the sustainable use of natural resources, recycling, the appropriate management of toxic substances, product re-use, environmental certifications, and environmental certifications.

<http://www.cibc.com/ca/inside-cibc/environment/policies/procurement.html>

Green buildings

- Environmental criteria in the administration/maintenance of properties (e.g. environmentally-friendly detergents/cleaning products)
- Environmental criteria in the remodelling/retrofitting of properties (e.g. energy or water saving devices)
- Environmental criteria in the selection and design of new properties (e.g. energy savings via better usage of daylight, emissions reductions via the use of renewable energies)

Citigroup, United States of America

In April 2009, as part of its goal to reduce its greenhouse gas emissions 10 per cent below 2005 levels by 2011, Citi announced that it had become the first company in the world with more than 100 LEED-certified retail branch offices. By 2010, Citi counted LEED certification for 185 projects across nine countries, while more than 60 Citi-managed buildings in the U.S. had earned the ENERGY STAR label. In addition, these performance benchmarking tools were extended to a further 4,500+ facilities globally.

Due to the conservation program's success, in 2010 Citi announced a second round of goals to include additional reductions, as well as categories of impact on water and waste. Citi's goal of reducing carbon by 25% by 2015 has allowed Citi to work with the Clinton Climate Initiative, explore alternative energy solutions, help create alternative energy markets, and embed 'green' language into its property leases in the effort to ingrain sustainability directly into all of its operations.

<http://www.citi.com/citi/citizen/assets/pdf/citi.pdf>

Environmental Employee Engagement

- Awareness-raising campaigns
- Active involvement of employees in setting up, implementing and championing environmental management strategies (e.g. volunteers, 'green teams', etc.)

Of Sustainability and Environmental Management Systems

Key steps towards corporate eco-efficiency:

- You cannot manage what you do not measure - establish your current eco-efficiency profile to find out what consumption levels are and where your main opportunities are.
- Set reduction/mitigation targets for the institution – these should be time-bound.
- Establish an action plan to achieve the targets – roles and responsibilities should be clearly defined.
- Monitor progress against the targets, and communicate them.
- Continue to look for further opportunities for improvement.

UNEP FI and its training partners have made available a three-week online course on how to implement internal eco-efficiency.

http://www.unepfi.org/training/ecoef_training/index.html

ii. What is the scope of our measurements, policies and targets?

- Corporate buildings
- Branches and subsidiaries
- Holdings
- Outsourced services

HSBC Group, United Kingdom

As part of its effort to protect the environment, HSBC has established a series of environmental targets to be met on an annual basis, involving the reduction of waste, CO2 emissions, and energy and water consumption. HSBC has separate targets for data centres, paper consumption and business air travel. The purpose of the targets is to drive efficiency, reduce its operational impact on the environment and generate cost savings. Performance is measured annually, and Chief Operating Officers are accountable for environmental performance through targets in their annual performance scorecards.

The group has different programmes aimed at improving its environmental efficiency wherever it has a presence around the world. These programmes include improving the energy efficiency of its data centres, ensuring new buildings achieve leading environmental performance standards (Argentina, Canada, China, Egypt, Hong Kong, India, Mexico, USA, United

Kingdom), using intelligent software to automatically power down personal computers and the micro-generation of energy using solar panels and wind turbines (Brazil, France, Malta, Mexico, United Kingdom).

<http://www.hsbc.com/1/2/sustainability/protecting-the-environment/footprint-management>

iii. How do we monitor and act on performance?

- Regular monitoring of performance against established targets
- Internal auditing of performance
- External validation of performance
- Quest for further actions and innovation to extend the scope and depth of environmental management

Eurobank EFG, Greece

Environmental performance is annually verified by an accredited auditor at Eurobank. An internal audit scheme is also in place, coordinated by the Environment Office. Environmental indicators are collected on a semi-annual basis, so that achievements against targets are adequately monitored and corrective and preventive actions are duly initiated.

<http://www.eurobank.gr/online/home/generic.aspx?id=16&lang=en&mid=>

2.5

2.5 We intend to update our practices periodically to incorporate relevant developments in sustainability management. We encourage the industry to undertake research accordingly.

WHAT DOES THIS MEAN?

This clause acknowledges the evolving nature of sustainability issues, particularly with regards to our understanding and management of the issues. Signatories are invited to remain critical and observant. Seeking and obtaining information is critical; to this effect, industry and/or stakeholder alliances and initiatives are important activities in which to invest resources.

Industrial Bank of China

IB considers research to be highly important. The Bank actively participates in research and policy-making projects undertaken by regulatory institutions. For example, IB made suggestions based on its own experience of sustainable finance and green credit, while participating in the China Banking Regulatory Commission's and the Ministry of Environmental Protection's research projects on topics such as green credit and, ESRM. Also, in 2010, IB cooperated with other authors to publish a book on the Equator Principles (Equator Principles—Banking Sector Best Practice for Sustainable Development) which was the first book of its kind in China.

Sustainability Networks

Business

International Chamber of Commerce (ICC)
(Commission on Environment and Energy)
<http://www.iccwbo.org/id1293/index.html>

International Corporate Governance Network (ICGN)
<http://www.icgn.org/>

The Business of a Better World (BSR)
<http://www.bsr.org/en/>

United Nations Global Compact
<http://www.unglobalcompact.org/>

World Business Council for Sustainable Development (WBCSD)
<http://www.wbcsd.org/templates/TemplateWBCSD5/layout.asp?MenuID=1>

Finance

Carbon Markets and Investors Association (CMIA)
<http://www.cmia.net/default.aspx>

The Carbon Principles
<http://carbonprinciples.org/>

The Climate Group
<http://www.theclimategroup.org/>

The Equator Principles
<http://www.equator-principles.com/>

The Principles for Responsible Investment
<http://www.unpri.org/>

United Nations Environment Program Finance Initiative (UNEP FI)
<http://www.unepfi.org/>

2.7 We recognize the need for the financial services sector to adapt and develop products and services which will promote the principles of sustainable development.

WHAT DOES THIS MEAN AND HOW DO I DO THIS?

In this allusion to the gradual transition towards a greener, more sustainable economy, Signatories are compelled to orient new business lines and products towards activities which, by their very nature, provide a net benefit to society and the environment.

Green Economy

“A Green economy is one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. In its simplest expression, a green economy can be thought of as one which is low carbon, resource efficient and socially inclusive.”

UNEP Green Economy Initiative
<http://www.unep.org/greeneconomy>

Business Units and Product Development Teams

Representatives from Business Units and Product Development Teams should be thinking about the following:

i. Which ones of our business units are providing products and services geared towards sustainability issues?

Retail banking

- Green credit cards
- Green savings accounts
- Green loans
- Green mortgages

Industrial Bank of China

IB has developed a number of green products and services, including Energy Conservation and Emission Reduction Project Loans, Integrated Carbon Financing Services, a Low-Carbon Credit Card, Green Wealth Management Services, and Green Financial Leasing Services.

http://download.cib.com.cn/netbank/download/en/Sustainability/Report_2010_1.pdf

SME to Corporate lending

- Green/social/responsible credit lines
- Green Leasing
- Environmental advisory services

2.6 We recognize the need to conduct regular internal reviews and to measure our progress against our sustainability goals.

WHAT DOES THIS MEAN?

This clause encourages Signatories to establish proper monitoring and evaluating functions and processes. Such reviews are key to ensuring continued improvements and innovation, and also form the basis for the institution's communication with different stakeholder groups.

A few things Sustainability Departments and Senior Management might want to consider:

- Regularity of internal reviews
- Scope of reviews (do we review everything each time?)
- Coordination of reviews with related tasks such as reporting and disclosure
- Communication of review results (what is communicated to which audiences and in what way)
- Responsibility for review oversight (in line with sustainability governance structures)

FIRA, Mexico

FIRA seeks to promote green projects by a four-pronged approach:

- Financing: specially designed financial products, assistance to financial intermediaries
- Risk management: long term guarantees, as well as awareness-raising and training for financial intermediaries
- Carbon markets: shared transaction costs for greater and faster access
- Awareness-raising and training: green projects and technologies

By offering both financing solutions and technical assistance services, FIRA's value proposal on green projects rests on increased returns and lower risk levels.

www.fira.gob.mx

The Bank of Tokyo-Mitsubishi UFJ, Japan

The Bank of Tokyo-Mitsubishi UFJ (BTMU) is moving ahead with the development of products and services to SME customers working to reduce the impact on the environment. In September 2008, BTMU launched the ECO Accreditation Support Loan, which provides ¥100,000 in financing for customers who have already acquired ECO accreditation from an independent body or have declared their intent to do so.

BTMU also offers Yukatsuryoku eco-action business loans, which come with preferential interest rates for customers that have acquired ISO 14001 or EcoAction 21 certification. For SME customers that have acquired Eco-stage environmental certification, the Bank also provides the Eco Stage Bond, a bank-guaranteed private placement bond with reduced fees for bond issuance.

http://www.mufg.jp/english/csr/csrreport/2007/pdf/file/all_e.pdf

Bancoldex, Colombia

Bancoldex has created a sustainable development credit line. The line aims to provide companies with financing for all projects and undertakings seeking to prevent and mitigate their environmental impacts.

<http://www.bancoldex.com/contenido/contenido.aspx?catID=339&conID=2914>

Royal Bank of Canada

In 2010, RBC expanded the depth and breadth of green advice to clients, highlighted by the launch of the online RBC Greening Your Business Advice Centre. The Advice Centre provides free resources and tools to help companies transition to more environmentally sustainable business models.

<http://www.rbcroyalbank.com/commercial/advice/greening-your-business/>

Development Bank of the Philippines

One of the Development Bank of the Philippines' (DBP) CSR programs is the DBP Forest Program where the Bank partners with civil society organizations, local government units, state universities & colleges in reforesting critical watershed areas. At the heart of this effort, is an approach whereby the forest projects financed by the bank offer rural communities livelihood opportunities, while at the same time restoring habitat for wildlife.

<http://www.dbp.ph/about.php?cat=63>

Project Finance

- Involvement in green infrastructure projects (e.g. renewable energies)

Investment banking

- Environmental advisory services
- Sustainable/responsible/socially responsible (SRI) investments
- Carbon finance and emissions trading
- Green bonds

Yes Bank, India

Yes Bank has set up a specialised investment advisory, the Sustainable Investment Banking division, which promotes investments in clean technology, renewable energy, water management, and distributed energy, especially amongst the SME sector. The Bank also acts as the Exclusive Country Advisor for a number of partnerships with foreign private equity firms, including a collaboration seeking investments across India, Sri Lanka, Nepal and Bangladesh. Finally, the Bank has initiated a socially and environmentally responsible equity investment programme, Tatva, which is actively looking to invest equity in early-stage, small-and-growing enterprises that profitably deliver a positive 'people and planet' impact.

<http://www.yesbank.in/index.jsp?navigationUrl=%2FYES+Bank+Repository%2Fn%2FAbout+us%2FResponsible+Banking%2FSustainable+Investment+Banking>

What the Multilateral/Bilateral Banks are doing...

Corporacion Andina de Fomento, Latin America

Corporacion Andina de Fomento (CAF) has established a special programme, BioCAF, specifically designed to promote the conservation and sustainable use of ecosystems, natural and genetic resources and biodiversity. Three core lines of action from have been defined under the programme:

- Conservation initiatives for ecosystems and species in the region
- Compensation and/or payments for environmental services for the conservation of the ecosystems that generate these services
- Biodiversity and genetic resource markets (bio-commerce and biotechnology)

<http://www.caf.com/view/index.asp?ms=9>
(in Spanish only)

KfW Bankengruppe, Germany

KfW has established the KfW Carbon Fund, a procurement platform for project-based carbon credits issued under the flexible mechanisms of the Kyoto Protocol (the Clean Development Mechanism and Joint Implementation).

Through the fund, KfW supports climate protection projects worldwide. By purchasing emission reduction certificates, the Bank seeks to give projects an additional source of funding, while also promoting the transfer of modern technologies to developing countries.

A further aim pursued by the Fund is to enable enterprises taking part in the procurement programmes to meet their obligations under the European trading scheme.

http://www.kfw.de/kfw/en/KfW_Group/Sustainability_and_Climate_Protection/KfW-Carbon_Fund/index.jsp

ii. Who are our key allies when it comes to developing/offering green products and services?

Although environmental awareness continues to grow in the general public, most environmental markets remain timid. Making use of, or even encouraging the development of, public-private financing mechanisms can make a big difference. NGOs can further play a positive role in this process.



National Australia Bank

In November 2010, NAB entered a partnership with Low Carbon Australia (a government enterprise) and Eureka Funds Management to establish its Environmental Upgrade Loan. The Loan offers financing solutions for energy efficiency retrofits of commercial buildings, as a way of assisting businesses to reduce their energy usage, energy costs and carbon emissions.

<http://www.lowcarbonaustralia.com.au/media-release/australian-carbon-trust-first-energy-efficiency-program-investments-announced>



iii. How have we sought to further add value for our clients by helping them to detect sustainability opportunities in the projects they finance with us?

Green financing products and services imply that clients are specifically seeking funding for a green activity or project. Yet the reality is that most green business opportunities lie embedded in normal activities, and more often than not, may not have been detected by the client. Developing the capacity to advise on such opportunities can prove key to developing this new and growing market.



“This is a growing marketplace that needs financial participants with expertise to provide value-added solutions for producers and consumers of energy who are sensitive to the management of their carbon footprints.”

Jeff King, Managing Director and Head, Environmental Markets
Scotiabank, Canada

UNEP FI Resources on ‘Green Financing’

- Green Financial Products and Services: Current Trends and Future Opportunities in North America

http://www.unepfi.org/fileadmin/documents/greenprods_01.pdf

Energy Efficiency and the Finance Sector

http://www.unepfi.org/fileadmin/documents/Energy_Efficiency.pdf

- Green Buildings and the Finance Sector - An Overview of Financial Institution Involvement in Green Buildings in North America

<http://www.unepfi.org/fileadmin/documents/greenbuildings.pdf>

- Catalysing low carbon growth in developing economies - Public Finance Mechanisms to scale up private sector investment in climate solutions

http://www.unepfi.org/fileadmin/documents/catalysing_lowcarbon_growth.pdf

3. Public Awareness and Communication

3.1

3.1 We recommend that financial institutions develop and publish a statement of their sustainability policy and periodically report on the steps they have taken to promote the integration of environmental and social considerations into their operations.

WHAT DOES THIS MEAN AND HOW DO I DO THIS?

This clause suggests that Signatories engage in transparency, public disclosure and accountability.

Senior Management, Sustainability Teams and Corporate Communications

Things for Senior Management, Sustainability Teams and Corporate Communications to think about include:

i. What does our reporting cover?

- Policies and action plans
- Governance and oversight
- Roles and responsibilities within the institution
- Integration of sustainability criteria in processes and operations (e.g. risk analysis, provision of environmental products and services)
- Internal environmental management & employee well-being
- Communication and engagement with stakeholders
- Community work
- Philanthropy

ii. What is the scope of our reporting?

- Corporate operations
- Branches/subsidiaries
- Holdings

iii. How is our reporting verified?

- Internal auditing
- External verification

UNEP FI Resources on Sustainability Reporting:

- If You Ask Us... Understanding Corporate Sustainability Disclosure Requests http://www.unepfi.org/fileadmin/documents/if_you_ask_us.pdf
- Sustainability Management and Reporting: Benefits for Financial Institutions in Developing and Emerging Economies http://www.unepfi.org/fileadmin/documents/smr_benefits_dec2006_01.pdf

UNEP FI Member Reports can be viewed on the Corporate Register website: www.corporateregister.com

Of Sustainability & Sustainability Reporting

Sustainability reporting remains voluntary but has come a long way, with widely accepted standards rapidly establishing themselves.

Global Reporting Initiative

The Global Reporting Initiative (GRI) provides a comprehensive sustainability reporting framework that is widely used around the world and across industries. Sector supplements have further been developed, following GRI's traditional consensus-seeking, multi-stakeholder process, whereby participants are drawn from global business, civil society, labor, academic and professional institutions. The Finance Sector Supplement was co-developed with UNEP FI.

<http://www.globalreporting.org/ReportingFramework/SectorSupplements/FinancialServices/>

Carbon Disclosure Project

Over 3,000 organizations in some 60 countries around the world have their greenhouse gas emissions, water management and climate change strategies measured and disclosed through the Carbon Disclosure Project, in order that they can set reduction targets and make performance improvements. This data is made available for use by institutional investors, corporations, policymakers and their advisors.

www.cdproject.net/

The reporting scene continues to evolve rapidly, with increasing attention placed on moving from voluntary to mandatory disclosure, as well as the notion of 'integrated' reporting, whereby financial and sustainability reporting could be blended into one.

International Integrated Reporting Committee

The mission of the International Integrated Reporting Committee (IIRC), an international cross-section of leaders from the corporate, investment, accounting, securities, regulatory, academic and standard-setting sectors, as well as civil society, is to create a globally accepted, integrated, reporting framework which brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format. The aim is to help with the development of more comprehensive and comprehensible information about organisations, prospective as well as retrospective, to meet the needs of a more sustainable, global economy.

<http://www.theiirc.org/>

3.2

3.2 We are committed to share relevant information with customers, as appropriate, so that they may strengthen their own capacity to reduce environmental and social risk and promote sustainable development.

WHAT DOES THIS MEAN?

Although this clause is closely related to clause 2.3 on ESRM, the core message it conveys is that sustainability issues need to become part and parcel of banks' value proposition towards their clients.

Piraeus Bank, Greece

As an extension of its risk management strategy, Piraeus Bank provides consulting and financing services to clients who wish to follow a more sustainable path in their business decisions. The Bank holds road shows in major cities throughout Greece and runs a green business portal to help enterprises adapt to climate change. Furthermore, it has constructed an e-tool to be used by businesses that are interested in receiving advice from the Bank on the costs of the economic impact of climate change at sector and enterprise levels and on how to change their business strategy in order to mitigate climate change risks or take advantage of opportunities.

(www.climabiz.gr)

3.3

3.3 We will foster openness and dialogue relating to sustainability matters with relevant stakeholders, including shareholders, employees, customers, regulators, policy-makers and the public.

WHAT DOES THIS MEAN AND WHAT CAN I DO ABOUT IT?

There is more to communicating about sustainability than just sustainability reports. Things for Senior Management, Sustainability Teams, and Corporate Communications to further think about are:

Senior Management, Sustainability Teams and Corporate Communications

i. Who are our stakeholders?

- Clients
- Investors
- Employees
- Non-governmental environmental organizations
- Local communities
- Unions
- Government
- Academia
- Other FIs
- Companies/industry
- Suppliers
- Media/press

ii. Do we keep track of stakeholders' perception of our institution and its sustainability performance?

- What do our sustainability rankings/ratings look like?
- What is our media coverage like on sustainability issues?
- Are we being targeted by activist NGOs?

Rankers & Raters

Rating agencies

Asset4 Good (Thomson Reuters)

http://thomsonreuters.com/products_services/financial/content_update/content_overview/content_esg/

CoValence Ethical Quote

<http://www.covalence.ch/>

Global 100 Most Sustainable Corporations in the World

<http://www.global100.org/>

MSCI ESG Rankings

<http://www.msci.com/products/esg/>

Oekom

http://www.oekom-research.com/index_en.php

Vigeo

<http://www.vigeo.com/csr-rating-agency/>

Indexes

Dow Jones Sustainability Index (DJSI) in collaboration with Sustainable Asset Management (SAM)

<http://www.sustainability-index.com/>

Ethibel Sustainability Index in collaboration with S&P's

http://www.ethibel.org/subs_e/4_index/main.html

FTSE4GOOD in collaboration with EIRIS

http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp

Índice de Sustentabilidade Empresarial (ISE) in collaboration with FGV

<http://www.bmfbovespa.com.br/indices/ResumoIndice.aspx?Indice=ISE&idioma=pt-br>

JSE's Socially Responsible Investment (SRI) Index in collaboration with the University of Stellenbosch Business School (USB)

http://www.jse.co.za/About-Us/SRI/Introduction_to_SRI_Index.aspx

iii. How do we engage with our stakeholders?

- Seeking feedback and guidance on existing, future and/or potential sustainability policies, procedures and activities (dedicated web interfaces and/or mailboxes, dialogue & consultation meetings, surveys for employees, clients and suppliers)
- Providing guidance and feedback on broader sustainability frameworks (e.g. policy and regulation)
- Promoting community relations and broader societal engagement (e.g. via special outreach and/or awareness-raising events)

Royal Bank of Canada

RBC engages with a range of stakeholders and peers in an open and proactive way on environmental issues that affect its clients, businesses and the communities in which it operates. This is done in a number of ways such as conducting independent and co-operative research to identify and better understand emerging environmental issues; consulting with clients, governments and non-governmental organization when developing policies; participating in industry, professional and community associations; and providing donations and sponsorship to environmental organizations and causes.

www.rbc.com/environment/oversight-responsibility-and-reporting.html

Bank Negara Indonesia

Part of Bank Negara Indonesia's (BNI) objectives is to support community welfare, improve the environment and support the implementation of transparent and responsible business practices. In seeking to fulfill these

objectives, BNI has pursued an open-dialogue strategy with policy and regulatory authorities in Indonesia. For instance, as the Central Bank of Indonesia aims to establish green banking regulation/guidelines in near future, BNI has provided active assistance in the process. A series of seminars/workshops/briefing sessions are taking place to further engage local commercial banks on the subject.

<http://www.bni.co.id/>

Société Générale, France

Société Générale set up a CSR International Business Game in 2006. Each year, students from universities, business and engineering schools all over the world take part to promote their projects dedicated to the implementation of innovative CSR practices in the banking sector. The aim of this training game is to raise awareness of students on environmental and social issues concerning responsible banking practices. In the first part of the game they attend e-learning courses and workshops on different CSR topics. In the second part they have to design a CSR project and submit it to a grand jury that ultimately awards the best among them.

<http://csr.societegenerale.com/home-page/social-and-environmental-policy/core-priorities-of-the-group-s-hr-policy/ongoing-recruitment-drives/citizen-act-a-the-responsible-business-game-from-societe-generale>

DnB NOR, Norway

DnB NOR has a long tradition of involving its employees in voluntary work. For instance, it has established a partnership with the Norwegian Red Cross, whereby a pool of volunteers is built-up among employees, who then engage in a diversity of voluntary activities. The bank has also developed a financial literacy course for the Red Cross to be used by the organisation's beneficiaries (e.g. single parents, refugees and more).

A further initiative gives employees with long-term sickness absence an opportunity to work for an NGO, still paid by DnB NOR, as a gradual way back to work.

<https://www.dnbnor.no/about-us/csr/support-and-cooperation.html>

What the Multilateral/Bilateral FIs are doing ...

IFC & FMO Country-wide approaches

FMO in collaboration with IFC and other DFI partners have started to implement a new strategy to catalyse sector-wide engagement for sustainable finance and to build local capacity. In selected countries, FIs and relevant government authorities come together at the highest management level to drive a locally owned sustainability agenda.

<http://www.fmo.nl/smartsite.dws?id=16906>

In Nigeria following a successful CEO roundtable in September 2011, the Central Bank governor and several chief executives of commercial banks have committed to creating a level playing field for sustainable banking across the banking sector. A series of processes have already been kick-started by the banks to establish a national standard on lending and E&S management that would be applicable to all FIs operating in the country.

<http://www.fmo.nl/smartsite.dws?id=17035>

3.4 We will work with the United Nations Environment Programme (UNEP) to further the principles and goals of this Statement, and seek UNEP's active support in providing relevant information relating to sustainable development.

WHAT DOES THIS MEAN?

While the importance of access to information and staying abreast of sustainability issues and management best practice has already been stressed, this clause highlights the existence of valuable data at the heart of the partnership that is UNEP FI; UNEP is the repository of a wealth of relevant information on topics as varied as carbon emissions, pollutants control and environmental governance.

United Nations Environmental Programme Mercury Programme

One of various programmes run by the UNEP Chemicals Branch, the Mercury Programme has issued a variety of technical publications on the risks associated to different uses of the metal and some of the existing alternatives.

<http://www.unep.org/hazardoussubstances/Mercury/PrioritiesforAction/ArtisanalandSmallScaleGoldMining/Reports/tabid/4489/language/en-US/Default.aspx>

3.5 We will encourage other financial institutions to support this Statement. We are committed to share with them our experiences and knowledge in order to extend best practices.

WHAT DOES THIS MEAN AND WHAT CAN I DO?

Signatories to the Statement understand that their individual sustainability performance hinges not just on the quality of their policies and management, but on that of the entire financial services sector. It is therefore of the essence to foster the adherence of FIs to a common set of principles and guidelines.

Senior Management & Sustainability Teams

Senior Management & Sustainability Teams may wish to consider a number of means and actions:

- UNEP FI Signatory Member status referenced in corporate communications
- UNEP FI Signatory Member status referenced in sustainability reports
- Peer-to-peer interaction on sustainability issues, including UNEP FI Membership

3.6

3.6 We recognize the importance of other initiatives by the financial services sector in forwarding the aims and objectives of sustainable finance and will seek to assist such initiatives in an appropriate manner.

WHAT DOES THIS MEAN AND WHAT CAN I DO?

This clause further emphasizes the need for sector-level change. UNEP FI is by no means the only initiative or network available to banks seeking enter sustainable finance community; Table 2 above reflects a number of these, most of which UNEP FI is closely associated to, or with in partnership.

UNEP FI Collaborative Efforts with other Sustainable Finance Networks

- Universal Ownership - Why environmental externalities matter to institutional investors

PRI-UNEP FI

http://www.unepfi.org/fileadmin/documents/universal_ownership.pdf

- Generation lost: young financial analysts and environmental, social and governance issues

WBCSD-UNEP FI

3.7

3.7 We will work with UNEP periodically to review the success in implementing this Statement and expect all Signatories to make real progress.

WHAT DOES THIS MEAN?

This final clause recognizes the need for the Members of the Initiative to measure progress specifically against the principles laid out in the present Statement. It is hoped that the present interpretation of the Statement will provide a baseline on which to construct a more structured mechanism for Signatories to monitor such progress.

Annex IA

Background to the UNEP FI Statement

The concept of the UNEP Finance Initiative was launched in 1991 when a small group of commercial banks, including Deutsche Bank, HSBC Holdings, Natwest, Royal Bank of Canada, and Westpac, joined forces with UNEP to catalyse the banking industry's awareness of the environmental agenda. In May 1992, in the run up to the Rio Summit that year, the *UNEP Statement by Banks on the Environment and Sustainable Development* was launched in New York, and the Banking Initiative was formed.

In 1995, UNEP joined forces with a group of leading insurance and reinsurance companies, including General Accident, Gerling Global Re, National Provident, Storebrand, Sumitomo Marine, & Fire, Swiss Re, as well as pension funds, to launch the *UNEP Statement of Environmental Commitment by the Insurance Industry*. In 1997, the Insurance Industry Initiative (III) was formed to fund research activities, and to sponsor awareness meetings and workshops and the annual regular meetings of the Initiative.

This same year, the *UNEP Statement by Banks on the Environment and Sustainable Development* was redrafted to become the *UNEP Statement by Financial Institutions on the Environment & Sustainable Development*, in order to broaden its appeal to the wider financial services sector. At this stage, the Banking Initiative was renamed the Financial Institutions Initiative (FII).

From 1999, both the Financial Institutions Initiative (FII) and Insurance Industry Initiative (III) started to work more closely together on issues of mutual interest, and at the 2003 Annual General Meeting in Geneva, the UNEP Financial Institutions Initiative (FII) and the UNEP Insurance Industry Initiative (III) agreed to merge, forming one Initiative to be known as the UNEP Finance Initiative.

In 2010, so as to duly reflect the common governance grounding of the Initiative, the UNEP Statement by Financial Institutions on the Environment & Sustainable Development and the UNEP Statement of Environmental Commitment by the Insurance Industry were merged into a single Statement, the *UNEP Statement of Commitment by Financial Institutions on Sustainable Development*, finalized in 2011.

The present Guide to Banking & Sustainability is based on the latter 2011 Statement.

Annex IB

UNEP Statement of Commitment by Financial Institutions (FI) on Sustainable Development

We members of the Financial Services Sector recognize that economic development needs to be compatible with human welfare and a healthy environment. To ignore this is to risk increasing social, environmental and financial costs. We further recognize that sustainable development is the collective responsibility of governments, businesses and individuals. We are committed to working collectively toward common sustainability goals.

1. Commitment to Sustainable Development

- 1.1 We regard sustainable development - defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs - as a fundamental aspect of sound business management.
- 1.2 We believe that sustainable development is best achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. Governments have a leadership role in establishing and enforcing long-term priorities and values.
- 1.3 We regard financial institutions to be important contributors to sustainable development, through their interaction with other economic sectors and consumers and through their own financing, investment and trading activities.
- 1.4 We recognize that sustainable development is an institutional commitment and an integral part of our pursuit of both good corporate citizenship and the fundamentals of sound business practices.
- 1.5 We recognize that the sustainable development agenda is becoming increasingly inter-linked with humanitarian and social issues as the global environment agenda broadens and as climate change brings greater developmental and security challenges.

2. Sustainability Management

- 2.1 We support a precautionary approach to environmental and social issues, which strives to anticipate and prevent potential negative impacts on the environment and society.
- 2.2 We will comply with all applicable local, national and international regulations on environmental and social issues. Beyond compliance, we will work towards integrating environmental and social considerations into our operations and business decisions in all markets.
- 2.3 We recognize that identifying and quantifying environmental and social risks should be part of the normal process of risk assessment and management, both in domestic and international operations.

2.4 We will endeavor to pursue the best practice in environmental management, including energy and water efficiency, recycling and waste reduction. We will seek to form business relations with customers, partners, suppliers and subcontractors who follow similarly high environmental standards.

2.5 We intend to update our practices periodically to incorporate relevant developments in sustainability management. We encourage the industry to undertake research accordingly.

2.6 We recognize the need to conduct regular internal reviews and to measure our progress against our sustainability goals.

2.7 We recognize the need for the financial services sector to adapt and develop products and services which will promote the principles of sustainable development.

3. Public Awareness and Communication

3.1 We recommend that financial institutions develop and publish a statement of their sustainability policy and periodically report on the steps they have taken to promote the integration of environmental and social considerations into their operations.

3.2 We are committed to share relevant information with customers, as appropriate, so that they may strengthen their own capacity to reduce environmental and social risk and promote sustainable development.

3.3 We will foster openness and dialogue relating to sustainability matters with relevant stakeholders, including shareholders, employees, customers, regulators, policy-makers and the public.

3.4 We will work with the United Nations Environment Programme (UNEP) to further the principles and goals of this Statement, and seek UNEP's active support in providing relevant information relating to sustainable development.

3.5 We will encourage other financial institutions to support this Statement. We are committed to share with them our experiences and knowledge in order to extend best practices.

3.6 We recognize the importance of other initiatives by the financial services sector in forwarding the aims and objectives of sustainable finance and will seek to assist such initiatives in an appropriate manner.

3.7 We will work with UNEP periodically to review the success in implementing this Statement and expect all Signatories to make real progress.

Annex II

UNEP FI Banking Signatories (at October 2011)

ABN Amro Bank N.V.	Commonwealth Bank of Australia
Access Bank Plc.	Community CPS Australia Ltd.
Alpha Bank	Corporación Andina de Fomento (CAF)
ASN Bank	Corporación Financiera de Desarrollo S.A. (COFIDE)
Australia & New Zealand Banking Group Limited (ANZ)	Crédit Andorrà
Banca Commerciala Romana	Credit Suisse
Banca Monte dei Paschi di Siena S.p.A.	Croatian Bank for Reconstruction and Development (HBOR)
Banco Africano de Inverimentos	Daegu Bank, Ltd.
Banco Comercial	Danske Bank A/S
Banco de Galicia y Buenos Aires S.A.	Degussa Bank GmbH
Banco de las Microfinanzas – Bancamia S.A.	Desjardins Group
Banco Espírito Santo	Deutsche Bank AG
Banco General	Development Bank of Japan, Inc.
Banco Industrial e Comercial S.A.	Development Bank of Southern Africa (DBSA)
Banco Itaú Holding Financeira S.A.	Development Bank of the Philippines
Banco Nacional de Desenvolvimento Economico e Social (BNDES)	Dexia
Banco Pichincha C.A.	DnB NOR
Banco Rabobank International Brasil SA	Ecobank Transnational Incorporated
Banco Santander, S.A.	EFG Eurobank Ergasias S.A.
Bancoldex S.A. – Banco de Comercio Exterior y Desarrollo Empresarial	Emporiki Bank
Bancolumbia S.A.	Eurobank EFG ad Beograd
Banco Muscat (SOAG)	European Bank for Reconstruction and Development (EBRD)
Bank of America	Export Development Canada
Bank of Industry Ltd.	Export Finance and Insurance Corporation (EFIC)
Bank of Montreal	Fidelity Bank Plc.
Bank of New Zealand (BNZ)	Financiera America SA
Bank of Shanghai	FIRA – Banco de Mexico
Bank Sarasin & Co. Ltd	FirstRand Group Limited
Bankmecu	Fundación Social
Barclays Bank of Kenya Ltd	Hana Bank
Barclays Group plc	Helm Bank S.A.
Bayern LB	HSBC Holdings plc
BBVA Group	HSH Nordbank AG
BMCE Bank	IDLC Finance Limited
BNP Paribas Fortis	Industrial Bank Co. Ltd
Caisse des dépôts	Industrial Development Corporation (IDC)
Caixa Geral de Depositos S.A.	ING
Canadian Imperial Bank of Commerce (CIBC)	Intesa Sanpaolo
China Merchant's Bank CO., Ltd	Japan Bank for International Cooperation (JBIC)
Chuo Mitsui Trust Group	JPMorgan Chase & Co.
Citigroup	KB Kookmin Bank
Commercial Bank of Africa	KfW Bankengruppe

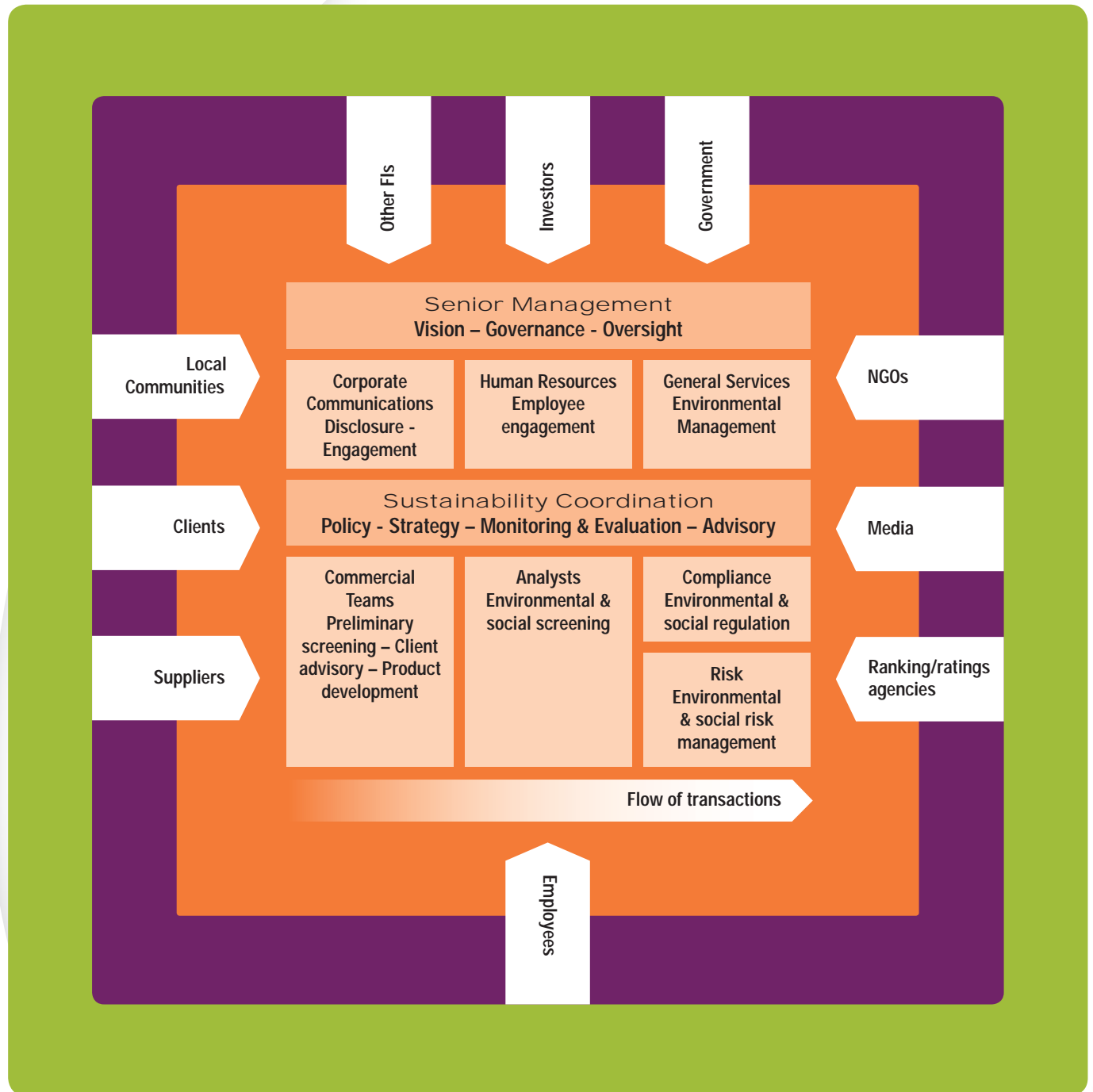
Kommunalkredit Public Consulting GmbH
Land Bank of the Philippines
Landesbank Baden-Württemberg
Landsbankinn (NBI hf.)
Lombard Odier Darier Hentsch & Cie
Mitsubishi UFJ Trust and Banking Corporation
Mizuho Financial Group, Inc.
Mutualista Pichincha
National Australia Bank Limited
Nedbank Ltd.
Netherlands Development Finance Company (FMO)
Nordea AB
NRW. Bank
Piraeus Bank S.A.
Planters Development Bank
PT Bank Negara Indonesia
Rabobank Netherlands
Raiffeisen Zentralbank Austria AG
Royal Bank of Canada
Royal Bank of Scotland Group
Royal Microfinance of Zambia Limited
Scotiabank (Bank of Nova Scotia)
SEB AG
Shenzhen Development Bank
Shinhan Bank
Skandinaviska Enskilda Banken (SEB)
Société Générale
Standard Bank Group
Standard Chartered plc
Sumitomo Mitsui Financial Group, Inc.
Svenka Handelsbanken
Swedbank AB
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Chiba Bank, Ltd.
The Export-Import Bank of Korea
The Shiga Bank, Ltd.
The Sumitomo Trust and Banking Co., Ltd.
TISCO Financial Group Public Company Ltd.
Toronto Dominion Bank
Triodos Bank NV
Turkiye Sinai Kalkinma Bankasi (TSKB)
UBS AG

UmweltBank AG
Unicredit
Union Credit Bank
Vision Banco SAECA
WestLB AG
Westpac Banking Corporation
Woori Bank
YES Bank Limited
Zenith Bank Plc.
Zürcher Kantonalbank

Annex III

Sustainability Map

The diagramme below provides a summary of sustainability roles within the bank and the wider context in which the institution operates.



- Financial Institution
- Society
- Environment
- Stakeholders

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About the UNEP FI Banking Commission

Banking institutions represent the clear majority of UNEP FI's Membership.

Launched in 2010, the UNEP FI Banking Commission provides a common platform for all Members whose core activity lies in the banking business.

The role of the Commission is to promote the mainstreaming of sustainability best practice across the global banking sector.

The Commission's approach to sustainable banking involves three core components:

- Risk - systematic identification, analysis and management of ESG risks in banking operations with the goal of avoiding and mitigating environmental impacts, while reducing risk and increasing business performance and enhancing long-term company value;
- Green products & services - understanding the evolving needs of society and markets and developing sustainability-oriented products and services accordingly, so as to support the transition to a more resource-efficient and low-carbon economy;
- Environmental Management - consistent environmental management across the organizations facilities, ranging from energy efficiency and waste reduction to supply chain management and employee engagement, with a view to 'lead by example' and promote change in overall corporate culture.

To-date, the Commission's core areas of focus have been the development of the present Guide, and the coordination of an extensive Training Programme for banking practitioners.

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The Project Team would like to thank the Banking Members of UNEP FI for their orientation and support.

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About the UNEP Finance Initiative

The United Nations Environment Programme Finance Initiative (UNEP FI) is a strategic public-private partnership between UNEP and the global financial sector. UNEP FI works closely with 200 financial institutions that are Signatories to the UNEP Statement of Commitment by Financial Institutions on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance.

Through a comprehensive work programme, regional activities, training and research, UNEP FI carries out its mission to identify, promote and realise the adoption of best sustainability practice at all levels of financial institution operations.

About the UNEP FI Guide to Banking & Sustainability

The UNEP FI Guide to Sustainable Banking provides a clause-by-clause explanation of the UNEP Statement of Commitment by Financial Institutions on Sustainable Development, seeking both to shed further light on the meaning of individual clauses, and to provide guidance on how banking institutions might seek to apply them in their day-to-day operations. The Guide further provides illustrations of current practice within UNEP FI Signatory banks, and references to key resources.



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