The Global Reporting Initiative (GRI) Guidelines are helpful reference point for financial institutions in formulating their sustainability reports. However, don’t think that just relying on the GRI Guidelines, or answering the questions in a minimal manner, will be sufficient to provide adequate reporting on your banks. Do realize that the GRI Guidelines and its financial sector supplement are broadly worded and designed for the financial sector as a whole. Improve your transparency to surpass this benchmark.

As part of your annual sustainability report, your bank should also report systematically on the implementation of your Environmental and Social Risk Management System. Only then stakeholders will be able to check up on the bank’s increasing capability in making a meaningful difference to people and the planet. If your bank is actually implementing an efficient and effective Environmental and Social Risk Management System, it should also be a leader in promoting and fulfilling this transparency. This will give you the ideal instrument to probe your mission and policies are more than just rhetoric, separating you clearly from the window dressers. Don’t publish annual sustainability reports just for marketing purposes. Do publish reports based upon standardized and verifiable parameters which are audited externally.

The issues to be covered when reporting on the implementation of your Environmental and Social Risk Management System should include:

- Breakdown of your core business activities by sector and country/region;
- Content of your country/region, sector and issue policies;

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The Collevecchio Declaration on financial institutions and sustainability

Financial institutions (FIs) such as banks and asset managers can and must play a positive role in advancing environmental and social sustainability. This declaration calls on FIs to embrace six commitments that reflect civil society’s expectations of the role and responsibilities of the financial services sector in fostering sustainability...and take immediate steps to implement them as a way for FIs to retain their social license to operate. Thus, an appropriate goal of FIs should be the advancement of environmental protection and social justice rather than solely the maximization of financial return. To achieve this goal, FIs should embrace the following six commitments:

1. Commitment to Sustainability. FIs must expand their missions from ones that prioritize profit maximization to a vision of social and environmental sustainability. A commitment to sustainability would require FIs to fully integrate the consideration of ecological limits, social equity and economic justice into corporate strategies and core business areas (including credit, investing, underwriting and advising), to put sustainability objectives on an equal footing to shareholder maximization and client satisfaction, and to actively strive to finance transactions that promote sustainability.

2. Commitment to “Do No Harm.” FIs should commit to do no harm by preventing and minimizing the environmentally and/or socially detrimental impacts of their portfolios and their operations. FIs should create policies, procedures and standards based on the Precautionary Principle to minimize environmental and social harm, improve social and environmental conditions where they and their clients operate, and avoid involvement in transactions that undermine sustainability.

3. Commitment to Responsibility. FIs should bear full responsibility for the environmental

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Methods in green banking

- Go online: Online banking is a developing concept; it helps in conservation of natural resources. It saves paper, energy and expenditure of natural resources. It also helps customers to save money by avoiding late payments and also save their time.
- Use of green checking accounts. Customers can check their accounts on ATM. They can avail services including online payment, debit cards and online statements.
- Use of green credit card. Some of banks use green credit cards; by using it the banks will donate funds to an environment friendly non-profit organization.
- Saving of paper. Banks should purchase recycled paper products with highest postcustomer waste content. This includes monthly statements, ATM receipts, annual reports, envelopes etc.
- Mobile banking. By using it customer can check balances, transfer funds or pay bills from the phone. It also help to save time and energy of the customers.
- Direct deposits. Most employers will give employees the option to receive their paycheck electronically. It saves time, saves paper and lots of paper work.
- Online (net) banking. It means customers can perform most of their banking related functions without visiting the banks personally. For this customer must possess an internet banking ID, a password provided by the bank in which customer has an account. Online banking includes use of credit cards, debit cards, online bill payment and electronic fund transfer. Source: International Journal of Informative and Futuristic Research (http://www.ijifr.com/)

“Earth provides enough to satisfy every man’s needs, but not every man’s greed.”

– Mahatma Gandhi
Reducing carbon footprints for banks

Banks can reduce their carbon footprints by adopting the following measures:

- **Paper-less Banking:** As banks have computerized their branches, there is ample scope for doing paperless or less-paper banking. Mostly PSBs use huge quantities of paper for office correspondence, audit reporting, recording public transactions, etc. These banks can switch over to electronic correspondence and reporting. Banks should encourage their customers also to switch over to electronic transactions and popularize e-statements.

- **Energy Consciousness:** Developing energy-consciousness, adopting effective office time management and automation solutions and using compact fluorescent lighting (CFL) can help banks save energy consumption considerably. Banks can conduct energy audits in all their offices for effective energy management. They can also switch over to renewable energy (solar, wind, etc.) to manage their offices and ATMs.

- **Using Mass Transportation System:** PSBs can become fuel efficient organization by providing common transport for group of officials posted at one office.

- **Green Buildings:** The Indian banking industry uses more than one lakh premises for their offices and residential houses throughout the country. These banks should develop and use green buildings for their office and employee accommodation. These measures will not only help banks reduce their carbon footprint but also save the operational costs considerably.


Challenges of green banking

Green banks while adopting green banking face following challenges:

- **Diversification problems.** Green banks restrict their business transactions to those business entities who qualify screening process done by green banks. With limited number of customers they will have a smaller base to support them.

- **Startup Face.** Many banks in green business are very new and are in startup face, generally it takes 3 to 4 years for a bank to start making money thus it does not help banks during recession.

- **Higher operating cost.** Green banks require talented, experienced staff to provide proper services to customers. Experienced loan officers are needed with additional experience in dealing with green businesses and customers.

- **Reputational risk.** If banks are involved in those projects which are damaging the environment they are prone to loss of their reputations. There are also few cases where environmental management system has resulted in cost saving, increase in bond value.

- **Credit risk.** Credit risks arise due to lending to those customers whose businesses are affected by the cost of pollution, changes in environmental regulations and new requirements onemissions levels. It is higher due to probability of customer default as a result of uncalculated expenses for capital investment in production facilities, loss of market share and third party claims.


Suggestions that can be adopted by banks to encourage green banking

- Construct a website and spread the news.
- Educate through the Bank’s intranet and public website.
- Participate in events.
- Set up outlets to promote green business.
- Communicate through the press.
- Disseminate info through leaflets.
- Social responsibility services done by banks.

- Carbon footprint reduction by energy consciousness.
- Carbon footprint reduction by mass transportation.
- Impact education through e-learning programmes.
- Making it a part of annual environment report.


Con’t, The Collevecchio Declaration...

and social impacts of their transactions. FIs must also pay their full and fair share of the risks they accept and create. This includes financial risks, as well as social and environmental costs that are borne by communities.

4. **Commitment to Accountability.** FIs must be accountable to their stakeholders, particularly those that are affected by the companies and activities they finance. Accountability means that stakeholders must have an influential voice in financial decisions that affect the quality of their environments and their lives—both through ensuring that stakeholders’ rights are protected by law, and through practices and procedures adopted by FIs themselves.

5. **Commitment to Transparency.** FIs must be transparent to stakeholders, not only through robust, regular and standardized disclosure, but also by being responsive to stakeholder needs for specialized information on FIs’ policies, procedures and transactions. Commercial confidentiality should not be used as an excuse deny stakeholders information.

6. **Commitment to Sustainable Markets and Governance.** FIs should ensure that markets are more capable of fostering sustainability by actively supporting public policy, regulatory and/or market mechanisms that facilitate sustainability and that foster the full cost accounting of social and environmental externalities.

Source: www.financeadvocacy.org

Can’t Annual sustainability...

- Description of the Environmental and Social Risk Management System, including a description of the level of management that is responsible for compliance, and the internal lines of reporting and accountability;
- Information on the procedures and tools used in the due diligence process, including the independent review of technical documents and stakeholder consultation by the client;
- Description of staff training and capacity development efforts;
- Information about contract covenants applied and formal client monitoring mechanisms established;
- Specific instances of material non-compliance with bank policies, standards or contract covenants, including the nature of the non-compliance, action taken to rectify it, whether that action has been successful and, if not, what further action (including the calling-in of loans) has been taken;
- Description of the complaint mechanism for stakeholders;
- ADFIAP is now capable to help its members in writing and formulating their Sustainability Reports (SR). Please contact the ADFIAP Secretariat regarding your sustainability reporting needs at inquiries@adfiap.org