

GREEK HOUSE DAVOS 2024
ANNUAL MEETING
THE INTERSECTION OF
ESG AND CARBON TRADING

TUESDAY, 16 JANUARY 2024

11:00 – 12:00

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THE INTERSECTION OF ESG AND CARBON TRADING

**The Hellenic Bank Association initiative on
the set up of an interbank platform on ESG
as a good practice for a low-carbon future of
the Greek Industry**

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The Findings of the “Share Action’s Report” titled “Banking on a Low-Carbon Future II” of April 2020

- Banks’ overall performance on climate changes is still insufficient
- All banks acknowledge the relevance of climate-related risks, but integration into traditional types of risk assessment is still incomplete
- Key barriers to improvement faced by banks include a lack of data, challenges in integrating climate-related risks into traditional risk management processes and a lack of market norms for Paris-alignment
- Disclosures and target-setting in relation to banks’ exposures to carbon-related assets are still low
- Banks do not publicly disclose the percentage of carbon-related assets as a proportion of their underwriting activity in either equity or debt capital markets, nor as a proportion of risk weighted assets

The banking sector's crucial role in tackling this crisis

- Banks
 - continue to finance high-carbon industries, but
 - they are also able to play a positive role by actively financing the low-carbon transition
- Many banks have already started to focus attention on the commercial opportunities associated with the low-carbon transition, but this process needs to accelerate
- Furthermore, supervisory and legislative provisions require banks to improve their credit risk assessment procedures, in order to identify and weigh up climate and environmental risks, as well as to incorporate ESG criteria into the process of evaluating the creditworthiness of their corporate clients
- The task to enhance, in a risk-based and proportionate manner, the incorporation of ESG risks into institutions' business strategies, internal governance arrangements and risk management frameworks

EBA Report on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms (EBA/REP/2021/18)

- Including Environmental, Social and Governance (ESG) risks into the three pillars of the banking prudential framework
- Climate-related risks are the financial risks posed by the exposure of institutions to counterparties that may potentially contribute to or be affected by climate change
- Environmental, social or governance matters that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign or individual
- ESG risks to institutions are defined as risks that stem from the current or prospective impacts of ESG factors on their counterparties or invested assets, i.e. the risks arising from the core activities of institutions
- ESG risks materialise through the traditional categories of financial risks
- Enhancing, in a risk-based and proportionate manner, the incorporation of ESG risks into institutions' business strategies, internal governance arrangements and risk management frameworks
- The need for early and proactive actions to ensure preparedness for ESG-related challenges and regulatory developments

The ESGr platform as a centralized interbank platform for the assessment of ESG risks of Greek credit institutions / The Hellenic Bank Association press release of 10 October 2023

- TEIRESIAS S.A., a subsidiary of the Greek banks, as the ESGr Platform operator
- The ESGr Platform as an ideal tool for Greek credit institutions for a better integration of climate-related risks into their traditional types of risk assessment
- Collection of ESG data from the banks' clients or potential clients through common interbank ESG questionnaires
- The questionnaires adopt internationally recognised standards, guidelines and best practices
- The data will be processed, analysed and assessed by the platform's operator in terms of ESG risks on the basis of objective, commonly applied criteria
- Achievement of a common and uniform baseline assessment of clients or potential clients of Greek banks with regard to the ESG risks from the banks' transactions with their clients

Advantages of the Interbank ESGr platform

- Standardise and limit the size of information requested from the banks' clients
- Automated solution speeding up the logging process and ensuring correct completion and secure maintenance of the data
- Same treatment through a single questionnaire for businesses of the same size and activity sector for all credit institutions' clients
- Harmonization of the requested data with, inter alia, the submission of sustainability reports by companies, imposed by the EU Directive on Corporate Sustainability Reporting (CSDR)
- Economies of scale / lower transaction costs

The ESGr platform as a tool for the low-carbon transition of the Greek industry

- Incorporation of accurate and common criteria into the evaluation process of the creditworthiness of Greek banks' corporate clients as regards their engagement in the reduction of the carbon intensity of their services and products
- Improvement of transparency to stakeholders as regards the low-carbon products financed or to be financed, directly or indirectly, by the credit and financial institutions through public disclosure and independent assessment based on common criteria
- Enhancing the banks' appetite in business development of the low-carbon industry sectors, to tackle the climate crisis, turn around quickly and play an important role in ensuring a successful low-carbon transition

THANK YOU

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