



Towards a greener savings and retail banking sector

May 2008



FOREWORD

It has been established by the UN Intergovernmental Panel on Climate Change (IPCC), Nobel Peace Prize Winner in 2007, and others that the earth's temperature is increasing dangerously. The consequences of this change in climate could be devastating for mankind. There is an urgent need & duty to act. At the policy level, one must point out the strong commitment of the European Union to tackle the issue. The EU has indeed set itself ambitious targets: a 20% reduction of its carbon emissions and a 20% share of renewables in its energy mix by 2020.

The scientifically-demonstrated need to urgently take actions to lessen the adverse impact of climate change calls for a global, concerted response from the scientific, political, civil society, industry and business worlds. As a building block of the global economy, the financial community has a central contribution to bring to define sustainable solutions.

ESBG members are all committed to sustainable development and long-standing corporate social players, at local and regional level. With the environmental challenge becoming one of the main collective hazards ever experienced worldwide, their responsible engagement in favour of the future of the planet comes as an expected part of the return to society they embody and of their long-term commitment to the communities in which they operate.

Indeed ESBG members have a lot to contribute and a number of them are already engaged on this path as the examples in this brochure will show. Yet a lot still needs to be done. Areas where action can be taken are plentiful and ESBG in its resolution "Towards a greener savings and retail banking sector" has taken on the task to support its members in building capacities, developing and exchanging best practices, exploring solutions to raise awareness, engaging in and developing dialogue and partnership with public authorities, civil society, industry and all other stakeholders.

We invite you to share the strong past, current and future engagement of ESBG and its members towards a greener savings & retail banking sector.

Mr Heinrich Haasis
ESBG President



INTRODUCTION

This report compiles a number of case studies coming from ESBG members all over Europe and which highlight the concrete actions and strategy put in place by the European savings & retail banks in order to lessen their direct & indirect impact on climate. You will find concrete examples of how they have developed an environmental friendly offer of products and services, of how they implement environmentally responsible investment policies, how they have introduced pro-environment criteria in project financing, how they financially support alternative energy schemes and eco-innovation, how they have integrated environmental concerns, primarily the reduction of CO2 emissions, in their general building and transportation policy, etc.

The report which is far from being exhaustive should nevertheless demonstrate that ESBG members which represent about a third of the retail banking market in Europe are actively contributing to the European Union's efforts to reduce carbon emissions.

But this report will also serve as a basis to exchange views & reflections amongst ESBG members and between them and key external stakeholders. The underlying thought is that more can and will need to be done in order to make the European savings and retail banking sector greener yet. The ESBG resolution which concludes this report and which ambitions to make savings & retail banks a true benchmark in terms of environmentally responsible financial institutions is intended to create this new impetus.

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German Association of Savings banks
Solar energy plant on one of BayernLB's buildings in Munich

The German Association of Savings Banks (DSGV) A long tradition of environmental commitment

The Sparkassen-Finanzgruppe, the group of savings banks, Landesbanken and associated companies has invested in 2006 around €415 million in various community projects, including environmental projects.

BayernLB – Living up to its environmental Responsibility

BayernLB¹, one of Germany's biggest banks, has adopted an environmental protection strategy that comprises several steps.

One of the first steps of BayernLB's corporate environmental protection strategy is to redirect the use of energy and resources so as to avoid as many "corporate-induced" CO₂ emissions as possible. To this end, the Bank initiated various measures in recent years, such as intelligent nocturnal energy reductions and heating period optimisation, that resulted in a 15.6% lower heating energy consumption in 2006 compared to 2000.

As a second step, conventional energy sources were replaced by renewable energy sources wherever possible. Since 1 January 2007 BayernLB has been meeting 100% of its electricity requirements with certified hydroelectric power generated by hydroelectric plants along the High Rhine, between Lake Constance and Basel on the German-Swiss border.

Furthermore, BayernLB has decided to compensate for at least part of the CO₂ emissions resulting from the unavoidable use of resources by supplying only environmentally-friendly paper to all its employees. Emissions certificates stemming from an externally-verified environmental protection project in Eritrea were purchased and redeemed for this purpose. The purpose of this project is to supply over half a million households with energy-efficient ovens, sparing the environment around 31,200 tons of CO₂ equivalents from 2005 to 2008.

BayernLB is also paying attention to environmental criteria in its investment and credit policy.

To respond to a growing demand from institutional and private investors for investment products that reconcile ecological (but also social) objectives with profit, BayernLB has set in place a system of principle-oriented investing which is still in line with the value approach.

BayernLB's Socially Responsible Investment (SRI) Value Monitor combines the Bank's empirically substantiated value screens with the sustainability ratings provided by an independent sustainability ratings provider². By following the traditional value approach in consideration of sustainability aspects, BayernLB is fulfilling the socially and politically far-sighted demand for principle-oriented investments without compromising profit. BayernLB's SRI Value Fund for institutional customers and its SRI Value Certificate for retail customers have turned out to be successful products that have been received extremely positively by the media and customers alike.

In terms of credit policy, back in 2004, Bayern LB committed to comply with the environmental and social standards of the World Bank³ in its Bank-wide credit risk strategy. To this end, it has integrated these standards, which comprise around 70 guidelines, into checklists designed for its internal workflows. In this way it has succeeded - in contrast to many other banks - in making the World Bank's standards practicable and part of its own standard procedure.

International rating agencies like oekom research AG evaluate BayernLB's commitment to sustainability on a regular basis. Behind these sustainability ratings are institutional investors, pension funds, international companies and ecclesiastical investors. oekom research most recently took a close look

1 The Free State of Bavaria and the Association of Bavarian Savings Banks each own a 50% stake in BayernLB Holding AG, entrusted with the duties of sole shareholder of Bayerische Landesbank as a public law institution

2 www.oekom-research.com

3 e.g. The Pollution Prevention and Abatement Handbook

at twelve international banks. BayernLB's rating was the second best of all. Thanks to this favourable result Bayern LB's instruments were once again recommended as a sustainable investment, which means that it can progressively enlarge its circle of investors.

Sparkasse Hannover –Supporting the municipal commitment to reduce CO2 emissions

The savings bank of Hannover is an active player in the field of environment protection and sustainability. Apart from working at reducing its own impact on the environment by limiting its direct emission and offering green investment products, it is committed to help local authorities reduce the general level of CO2 emissions.

Sparkasse Hannover is therefore participating to the Hannover's Climate Alliance. The Climate Alliance is an EU wide project aimed at getting cities and municipalities across Europe to engage in local climate change policies. The members of the Climate Alliance commit themselves to a continual reduction of greenhouse gas emissions. The target is the reduction of CO2 emissions by ten percent every five years. In the long term, Climate Alliance cities and municipalities aim to reduce their greenhouse gas emissions to a sustainable level of 2.5 tons CO2 equivalent per inhabitant and per year by implementing energy-saving and energy-efficiency measures and by using renewable energies (www.climatealliance.org).

The Hannover savings bank is also a member of the Klimaschutzagentur Region Hannover (www.klimaschutzagentur.de), an environmental protection association which provides to the public, companies and local authorities advice on energy consumption and which is carrying out awareness campaigns and projects relating to environmental issues.

Landesbank Baden-Württemberg (LBBW) - A fully integrated environmental strategy

The Landesbank Baden-Württemberg (LBBW) has for several years fully integrated the concept of sustainable banking, which includes environmental issues, in its operational strategy. A sustainability cell has been set up at the core of its management structure and makes sure that for example the environmental criteria are taken into account at all levels of the organisation.

All sustainability aspects are illustrated in the bank's credit policy. In terms of the environment, LBBW can for instance use the "Eco-Risk" system by which it scientifically assesses the ecological risks represented by the activities of a given company.

LBBW's management system is also in line with EMAS (Eco-Management and Audit Scheme), an eco-audit system ensuring that all parts of a business are managed in an environmentally-friendly way.

In view of all this the Bank has been awarded the ISO 14001, an international standard which addresses environmental management and pollution prevention and which was created after the United Nations Conference on Environment and Development, or Earth Summit, in Rio de Janeiro, Brazil, in 1992, by the International Organization for Standardization (ISO).

LBBW's support to national and international initiatives in favour of a greener financial sector (UNEP FI⁴, VfU⁵) constitutes also a good example of the Bank's commitment to the preservation of the environment.

At the end of 2007 LBBW published its first Sustainability Report. The report outlines the Bank's understanding of sustainability and the steps it has taken in 2006/2007 towards meeting this goal.

4 The United Nations Environment Programme Finance Initiative (UNEP FI) is a global partnership between the United Nations Environment Programme (UNEP) and the private financial sector. Other WSBI-ESBG members are signatories of the UNEP FI like Bayerische Landesbank Girozentrales, La Caixa, Lloyds TSB, Swedbank and WestLB AG.

5 Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen e.V. (Association for Environmental Management in Banks, Insurances and Savings Banks); www.vfu.de

The Spanish Confederation of Savings Banks (CECA) A global approach

The Spanish Savings Banks have as a whole invested more than €100 million in environmental projects in 2007. A working group has been created within CECA to develop environmental best practices amongst the Spanish Savings Banks. 24% of them have a separate environmental policy, which means they have in a specific document detailed their environmental commitments, and work towards obtaining the ISO 14001 certification (a recognized environmental quality label) while another 15% have integrated environmental commitments into other corporate documents.

Spanish Savings Banks environmental commitment starts with their efforts to reduce their direct impact on the environment. Their action in this respect is organised around three main axes: property management; management of suppliers and awareness campaigns and environmental training for staff.

In terms of property management, Spanish Savings Banks have set in place schemes to reduce their use of resources (water, paper, etc.), and of energy, and the volume of their waste. In terms of purchases, Spanish Savings Banks' suppliers have to be certified ISO 14001. They must be committed to the UN Global Compact⁶ and respect national laws in terms of the environment. Finally some Spanish Savings Banks have taken a series of initiatives to raise awareness of environmental issues amongst their staff. For example some have put a code of good environmental conduct and best practice on their Intranet. Some CECA members encourage also the voluntary work of their employees notably through special actions to clean and maintain protected natural areas.

The Spanish Savings Banks are committed to help national & international authorities in their fight against climate change. La Caixa for example is a signatory to the UNEP FI. Spanish Savings Banks support industry-driven initiatives. Two members of CECA, la Caixa and Caja Navarra, have adopted the Equator Principles⁷; a financial industry benchmark for determining, assessing and managing social & environmental risks in project financing.

Spanish Savings Banks also support non-governmental environmental projects. An original illustration of this are the credit cards bearing the image identifying an NGO which are proposed by several Spanish Cajas. By obtaining these cards, customers express their support for the cause of that organisation, which may be an environmental one. The NGO receives half the proceeds obtained by the banking institution on each use of the card.

In order to lessen their indirect impact on the environment some Spanish Cajas have launched specific lines of financing for environmental projects. In some cases they are aimed at individuals to foster responsible consumption in their households, e.g. encouraging the installation of solar panels. In other cases, these new lines of financing are aimed at business projects which are reviewed by a committee which assesses their actual environmental nature. In most cases, these lines are offered in collaboration with another entity, such as the Spanish Energy Saving and Diversification Institute (IDAE) or the Spanish Official Credit Institute (ICO).

Some bonds have been developed jointly with the European Investment Bank to finance renewable energy projects, called "Climatic awareness bonds". These bonds are in turn offered to Spanish Savings Banks customers as an environmental product.

At present, most of the environmental products offered by Spanish Cajas are adaptations of traditional banking products. However, as legislation progresses and companies have to respond to more and more environment-related obligations, the need for new products linked to the environment will arise to which Spanish Cajas will have to respond.

6 The Global Compact is a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

7 In total, five WSBI-ESBG members have adopted the Equator Principles: La Caixa, Caja Navarra, Lloyds TSB, Wachovia and WestLB.

By way of example, the Environmental Liability Act adopted in 2007 in Spain requires companies to provide a number of bank guarantees to cover any environmental liabilities they may incur. This represents a new business opportunity for the Spanish Cajas.

Caja Madrid - Analysis of environmental risk in financial transactions

Caja Madrid conducts an environmental impact analysis prior to its lending decisions in any transactions potentially entailing some environmental risk. This process is independent of the type of operation, whether it be project finance or a corporate loan. Analysis extends to a series of factors including the documentation furnished by the company, the opinion of a product specialist, the insurance coverage available and experience with other corporate borrowers in the same or similar sectors. In the case of companies with an external rating, the opinion of the awarding agency may also be taken on board. And with syndicated packages, the agent will demand an environmental impact report and, if necessary, the corresponding audit.

The new Basel II framework prescribes an integrated risk management approach, such that environmental risk is expressly factored in the credit rating of potential transactions. Accordingly, Caja Madrid has developed internal rating models for corporate financing transactions which assign an environmental risk weighting by reference to country and sector of activity.

Basel II also requires a separate environmental risk assessment for all project finance operations (project finance, asset finance, commodity finance, real estate finance...), which means calling on the services of external experts to review and audit projects with a potential impact (e.g., wind farms, waste treatment plants, etc.).

Caixa Galicia - Issuing Wind Power Bonds

In 2004 Caixa Galicia was the first bank in Spain to offer 'Wind Power Bonds'⁸ to private shareholders. The operation gathered a total amount of €7,700,000 and the aim was to finance wind power plants located in Lugo, one of the regions of Galicia. In 2006, a second series of 'Wind Power Bonds' was issued. This time, credits will be offered for a total amount of €7,600,000 in order to finance two new wind power plants located in La Coruña. In the distribution of the product, residents in the area where the wind plants are located will be given priority. Indeed one of the other main objectives of the project is to economically promote the area.

The Wind Power Funds have a minimum variable interest rate tied to energy production of the financed plants. It is important to mention the profitability of the first operation, providing shareholder bonds with a profit of 3,73%, 5,74%, 7,54% and 7,61% annually. The Wind Power Bond initiative is an excellent example of linking sustainable criteria to profitability.

Caixa Catalunya - Preservation of natural heritage

The Fundació Territori i Paisatge (territory and landscape foundation), created by Caixa Catalunya Obra Social in Spain at the end of 1997 is active in the preservation of natural heritage and landscape and raises awareness among the population of the need to protect the environment. The Foundation has acquired parts of the territory which represent well-conserved natural environments and is since then managing them with the co-operation of conservationist institutions, other non-governmental organisations and public bodies.

In 2007, the Territori i Paisatge Foundation owned 24 areas of natural interest and managed in agreement with other bodies another 86 areas representing a total of more than 144,000 ha. The Foundation organises educational guided tours of the areas of natural interest which it owns or manages under agreement. Those tours gathered 1,383 visitors in 2007. The same year, its itinerant exhibition "Climate Change: Questions and Answers" attracted 7,070 visitors. The Foundation sponsored last year eight nature preservation projects of the Catalan Government and awarded grants to 42 other initiatives.

⁸ Securitization Bonds "Serie E2 bonds" issued by Ahorro y Titulización (AYT) wind power fund, an asset Securitization Fund

Ibercaja - Removing old industrial plants from the Pyrenees

Ibercaja signed a co-operation agreement with the Government of Aragon, one of the Spanish regions, ENDESA Foundation, the foundation of a Spanish leading electricity provider, and some municipalities, in order to clean and restore a part of the Pyrenees which was affected by old constructions of hydroelectric centrals. Ibercaja and ENDESA Foundation provided 50% of the budget which amounted in total to €2,232,000.

The works carried out until now have consisted in the demolition of old buildings, the integration of the patrimony with the rest of the landscape and the removal of metal elements. The overall objective is to give back to those areas affected by industrial constructions their original natural beauty.

This project was rewarded several times by the Government of the Region of Aragon.



©Caixa Catalunya

Cliffs in the region of Tavertet in Spain –
One of the natural areas preserved by Caixa Catalunya

Groupe Caisse d'Épargne «Bénéfices Futur» and a partnership with WWF

In June 2007, the Group Caisse d'Épargne (GCE) launched Bénéfices Futur⁹, its innovative sustainable development programme which identifies four priority areas: responsible marketing; the fight against climate change; the development of socially responsible investment and the extension of its role as a bank founded on social solidarity. The Bénéfices Futur website allows Groupe Caisse d'Épargne's clients and the wider public to make suggestions/comments on the programme.

As far as climate change is concerned, Groupe Caisse d'Épargne is committed to reduce its direct carbon emissions by 3% per year and to carry out a carbon audit covering the entire life cycle of products and financial services. This commitment will extend to the whole of GCE's activities and those financed by the individual caisses d'épargne. GCE is also promoting in-house eco-responsible practices and is committed to eco-friendly construction techniques when building or renovating offices.

In terms of investment Groupe Caisse d'Épargne is going to launch later this year a new SRI fund called "Ecureuil Bénéfices Environnement". The activities of the firms which compose this fund are linked to the protection of the environment and the improvement of quality of life.

Groupe Caisse d'Épargne will also launch in June 2008 the ethical labelling of its savings products. The labelling is based on three criteria: the financial risk for the customer; the consideration of CSR/SRI criteria in the design of the product; the carbon footprint of the product, that is to say the emissions related to the bank's functioning, and the emissions of the companies or states financed via the investment.

The "1,000 projects for the environment" operation is another example of the type of actions deriving from Bénéfices Futur. It is an invitation by GCE mainly aimed at non-profit organisations, chiefly associations, to submit projects for funding awards. To be eligible the projects must promote environmental aims but also employment and social development. In 2007, each project supported was awarded a total of €19,000.

For Nicolas Mérindol, Chief Executive Officer of GCE: 'With this invitation for projects, as with all the commitments made in connection with Bénéfices Futur, our sustainable development programme, Groupe Caisse d'Épargne is taking concrete steps by putting sustainable development at the very heart of its activities and of its relationships with its customers'.

Partnership with WWF

In areas which are not linked to its core banking business, the Group has a tradition to establish partnerships with specialised organisations. These partnerships allow it to support its engagement in sustainable development and progress in the actions to be set in place. When it comes to the environment the Group has since 2003 signed a partnership with the World Wild Fund (WWF) for the promotion of sustainable production and consumption modes which notably translates into external and internal awareness campaigns. In 2007, the GCE renewed its convention with WWF and committed to setting up of an environmental performance assessment system.

GCE and WWF set together indicators to measure the Group's direct and indirect impact on the environment and define ways to minimize them.

One of the 'green' products developed in the context of the partnership with the WWF is the Group's "Ecureuil Crédit Développement Durable"; a personal loan for up to a total of €21,500 involving no arrangement fees and repayable over a period of three months to ten years. This loan can be used to

⁹ <http://programme.beneficesfutur.fr>

finance works to improve the energy efficiency and environmental sustainability of one's home or to purchase a low pollution vehicle.

Last year GCE launched the Livret A Kipouss; a passbook savings account. Each Livret A opened at the birth of a child will lead to a tree being sponsored in a forest managed in line with WWF criteria. One euro per Livret A Kipouss will be donated with the aim of sponsoring 30,000 trees in one year.

The partnership between Groupe Caisse d'Épargne and WWF is also illustrated by the customer loyalty programme of the French savings bank allowing customers to collect points whenever they use their Caisse d'Épargne Visa card and then convert their S'Miles points into gifts or into a donation, an option offered by the bank as part of its Sustainable Development campaign.

This option provides customers with a concrete way to support the "Access to Water" campaign pursued by the WWF by allowing a family living in Niger to enjoy long-term access to water for domestic consumption and agricultural use. Last week, Groupe Caisse d'Épargne presented a check for €48,420 to WWF representatives within the framework of the S'Miles programme.

Other concrete actions which arose from GCE's partnership with WWF are the 'Call to Children' awareness operation which is taken place for two years now and by which primary school pupils are invited to reflect on their environmental footprint. They also take part to a comic strip competition on ecological behaviours at school. The operation is also used internally with staff and their children. A CD-Rom containing a 'Guide of eco-responsible practices' is distributed to GCE's personnel and is also available through the company's Intranet. During the 2001 Week of Sustainable Development, a French government initiative, a WWF expert carried out a conference on 'Health and the Environment' for GCE's employees.



March 2008 – GCE's internal awareness campaign on ecological means of transportation for commuting to work

©Sylvie Masseur

Lloyds TSB On the journey to carbon neutrality

Lloyds TSB first introduced a formal environmental policy in 1996 and was also one of the first UK banks to develop an environmental risk assessment system for all its business lending.

In respect to its own direct environmental impacts, Lloyds TSB has a strong track record in terms of reduction of its CO₂ emissions. Indeed the company has progressively reduced its carbon footprint over the past five years by over 64,000 tonnes of CO₂. This was done mainly by improving its 2,000 buildings housing more than 63,000 employees and by buying renewable energy. Since 2006 the company has also used some energy from good quality combined heat and power sources (GQCHP). This is a highly fuel efficient technology that puts to use waste heat produced as a by-product of generating electricity. The impact of using GQCHP further reduces the company's net CO₂ emissions. Green electricity contracts expire before 2012 so efforts to improve energy efficiency and reduce business travel will continue.

| Tonnes CO ₂ | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|---------|---------|---------|----------|----------|----------|
| Property | 198,950 | 195,175 | 188,624 | 177,047 | 181,086 | 180,526 |
| Green Electricity savings | N/A | (730) | (4,438) | (14,606) | (18,944) | (18,164) |
| Travel | 26,333 | 26,998 | 29,499 | 29,540 | 29,705 | 30,474 |
| Total | 225,283 | 221,443 | 213,685 | 191,981 | 191,847 | 192,836 |
| Good Quality Combined Heat & Power savings | N/A | N/A | N/A | N/A | (30,945) | (31,635) |
| Net Emissions | 225,283 | 221,443 | 213,685 | 191,981 | 160,902 | 161,201 |

Business travel continues to grow, although at a slower rate than business growth. Lloyds TSB continues to promote alternatives to travel and in 2007, held almost 300,000 teleconferences. The company has just launched its "make one less journey" initiative to employees.

Lloyds TSB is committed to build on this track record and make a positive contribution to the UK government's target to reduce CO₂ emissions by 60% by 2050. Using 2002 as the baseline, Lloyds TSB has set a target to reduce its CO₂ emissions by 30% by 2012.

This means that yet greater investments need to be made in a carbon management system. In 2006, the bank carried out a study with the Carbon Trust – a UK government agency promoting energy saving – to develop a carbon management programme which will allow the Bank to save up to 4,300 tons of CO₂ a year over the next five years.

After having first set itself an important reduction target, Lloyds TSB has offset those emissions which cannot be reduced, commencing in 2007. This makes the Bank's operations carbon neutral.

One example of the kind of measures set in place to cut down carbon emissions is the C&G Travelshare scheme. The programme allows for employees of the administration offices of Cheltenham & Gloucester (C&G) plc, a company which forms part of the Lloyds TSB Group, to reduce their personal carbon dioxide emissions by participating in a car share scheme. Concretely the names of those who sign up to the scheme are posted on a travel information point providing details on working times and travel routes. This enables employees to make their own arrangements with those who live nearby. Coupled with a series of simple incentives to encourage take-up the scheme is proving very successful.

Lloyds TSB has also fully understood that they also have an impact on climate change through those to whom they lend money or in whom they invest. They have set in place a system which allows the Bank to assess environmental risks as well as indentifying new business opportunities related to green financial products. The Group has also set up a Sustainability Network to keep staff informed and involved in environmental initiatives. Over 300 employees have joined in under two months.



SNS REAAL

A horizontal environmental policy

SNS REAAL aims to reduce its environmental footprint to a minimum. The company looks for ways of saving energy, strives to limit the use of paper and to buy consumables which are as 'green' as possible and offers a range of organic products in the company restaurants.

SNS REAAL's environment policy goes beyond ensuring a cleaner environment. It centres on sustainability: When making choices, the impact on the environment must be considered, as well as economic return and the implications for people in and outside the organization. Since 2006, SNS REAAL has focused on further shaping its sustainability policy and rendering it more professional.

The sustainability criteria are considered systematically when a policy is implemented. For example, sustainability criteria are integrated in the preparatory, specification, and selection phases of the procurement process. A questionnaire has also been compiled for suppliers to enable environmental data to be collected and processed more efficiently.

Playing their part in addressing problems confronting society, SNS REAAL has launched no less than 35 projects in 2006 to improve its environmental performance. Among these is the provision of clean drinking water - a crucial basic requirement for public health, economic development, poverty alleviation and peace.

The Water Fund project

The SNS REAAL Waterfonds was established at the end of 2005. The objective of the fund is to promote sustainable development, entrepreneurship and innovation in the area of water management. SNS REAAL Water Fund invests in projects related to water purification, irrigation, sanitary and drinking-water facilities in regions such as Africa, Asia and Eastern Europe. Microfinance is one important focus area of the SNS REAAL Water Fund, in close cooperation with the SNS Institutional Microfinance Fund.

The United Nations Development Programme (UNDP) welcomed the initiative of SNS REAAL Group as an opportunity for public private partnership in the water sector. Improving access to safer drinking water and sanitation is one of the eight Millennium Development Goals of the United Nations. During the period 2005-2010, the fund intends to invest €32 million of group capital, based on a profit of 5% on the average capital invested in various risk categories. Through this initiative, SNS REAAL underscores the importance of social objectives, without losing sight of the financial goals. Long-term vision and a bottom-up approach are key in the approval process of projects for SNS REAAL Water Fund. The projects should create added value in terms of the "Triple P": People, Planet, Profit. In addition, SNS REAAL Water Fund collaborates closely with stakeholders, asking them to focus on both the economic feasibility of a project and its cultural, social and ecological dimensions.

The first project for SNS REAAL Water Fund, the Umoja project, was approved in 2006, while the preparations for a number of other projects are currently underway. The Umoja Project is a prime example of an integrated approach. It is dedicated to improving the irrigation system on plots of land cultivated by 239 farmers in the Thika District, approximately 60 kilometres north of Nairobi, Kenya. While the objective is to increase production of agricultural crops, the commitment to sustainability also ensures a focus on aspects such as agricultural techniques and organisational skills. This helps guarantee that the processes used in agriculture are sound, thereby ensuring long-term success. SNS REAAL Water Fund is investing €135,000 in the Umoja project, which may well serve as a model to be replicated in other communities around the world.

Erste Bank Focus on green investment

Since 2006 Erste Bank in Austria and WWF jointly manage an investment fund: the ESPA WWF Stock Umwelt.

This equities fund has been part of the Erste Bank's portfolio since 2001. It invests in companies all over the world which are exclusively or predominantly involved in the field of environmental technology. The companies the fund invests in are large international firms as well as promising new businesses. Parts of the earnings made through the fund are re-distributed to WWF's water protection programme in Austria.

The Erste Bank has a 60% share of the Austrian market of 'green' funds which was worth €1.9 billion at the end of 2006.

In Hungary the Erste Group has made Future Bonds available to its customers since end 2007. The Erste Future Bond allows the bank's clients to benefit from the increased share price of 20 selected corporations which operate according to green principles. These corporations are involved in alternative energy sources, ecology, biotechnology and also IT.



Woman in Mali gets access to fresh water thanks to SNS REAAL Water Fund Project



Biswa Project, India



Woman with water pump in Africa

Swedbank Joining Carbon Disclosure Project

For Swedbank, taking responsibility for its impact on the environment and alleviating it in a systematic manner is a high priority.

Since 1996, the group has applied an environmental policy in its Swedish operations and in 2003, Swedbank became (and remains) the first and only listed bank in the Nordic region to be environmentally certified in accordance with ISO 14001. In 2008, efforts are underway to establish a group-wide environmental policy, meaning including for Swedbank's operations outside Sweden, notably in the Baltic States.

Swedbank also supports the UNEP FI and the International Chamber of Commerce Business Charter for Sustainable Development which comprises sixteen Principles for environmental management (www.iccwbo.org). Swedbank like many other ESG members also participates in the Carbon Disclosure Project (CDP)¹⁰.

The Carbon Disclosure Project is an independent not-for-profit organization aiming to create a lasting relationship between shareholders and corporations regarding the implications for shareholder value and commercial operations presented by climate change. Since its creation in 2000 it has become the gold standard for carbon disclosure methodology and process. The CDP website is the largest repository of corporate greenhouse gas emissions data in the world.

The CDP report points out that Swedbank provides for example an environmental analysis model which is used when evaluating loan applications. That it also offers environmental loans, environmental and ethical funds, WWF cards, Internet and telephone banking. The report also highlights Swedbank's use of green electricity and its work to reduce the consumption of energy and paper and the business trips. Indeed projects focusing on alternative meeting points like more efficient phone- and video conferencing are prioritized by Swedbank.

¹⁰ www.cdproject.net

The Icelandic Savings Banks Association Helping nature preservation and developing renewable energy

The savings banks in Iceland work very closely with their local communities and have participated in different kinds of environmental protection and nature preservation programmes. They support projects not only in Iceland but also abroad with a specific focus on creating opportunities for people to enjoy nature in its purest form and on developing the use of natural resources in an environmental and healthy way. This is why they have for instance financed geothermal and water power plants and have helped preserve nature conservation areas.

One example of this commitment to the preservation of the natural beauty and potential of Iceland is the savings banks' support to the Dimmuborgir Project by the name of a large area of unusually shaped lava fields in Iceland. Dimmuborgir is composed of various caves and rock formations remnants of volcanic activity and which make one think of an ancient collapsed citadel with columns spewing plumes of sulfuric smoke. For a while sanddrift caused by the thousands of tourists who came to visit the site threatened to destroy this natural treasure. The Icelandic savings banks invested money in preventing a disaster to happen and now Dimmuborgir area is protected from damage.

In terms of renewable energy the savings banks of Iceland are of course well aware of the impressive statistics their country is able to present: 72% of Iceland's total energy supply comes from renewable sources. Nowhere in the world does geothermal energy contribute as great a part in a nation's general energy supply.

Geothermal energy is notably generated by heat stored beneath the earth's surface. In order to exploit this geothermal energy relatively high up-front investments have to be made to cover the drilling costs and exploratory risks. The savings banks are playing their part to ensure the development of geothermal energy in Iceland. This was the case for example when they helped finance Hitaveita Suðurnesja; a company which runs a geothermal powerplant and produces electricity and delivers hot water for heating.

The financial support of the Icelandic savings banks has also helped the creation of The Blue Lagoon; a spa which is fed by the water output of the geothermal plant of Hitaveita Suðurnesja. The steamy water of The Blue Lagoon because is rich in minerals found in lava formation and helps people suffering from skin diseases.



Hitaveita Suðurnesja Geothermal Powerplant in Iceland

OTP Bank plc. A scientific assessment of environmental performance

The Hungarian OTP Bank plc. has for many years looked at ways to minimise its environmental footprint. In 2007 it was committed to systematically collect and process information on the environmental impact of its operations. The bank was also looking at employing a full-time environmentalist and organising an environmental training programme for its employees.

On top of these various commitments OTP Bank plc. has taken a series of concrete measures to reduce the energy consumption of its buildings with for instance water-saving taps, energy-saving bulbs, etc. Memos are sent to employees to advise them on how to use the appliances in an energy-efficient way.

Whenever possible OTP Bank plc. has privileged renewable energy sources like for example the use of geothermal energy with a heat pump for the bank's central warehouse. Occupied areas of their buildings are 80-90% naturally lit. Alternative energy technologies are systematically taken into account when new offices are built.

In terms of procurement the bank is already using recycled paper. It recycles ink and toner cartridges and gives preference to environment-friendly materials when selecting suppliers.

Around half of the car fleet consists of petrol powered cars in the 'compact' category, which produces CO2 emissions of less than 180g/km. The bank is investing in teleconference facilities in order to reduce the number of trips of its staff.

In 2005 the bank began to introduce a selective waste collection. In 2006 a total of 260 tons of paper waste was collected in its central buildings and recycled.

The bank is also participating to European and local credit programs which focus on environmental protection. For example the Bank helps provide financial support for the programme 'Light our Life' – a program of modernisation of the Hungarian schools lighting and heating.

Česká spořitelna Leading the way in financing sustainable investments of SMEs



Thanks to a partnership with the International Financial Corporation (IFC), an organisation part of the World Bank Group (www.ifc.org), Ceska Sporitelna has become the lead commercial financing partner of Czech SMEs investing in energy-savings and renewable energy sources.

Through the Financing Energy Savings Applications product (FINESA), Ceska Sporitelna has for example helped finance in 2005 a small hydropower plant in Eastern Bohemia. The plant which became operational in May 2006 is expected to reduce greenhouse gas emissions by 1,599 tons a year. The bank also invested in the first fully commercially financed wind power plant in the Czech Republic. The plant based in North Bohemia opened in 2005 and produces operational results which go beyond the expectations of 5,000 MWh (which is equivalent to a reduction of 5,600 tons of CO2 annually). In view of this positive experience another commercially financed project of wind power plant could soon be build at the same location.

With FINESA Ceska Sporitelna has issued for €5 million worth in loans for energy savings and investments in renewables. It has through seeking partnerships with international financial organisation like the IFC benefited from capacity building, technical assistance and risk-sharing tools and managed to differentiate and profile itself in a highly competitive market.

Montepio Preventing fire and helping the firefighters

Almost every year, the forests of Portugal are the victims of fire resulting in considerable human and material damage. In just the last ten years, forest fires have destroyed hundreds of houses, more than 1,600,000 hectares of land and over 340 million trees. To prevent fires and help firemen, Montepio in partnership with the National Firefighters Association organises each year an annual campaign amongst citizens to raise funds in order to buy self protection equipment.

This year, Montepio also established a new partnership with the Agricultural Ministry and the Internal Affairs Ministry to participate in a national action to prevent summer fires, named "*Movimento*".



CONCLUSION

This publication will have shown the wealth of savings banks' best practices examples of when and how financial institutions can make a positive impact on climate change.

By integrating the environmental issue into their management and commercial policy, a vast majority of ESBG members demonstrate again their capacity at conducting their business in a responsible & profitable manner and at anticipating the needs of their shareholders and customers, as well as reinvesting for the community in general.

But even if their contribution to the fight against climate change is a fact, ESBG is conscious that still a lot more needs to be done.

The following resolution which has been approved by the General Assembly of the ESBG is aiming at creating important benchmarks in terms of green retail banking.

The ESBG Resolution: "Towards a greener savings and retail banking sector"

ESBG and its members want to contribute and assist society in successfully responding to the current threats, act as eco-responsible market-drivers and support to communities.

In this respect, ESBG will work towards:

- supporting members in building significant capacity within their organisations to evaluate fully the exposure to environmental issues and to develop suitable business responses;
- evaluating how best corporates' general policies can integrate environmental aspects, including energy efficiency, recycling, waste reduction, transport/travel and building arrangements;
- developing and exchanging best practices in how to incorporate the environment dimension in retail banking offers, operations and processes and promote environment-friendly products and services with clients;
- exploring solutions on how to raise awareness on environmental concerns with clients, employees, suppliers, investors and other stakeholders, and, especially for those operating at local level and in smaller organisations, accompany them in strengthening their "green" capacity;
- exchanging experiences and knowledge with peers in order to extend best practices, and regularly evaluate progress made;
- engaging and developing dialogue relating to environmental matters with policy-makers and involved institutions, including civil society organisations, at national, EU and international level in order to develop an enabling framework to contribute effectively to the reduction of business impact on the environment ;
- assessing the opportunities for partnership with public authorities and private stakeholders, at local, EU and international level to develop practical, workable and long-term environment-friendly solutions, which can benefit the large public.

As part of ESBG commitment to the United Nations Global Compact Principles, specific attention will also be given:

- to support a precautionary approach to environmental challenges;
- to undertake initiatives to promote greater environmental responsibility;
- to encourage the development and diffusion of environmentally friendly technologies.



ABOUT ESBG



ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of € 5,215 billion (1 January 2006). It represents the interests of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

ESBG members are typically savings and retail banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their region. ESBG member banks have reinvested responsibly in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.



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