



Sustainable Financing

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The role of Banks in the European Green Deal

- Banks play an important role in supporting the EU objectives of carbon neutrality and the European Green Deal as they represent most of the external funding of Corporates and SMEs.
- Ultimate aim: Achieve EU net-zero target in 2050



The Challenges

- Identify coherent definitions of sustainability across jurisdictions
- Establish a higher degree of standardisation and transparency on data



The umbrella of the EU Taxonomy

- Creates a common understanding of how economic activities can qualify as environmentally sustainable.
- Increases the accountability and efficiency of Banks' sustainable lending practices.
- Clear, science-based classification of economic activities.
- Bank reporting obligations will be mostly provided through the EU Taxonomy disclosures of their clients.



Goals of the EU Taxonomy

The EU taxonomy is based on the following six environmental goals:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- The transition to a circular economy
- Prevention and reduction of environmental pollution
- Protection and recovery of biological diversity and ecosystems.



The Building and Construction Industry

- High usage of global raw materials and energy
- Waste contributor (solid waste and greenhouse gases)

Source: A Global Review of Sustainable Construction Project Financing: Policies, Practices, and Research Efforts, 2017



Taxonomy requirements for the construction and property industry

The activities looked at in the construction and property sector include

1. New construction
2. Building renovation
3. Individual measures and professional services
4. Acquisition and ownership of properties
 - Planning and constructing a new building results in net primary energy requirements at least 20% lower than the minimum energy level laid down under national regulations.
 - Renovations must meet domestic or regional requirements for major renovations in keeping with the EU Energy Performance of Buildings Directive (EPBD), or make a minimum improvement to primary energy requirements of 30 per cent. Investments in individual measures or services are considered sustainable if they help to lower energy consumption, reduce the carbon emissions of a building, or both.
 - Regarding acquisition and ownership, buildings constructed after 2021 must meet the criteria for new buildings. Buildings erected before 2021 must perform on a comparable level with the top 15 per cent of the national stock of existing buildings in terms of calculated primary energy demand.



Response from the Building and Construction Industry

- Innovative building design and materials
- Elevated resource efficiency standards
- Environmentally friendly construction methods



What are banks doing in Cyprus

- Setting up a department within the bank exclusively for ESG
- Working with the government to set up initiatives to develop benchmarks and reference points, starting with emissions and carbon footprint.
- Finance energy saving projects on buildings with favourable terms
- Setting up internal systems to capture sustainable financing loans

EU Bank requirement in 2024: Report on **Green asset ratio**



Potential bank actions for Sustainable Financing

- Preferred project review
- Reduced interest rates
- Increased loan-to-value ratios

Hellenic Bank's current actions on ESG

Environmental



growGREEN
SUSTAINABILITY & GROWTH

- Green financing through **growgreen initiative** by offering credible consultation and guidance related to our services, for a greener more sustainable future
- **Climate & Environmental Action Plan** initiated in 2021 with clear targets in relation to strategy, organizational structure and risk management
- Continuous implementation of **Energy Management policy** which assists the Bank to reduce its energy consumption, CO2 emissions and its electricity cost

Social



HELLENIC BANK
VOLUNTEERS



- Supporting vulnerable groups and promoting activism for social and environmental causes
- *Hellenic Bank Volunteers* group which undertakes a number of initiatives throughout the year and obtained **an award for 2020 #HBVolunteersChallenge** by the Volunteerism Coordinative Council on 29 November 2021

Governance



- A **dedicated ESG Department** with the aim to invest in sustainable development and consistently design actions to improve the Bank's impact on environmental sustainability, social responsibility and corporate governance
- Clear Governance set in relation to the implementation of the ESG initiatives, which is closely monitored through the Transformation Plan governance
- ESG Impact Report to be issued in June 2022



Thank you for your attention!

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