FI supervision

Sustainability Perspectives in Lending to Corporates – A Follow-Up Review

No. 7

7 November 2018

7 November 2018
Ref. 18-11733

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FI supervision

Finansinspektionen frequently publishes supervision reports in numbered series. These supervision reports are part of FI's communications. The reports cover investigation and other forms of supervision conducted by FI. FI uses these reports to provide information about the observations and assessments made by FI and about its expectations in other matters. This can be of assistance to firms' operations.

Summary

The banks give greater consideration to sustainability aspects in their lending to corporates. However, FI sees a need for more transparency and comparability in the area of sustainability.

Finansinspektionen (FI) has once again reviewed the banks' internal rules for lending to corporates. The purpose of the review was to note if any changes had been made since 2015 in how the banks consider sustainability-related risks.

FI noted that the banks give greater consideration to sustainability aspects in their lending to corporates than they did before. Their internal governance documents also include more sustainability aspects, and they describe their work with sustainability in more detail. Environmental and climate-related aspects still receive most attention. Social and governance-related matters receive less focus. However, FI would like to emphasise the importance of continuous development in all ESG targets for suitable risk management.

The banks normally assess sustainability-related risks as part of the credit and reputational risk. They may choose not to participate in a business transaction if a borrower's operations are considered incompatible with the bank's ethical values or potentially harmful to the bank's reputation. However, the banks rarely choose not to issue loans due to elevated sustainability-related risks – unless the counterparty is blacklisted or statutory restrictions prohibit the transaction. The banks argue that they prefer to influence their borrowers to give greater consideration to sustainability. Although, how this works in practice is not always specified in the banks' internal rules or descriptions.

FI makes the assessment that banks consider sustainability aspects to a greater extent when designing new products, such as green loans. They have also appointed central bodies to support the organisation in sustainability-related matters, in particular for lending to corporates. The banks have also continued to recruit and train staff to develop their work with sustainability.

In its previous report, FI emphasised the importance of transparency in the banks' work with sustainability in lending to corporates. One result from this was the so-called Sustainability Summary, an industry initiative from the Swedish Bankers' Association[1]. Eleven Swedish banks publish a Sustainability Summary, in which they show in a uniform manner how they take sustainability aspects into consideration in their lending to corporates. The Sustainability Summary has helped to improve transparency and comparability of how the banks work with these matters. Another development is that more banks have begun to apply various sustainability-related guidelines since 2015. FI emphasises the importance of communicating what this means for the banks' day-to-day operations.

1 Swedish Bankers' Association, "Hållbarhet i kreditgivning". 2018

All banks express a desire to be better at assessing sustainability-related risks in their lending and helping firms develop more sustainable businesses. FI encourages further development to increase transparency and comparability.

Background

FI's survey of the banks' internal rules for lending to corporates has been conducted as part of the process of integrating sustainability into FI's ongoing supervision. FI has examined whether there have been any developments in terms of how the banks' are taking a sustainability perspective into account when lending to corporates and, if so, how this has been translated into tangible changes in the way the banks' work with these matters.

Through an amendment to its appropriation directions for financial year 2015, FI was tasked with producing a special report that describes the banks' guidelines for lending to corporates from an environmental and sustainability perspective. The outcome of this assignment was the report "Environmental and sustainability perspectives in credit granting to companies"[2]. In summary, the report indicated that the banks were taking sustainability into account when lending, but to a markedly variable extent.

In the appropriation directions for financial year 2018, FI is urged to "integrate sustainability into existing and new regulations and into financial supervision". The fact that financial firms – especially banks – have rapidly increased their awareness of issues and sustainability-related risks justifies FI investigating whether and, if so, how this is being translated into changes in the banks' internal rules concerning lending. As part of this, and in order to integrate sustainability-related issues into its supervision, FI has chosen to follow up the report on sustainability in lending to corporates from 2015.

WHAT IS SUSTAINABILITY?

Sustainability is a broad term. The Brundtland Commission describes sustainable development as: "… development that meets the needs of the present without compromising the ability of future generations to meet their own needs".[3]

Expressed in economic terms, sustainable development entails activities being pursued in a way that is beneficial to the economy as a whole in the long term. Accordingly, sustainable activities aim to make effective use of human and material resources in the long term.

From the perspective of the financial sector and that of FI, work with sustainability encompasses how financial firms take into account sustainability in their lending, investments, insurance operations, marketing etc. Both in Sweden and internationally, ESG (environment, social and governance) targets[4] are used to structure and clearly define responsible behaviour with respect to:

2 Finansinspektionen, "Environmental and sustainability perspectives in credit granting to companies". 2015

3 United Nations (UN), "*FN & hållbar utveckling, Rio+20*" [The UN & sustainable development, Rio+20]. 2018

4 Government Offices of Sweden, "*Hållbar finansmarknad*" [A sustainable financial market]. 2016

- Environmental impact on air, water and land, use of resources (energy, materials, water, land), waste, noise, impact on sensitive areas of natural or cultural value (e.g. in national parks, nature reserves, virgin forest).
- Social responsibility, for example the impact of activities health and safety and working conditions, the production of certain types of weaponry, the risk of child labour, forced labour, and discrimination, freedom of association etc.
- Corporate governance. This includes management issues, processes and methods for detecting and preventing corruption.

It is these matters that are expressed in the work taking place regarding, for example, the 2030 Agenda for Sustainable Development[5], and that form the basis of the requirements concerning sustainability reporting in large companies that have been in force since 1 December 2016. FI's understanding is that these matters will likely continue to grow in terms of their importance.

5Swedish Delegation for the 2030 Agenda, "*Om agendan*" [About the Agenda]. 2018

Implementation of the Survey

FI has followed up an earlier investigation of sustainability perspectives in lending to corporates. The sample of banks is the same. The survey has been limited to covering what can be deduced from internal rules and descriptions.

PURPOSE AND SAMPLE

The aim of the survey has been to analyse whether the way in which banks take into account sustainability-related risks when lending to corporates has changed at all since 2015, when FI last investigated this.

The sample contained nine of the largest banks[6] in Sweden that are supervised by FI (Categories 1 and 2) and which have a substantial proportion of corporate lending in their credit portfolios. This is the same as for the investigation in 2015.

These banks account for around 80 per cent of corporate lending in Sweden. This proportion is large enough to provide a good impression of Swedish banks' sustainability perspectives when lending to corporates.

METHOD

FI has reviewed those parts of the banks' internal rules[7] that banks themselves deem to describe how they take into account sustainability perspectives in their lending to corporates. In addition, the banks have provided descriptions of how they have worked in order to improve in this respect.

FI has analysed the following material:

- Internal rules governing lending to corporates and other internal rules that, according to the banks' own assessments, concern lending to corporates from an environmental and sustainability perspective.
- Published reports that address sustainability, for example annual reports and Sustainability Summaries.
- Descriptions of lending to corporates from a sustainability perspective; how the banks have developed their work with sustainability since 2015 and how they view the future of this work.

6 The credit institutions included in the sample are Nordea Bank AB, Skandinaviska Enskilda Banken AB, Swedbank AB, Svenska Handelsbanken AB, Kommuninvest i Sverige AB, Aktiebolaget Svensk Exportkredit, Landshypotek Bank AB, Länsförsäkringar Bank AB and SBAB Bank AB. Kommuninvest i Sverige AB and Aktiebolaget Svenska Exportkredit are not banks, they are credit market companies. However, we will be referring to all of the credit institutions in this report as banks.

7 Internal rules such as policy and governance documents, guidelines or other written documentations that a firm uses in order to control its operations.

LIMITATIONS

The survey has been limited to covering what was possible to deduce from internal rules and descriptions. FI did not define the term sustainability when we requested information from the banks. However, there is a focus on issues related to the environment and climate in the banks' work with sustainability. FI has also examined other aspects of sustainability that are described by the banks in the material they provided, for example social issues and human rights.

Legal Basis

A bank shall identify, measure, govern, report internally and control the risks associated with its operations. If it is possible for sustainability-related risks to have an impact on a borrower's repayment capacity, the bank shall take this into account when assessing the financial risks associated with issuing the loan. A bank shall also operate in such a manner that public confidence in the bank and in the financial market is maintained and that its business may be regarded as sound.

In this section, FI reproduces parts of the legal basis for sustainability perspectives in lending to corporates that was produced in conjunction with the investigation of 2015.

Chapter 6 of the Banking and Financing Business Act (2004:297) contains general provisions concerning how banks are to operate. Section 5 of the same chapter contains a provision stating that banks shall have written internal guidelines and instructions (internal rules) to the extent required in order to govern their operations. This section contains a discussion of whether there can be deemed to be a requirement that banks take into account sustainability when lending.

OVERARCHING REQUIREMENTS CONCERNING CREDIT RISK MANAGEMENT

A bank's lending is governed primarily by risk. There are also aspects relating to consumer protection to take into account, but these are outside the scope of this report. Under Chapter 6, Section 2 of the Banking and Financing Business Act, a bank shall identify, measure, govern, report internally and control the risks associated with its business. In particular, it shall ensure that credit risk, market risk, operational risk and other risks combined do not jeopardise the bank's ability to meet its commitments. In addition, there is an explicit provision in Chapter 8, Section 1 of the Banking and Financing Business Act which states that the bank shall, before granting a loan, assess the risk that the commitments pursuant to the loan agreement may not be met, and that the bank may only grant the loan if there are reasonable grounds to assume the commitments will be met. In brief, credit risk denotes the risk that the borrower will not be able to repay their loan. If this were to be the case for a large proportion of the bank's lending portfolio, it can have a knock-on effect that threatens the bank's solvency and ability to function.

All circumstances of significance shall be taken into account when a bank assesses a borrower's repayment capacity. For example, this means that if a borrower is engaged in activities that may have a harmful impact on the environment – and that by extension may result in liability for damages or other costs that entail an increased risk that the borrower is unable to meet their commitments – the bank shall use such circumstances as the basis of its credit risk assessment. Any physical risks[8] associated with the collateral on the loan shall be taken into account in the same way. That which the bank is to take into account under these rules is thus strictly commercial. It is not incumbent on the bank to take into account additional sustainability aspects if these are not deemed to have an impact on the repayment capacity of the borrower or the value of any collateral on the loan.

REPUTATIONAL RISK AND REQUIREMENTS FOR ETHICAL BEHAVIOUR IN LENDING

As stated above, it is only credit risk, market risk and operational risk and the risks that are classified under these terms that are specifically listed in the operational rules on risk management. Other risks such as strategic risk, systemic risk, legal risk and reputational risk are examples of risks that are not covered by the term "other risks" in the provision. One fundamental justification for the operational rules for banks is to maintain confidence in the individual bank and in the banking market as a whole.

Risks that may be assumed to lead to a decline in confidence in the bank and ultimately to a fall in the bank's value are often termed reputational risks. For example, reputational risk can express itself directly through the bank losing customers and partners, losing staff and having difficulty attracting staff. Depending on what type of reputational risk it is, the bank may also have difficulty financing itself on the markets. When it comes to this review, it is most relevant to pay attention to the reputational risk that may arise in conjunction with lending. A bank that finances operations that are more or less dubious from the perspective of sustainability runs the risk that customers, other stakeholders and the public at large will lose confidence in the bank. This risk must be managed in the usual manner within the scope of the bank's risk management system. As is the case for all other risks, the bank must have methods for continually assessing its capital and maintaining adequate capital to cover the nature and the level of the reputational risk, should this materialise. As with credit risk, there are, in the strictest sense, no requirements that the bank consider anything other than commercial factors when the reputational risk is to be managed and quantified on the basis of the overarching rules concerning risk management and internal capital adequacy assessment.

Situations may arise in which a bank's behaviour, in addition to giving rise to reputational risk, leads to a situation in which other rules that apply to the business have to be applied. FI's general guidelines regarding guidelines for handling ethical issues state that banks shall operate in such a manner that public confidence in the bank and in the financial market is maintained and that its business may be regarded as sound. The general guidelines also state that a sound development of the business requires that the bank operates ethically, which in turn requires that it draw up guidelines in this area. These guidelines should contain rules governing behaviour in the matter of lending, with the aim being to ensure that the bank operates at all times within

8 Physical risks come from sustainability-related occurrences such as droughts, floods, violations of human rights etc. Physical risks encompass direct effects that are derived from such occurrences, for example disruptions to global supply chains (Central Banks and Supervisors Network for Greening the Financial System, "NGFS First Progress Report", 2018)

the scope of the applicable regulations and in an ethically acceptable manner. For a bank's behaviour to be deemed to be an infringement in this context, it must thus be a matter of a violation of norms that apply to the bank in its role as a lender. Accordingly, the norms that apply exclusively to the business that the bank finances cannot as a basic premise be regarded as entailing that the bank is not operating in a manner that is sound.

FI'S CONCLUSION ON THE LEGAL BASIS

FI does not require banks to implement specific measures to promote sustainability perspectives in their lending. Fundamentally, this is a commercial decision that the bank itself has to make. In accordance with Chapter 6, Section 2 of the Banking and Financing Business Act, FI ensures that banks have an acceptable risk management procedure. Failing to take sustainability-related risks into account when lending to corporates may entail an increase in the level of credit risk and reputational risk. Consequently, FI shall integrate sustainability into its financial supervision in accordance with its appropriation directions.

Sustainability Perspectives in the Banks Internal Rules

FI concludes that the banks are integrating sustainability into their internal rules for lending to corporates to a greater extent than before. However, there is great variation in terms of how risks related to sustainability are identified and managed. Similar to the previous investigation, the banks assess sustainability-related risks as one aspect of credit risk or reputational risk. All of the banks have allocated more resources to work that involves sustainability. Six of the banks are now offering green loans to companies.

SUSTAINABILITY PERSPECTIVES IN LENDING

According to the banks' internal rules, lending operations have to comply with applicable sustainability legislation. When they deem the sustainability-related risks to be elevated, they are to conduct a more detailed risk analysis. For example, it may be the case that a potential borrower runs a business in which the working conditions are thought to be unsatisfactory, that the borrower has acquired land that may need to be decontaminated or runs a business that currently generates profit but perhaps may not do so in future if new requirements emerge or if society's view of that company's business changes.

When lending to corporates, the banks are primarily assessing how the sustainability-related risks may affect the credit risk, i.e. the risk of a loss due to a loan not being fulfilled. It is thus the risk of detrimental impact on a borrower's repayment capacity and on the value of the collateral the borrower has provided, should the risks materialise, that form the basis of the banks' assessments. This is consistent with the regulations in the Banking and Financing Business Act and means that, in some situations, the banks analyse elevated, inherent sustainability-related risks and the borrower's capacity to manage these. This capacity is assessed on the basis of what effort the company makes to reduce the risk of problems arising and what potential it has to manage such risk should it materialise or were to materialise in future.

The banks' internal rules state that sustainability-related risks are also regarded as one aspect of reputational risk and, as such, relate to their ethical approach. If the sustainability-related risks are such that the bank deems a transaction to be incompatible with its ethical values or to be potentially harmful to its reputation, this may constitute grounds to stop the transaction, despite the sustainability-related risks being manageable from the perspective of credit risk.

The fact that the banks consider sustainability-related risks to be part of the credit risk or reputational risk is consistent with FI's previous investigation.

INTERNAL RULES

In the investigation of 2015, FI concluded that there was room for improvement in terms of how the banks deal with sustainability perspectives in their governance documents. For example, one bank did not have any sustainability perspectives at all in its internal rules for lending to corporates. It was primarily among the larger banks and among banks with sizeable international businesses that sustainability perspectives were expressed in a more extensive and detailed way.

FI's new review shows that the banks' internal rules highlight sustainability-related issued to a greater extent than before. All banks have a sustainability perspective in their lending policies and governance documents and express a desire to develop their processes further in this respect. Accordingly, the trend has been in the direction FI stated it was expecting in the previous investigation. The fact that the banks expanded the sections on sustainability in their governance documents is likely also an indication that they are taking greater account of sustainability-related risks when conducting credit assessments. In addition, several banks state that they have signed up to global sustainability-related guidelines such as the Equator Principles[9], the UN Environment Programme Finance Initiative[10] and the UN Global Compact[11]. One possible interpretation of the banks' expansion of their sustainability-related efforts is that they believe the risks associated with sustainability have become greater since the previous investigation.

INDUSTRY-SPECIFIC INSTRUCTIONS

In the report from 2015, FI wrote that the larger banks had developed industry-specific internal instructions directed at industries such as forestry, energy and shipping. These rules govern matters including how the banks identify and manage sustainability-related risks in specific industries.

Further development of these instructions has taken place since 2015 so that they are now more explicit and cover more industries. For example, one bank has adopted a new policy for the gambling industry that discusses issues including the sustainability-related risks associated with this industry.

Some banks refrain from doing business with specific industries or parties that are regarded to have a significant negative impact on sustainability aspects. For example, one large bank states that it does not enter into new relationships with companies within the nuclear power or coal-fired power industries as part of its work with sustainability. However, the material provided to FI by the banks indicates that, aside from those situations where statutory restrictions prevent lending or where the bank has blacklisted the counterparty, the banks rarely refrain from lending to companies with elevated sustainability-related risks. The banks' justification for this is that instead of refraining from financing unsustainable activities, they try to influence their customers to move in the right direction in order to create sustainability in the long term. In the material FI has studied, it is not always apparent how this works in practice.

9 Equator Principles Association, "The Equator Principles", 2018

10 UN Environment Programme Finance Initiative, "About United Nations Environment Programme – Finance Initiative", 2018

11 UN, "About the UN Global Compact", 2018

RESOURCE ALLOCATION AND EXPERTISE

The investigation of 2015 revealed that some banks had established sustainability committees or similar bodies. These central committees complemented, for example, loan administrators' analysis in those cases where sustainability-related risks were deemed to be elevated or difficult to appraise.

FI can see that the banks have now taken further steps in this area. Several banks have introduced specific analytical tools linked to lending in order to improve how they identify and manage sustainability-related risks. They have also allocated more resources and reinforced their expertise in this area through internal training and recruitment. For example, five of the banks now have committees that assist with analyses of sustainability-related risks in lending. How the banks choose to organise this expertise – in central bodies or integrated into ongoing operations – depends on what the focus of their business is and the degree of international operations. Furthermore, one of the banks has appointed several sustainability analysts, who are linked to the lending process. All of the banks express their ambition to further expand their expertise in the field of sustainability, including their lending processes.

SUSTAINABILITY PERSPECTIVES IN THE DESIGN OF LENDING PRODUCTS

The bulk of the bank's work with sustainability is made up of environment and climate-related issues. This is evident in, for example, the banks' governance documents, but also in the products they develop. For example, some banks offer "green loans" to their corporate customers. One of these banks describes a green loan as "… a loan where the business or project being financed by the loan contributes in some way to combating climate change or to alleviating the impact of climate change". If being granted a green loan is conditional on effectively managing environmental risk, this may lead to the banks influencing companies to take action and to a positive impact on the environment being achieved.

The investigation of 2015 revealed that two smaller banks offered lending products to companies with the aim of encouraging environmentally sustainable business. However, because of the method chosen, it was not possible for FI to state conclusively that additional banks in the sample did not offer similar lending products.

The material now studied by FI reveals that six banks are offering green loans to companies and one further bank plans to start offering these in the near future. The banks that offer green loans also express their desire to expand green lending in the future. At this stage, these loans probably constitute a small portion of the banks' credit portfolios.

FI has not investigated in any more detail whether the risks associated with green loans differ from those of other corporate lending but observes that the banks have to set a premium when lending to corporates that reflects the risk involved. There are differences in terms of how the banks classify and design green loans. One bank only offers green loans to the real estate sector, while another offers green loans to all of its customer groups. Similarly, one bank requires companies to have an existing commitment of SEK 10 million with the bank in order for them to be offered green loans when taking out new loans. The same bank states that with green loans over SEK 5 million there is the potential to negotiate individual terms covering price, maturity and amortisation requirements. This does not occur at the other banks. Requirements concerning green loans that vary from bank to bank may be an indication that they are assessing sustainability-related risks in different ways.

A lack of consistency in terms of the banks' definitions of green loans may lead to a situation in which a company that is not deemed to fulfil the requirements at one bank doing so at another. Varying requirements for classifying green loans also make it more difficult to compare banks' green loans. It is important for the banks that offer green loans to provide accurate, relevant and clear information to investors and borrowers. FI believes that more consistent communication concerning sustainability-related products would be beneficial to the banks, their customers and FI.

TRANSPARENCY

In the previous investigation of 2015, FI concluded that the banks were making various efforts to take sustainability into account through various self-imposed initiatives, for example adhering to internationally accepted principles such as the Global Compact. However, it was not always clear in the banks' internal rules or descriptions what effect such requirements had on actual business decisions and when lending to corporates. This resulted in FI challenging the banks to make their work with sustainability more transparent.

One result of this is that eleven banks that are members of the Swedish Bankers' Association have increased their transparency with regard to sustainability when lending to corporates in accordance with a model they have produced jointly, known as the Sustainability Summary. The aim of this model is to describe in an easily accessible way how each bank is working with sustainability in its lending to corporates. The Sustainability Summary is available from each bank's website. The Swedish Government's ambition was for all 33 members of the Swedish Bankers' Association to have published a Sustainability Summary by the end of 2017[12]. The Swedish Bankers' Association states that almost all its members that lend to companies and individuals are publishing this information on their websites.

The banks state that it continues to be their goal to increase their transparency with respect to their work with sustainability, for example when it comes to their lending to corporates. Nonetheless, it is unclear from the material the banks have submitted to FI how some of them intend to achieve this goal. Similarly, there are still banks that say they are adhering to global guidelines but do not explain how this is affecting their ongoing operations. This is why FI would like to see the transparency of the banks' work with sustainability increase further in future. Transparency is a significant driver of change and can create additional incentives for banks to continue their work with the sustainability perspective when lending to corporates.

12 Government Offices of Sweden, "*Hållbar finansmarknad*" [A sustainable financial market]. 2016

DEVELOPMENTS SINCE 2015

The material obtained by FI shows that the banks have developed their work with sustainability-related risks when lending to corporates. Compared to 2015, they have increased the number of governance documents and the extent to which these address the identification and management of sustainability-related risks when lending to corporates. More banks have signed up to global guidelines such as the Global Compact. The banks are also taking sustainability into account when they design products such as green loans. The number of banks offering green loans has increased from two to six and one further bank is planning to introduce these shortly. FI notes that environmental and climate-related risks are still the principal focus of the banks' work with sustainability.

As part of the assessment and management of sustainability-related risks, five banks have appointed central bodies for the purpose of providing support to their organisation in matters related to sustainability, in particular in lending. In addition, the banks have introduced specific analytical tools and have continued recruiting and training staff in order to develop their work with sustainability further.

In the report from 2015, FI emphasises the importance of transparency in terms of how the banks work with sustainability perspectives in lending. As a result of this, eleven banks have signed up to the Sustainability Summary model, which is an industry initiative from the Swedish Bankers' Association. FI concludes that the banks have made their communications concerning sustainability-related activities clearer.

The Way Forward

The banks have made progress when it comes to working with sustainability and taking sustainability into account in their lending. This is evident from how internal rules are designed and in how they have reinforced their internal expertise in this area. However, there are areas where further improvement is required. Transparency is a significant driver of change and can create additional incentives for banks to continue their work with sustainability when lending to corporates.

FI has seen a positive trend in terms of how the banks work with sustainability aspects and how they take these into account in their lending. This trend can be seen in how the banks' internal rules are designed and in how they have reinforced their expertise in this area. However, there are parts where there needs to be further improvement.

FI has been able to see from the survey how the banks' sustainability-related policies and instructions have a distinct focus on climate and environmental aspects. This is also the area where FI has been able to see the greatest development since 2015. Sustainability, as defined according to the ESG targets, encompasses not only the climate and environment, but also social responsibility and corporate governance issues. There may be differences in terms of how the banks have interpreted sustainability in conjunction with FI's inquiry in this survey. Consequently, there may be issues that are normally encompassed by the ESG targets, but which are not included in the banks' responses due to them being managed in another way within the banks. FI would still like to emphasise the importance of continual development within all ESG targets as governance and risk management of issues associated with, for example, human rights and anti-money laundering efforts are of vital importance to ensuring that banks' risk management processes are fit for purpose.

The number of banks in the sample that offer green loans to companies has increased and these banks intend to expand this form of lending in future. At the same time, FI has noted that there are variations between the banks in terms of how green loans are classified. Differing requirements concerning green loans may mean that the banks are assessing sustainability-related risks in different ways. At the same time, requirements concerning green loans that differ between banks make it more difficult to compare the different banks' sustainability-related work. It is therefore important that the banks provide relevant and clear information about their green loans to investors and borrowers.

A larger number of banks than previously have an explicit ambition to influence their customers in order to make a contribution to long-term sustainability. How this works in practice is not obvious from the material FI has obtained. Consequently, the banks need to be more explicit when they are communicating how this advocacy is conducted for the purposes of contributing to sustainable development.

Finally, the banks should describe in more explicit terms what their adherence to internationally determined guidelines entails. The fact that the banks are choosing to adhere to these principles is positive from the perspective of sustainability, but this is dependent on the banks providing a clearer account of what this entail in practice and in terms of tangible action.

The banks express a determination to become better at assessing sustainability-related risks in their lending. FI welcomes this ambition and would like to see continued action from the banks in order to increase transparency and improve the comparability of their sustainability-related information. Transparency is a significant driver of change and can create further incentives for the banks to continue their sustainability-related efforts when lending to corporates.

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