Huliaieva L. BEST SUSTAINABLE PRACTICES IN THE EUROPEAN BANKING: SUSTAINABILITY IS BECOMING MAINSTREAM. 2019,Prof.Dr.As.Zlatarov University,2019, Bulgaria,p.102-105.

Liudmyla Huliaieva
PhD (Economic Sciences), associate professor
The Academy of Labor, Social Relations and Tourism (Ukraine)

BEST SUSTAINABLE PRACTICES IN THE EUROPEAN BANKING: SUSTAINABILITY IS BECOMING MAINSTREAM

The European Union is strongly supporting the transition to a low-carbon, more resource-efficient and sustainable economy and it has been at the forefront of efforts to build a financial system that supports sustainable growth. In 2015, landmark international agreements were established with the adoption of the UN 2030 Agenda and Sustainable Development Goals and the Paris Climate Agreement. The Paris agreement, in particular, includes the commitment to align financial flows with a pathway towards low-carbon and climate-resilient development. To achieve the EU's 2030 targets agreed in Paris, including a 40% cut in greenhouse gas emissions, we have to fill an investment gap estimated at 180 billion EUR per year. [1]

The banking sector has a key role to play in reaching those goals. According to the Action Plan [2] on sustainable finance that adopted by the European Commission in March 2018 as a part of broader efforts to connect finance with the specific needs of the European and global economy for the benefit of the planet and our society banks have to aim to:

1. reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth;
2. manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and
3. foster transparency and long-termism in financial and economic activity.

So banks need re-orient investments towards more sustainable technologies and businesses finance growth in a sustainable manner over the long-term contribute to the creation of a low-carbon, climate resilient and circular economy.

To date, European banks have focused on voluntary measures, relying on businesses and investors to self-monitor in this area. Whilst many financial institutions have already implemented internal systems for assessing and monitoring the sustainability of their businesses, the introduction of regulatory frameworks focused on sustainable finance should lead to standardisation in this diverse area, requiring financial institutions to assess and report on sustainability issues within their existing governance and risk management structures [3].

In financial markets, the standout feature is one of sustainable finance becoming increasingly mainstream [4].

Banks are making significant efforts to implement sustainable initiatives. In 2018 banks hold 9 positions out of 100 in the 2018 Global 100 Most Sustainable Corporations in the World index. 4 banks are European banks: BNP Paribas, Intesa Sanpaolo, ING Groep, and Nordea Bank (table 1).

Table 1

The Banks' results in the 2018 Global 100 Most Sustainable Corporations in the World index, January 22, 2018 [5]

Rank	Bank	Country	Score (max 100%)
36	**BNP Paribas**	**France**	**69.40%**
41	**Intesa Sanpaolo**	**Italy**	**68.00%**
46	Shinhan Financial Group	South Korea	67.00%
49	Banco do Brasil	Brazil	66.60%
54	**ING Groep**	**Netherlands**	**65.90%**
76	Banco Santander Brasil	Brazil	61.90%
80	National Australia Bank	Australia	61.30%
86	**Nordea Bank**	**Sweden**	**60.50%**
89	Canadian Imperial Bank of Commerce	Canada	60.00%

European banks are leading in implementation of numerous sustainable initiatives aimed at achieving the sustainable development goals:

1) membership in international, regional and national agreements aimed to introduction of sustainable initiatives in banking practice (Equator Principles, Global Reporting Initiative, Banking Environment Initiative, Global Commission on the Economy and Climate, Principles for Responsible Investment, United Nations Environment Program Finance Initiative, United Nations Global Compact.

2) preparation of reports and policies in the field of sustainable development, corporate social responsibility. Directive 2014/95/EU lays down the rules on disclosure of non-financial and diversity information by large companies. Companies are required to include non-financial statements in their annual reports from 2018 onwards. Banks are companies that must comply EU rules on non-financial reporting if they have more than 500 employees.

3) ESG analysis implementation in business processes. ESG analysis is the study of Environmental, Social, and Governance (ESG) practices of an organization in the belief that they may impact the company's financial performance and operational success [6].

4) development of sustainable banking financial services (Green/Sustainable Bond and credits, financial products for customers advancing renewable energy and low-carbon, sicial business activities,)

5) Embedding climate and sustainable risk in risk policies and processes;

6) Responsible investing that is the investment strategy which seeks to consider both financial return and social/environmental good to bring about a positive change.

Thereby Europeans banks as larger actors within the financial system are increasingly aligning themselves with sustainability outcomes and there is associated integration of sustainability into a range of financial services including data, product and risk methodologies.

References:

1. Sustainable finance | European Commission. https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en
2. Action Plan: Financing Sustainable Growth. Communication from the commission to the European parliament, the European council, the council, the European central bank, the European economic and social committee and the committee of the regions, Brussels, 8.3.2018.
3. Global and EU sustainable finance initiatives. December 2018 https://www.nortonrosefulbright.com/en/knowledge/publications/a5848ad7/global-and-eu-sustainable-finance-initiatives
4. Knight Zoë, Gaurav Ganguly. Managing financial system stability and climate change - A preliminary guide . A report from the HSBC Centre of Sustainable Finance. - October 2018. – 26p.
5. 2018 GLOBAL 100 ISSUE. Featuring 2018 Global 100 Most Sustainable Corporations in the World Ranking. https://www.corporateknights.com/magazines/2018-global-100-issue/2018-global-100-results-15166618/
6. ESG Analysis and Integration. Investment Grade Corporate Credit Research. RBC Global Asset Management Inc., 2018. Publication date: October 23, 2018. http://funds.rbcgam.com/pdf/phn/esg-integration-in-corporate-credit-2018.pdf