



Environmental management in the financial sector

BY JÜRGEN TRITTIN

Environmental awareness had developed rather more slowly in banks, savings banks and insurance companies than in the manufacturing sector, perhaps because this sector had never really been viewed as a direct source of pollution. However, once issues such as energy conservation, waste sorting and recycling-friendly materials entered the debate, it became clear that the time had come to re-evaluate the impact of the financial service sector too.

The potential cost savings inherent in good environmental management were an important argument. Robust though these immediate economic arguments were, the factor that ultimately pushed the financial institutions to take on responsibility for the environment came from another direction altogether. When the public mood begins to shift, a group that has long built its reputation on promises of trust and a forward-looking approach has to do something to maintain the credibility of its image.

The environment moved firmly to centre stage and the financial services sector had to be seen to be at the forefront of the new order. Just how significant this sector actually was quickly began to emerge when initial corporate environmental reports from institutions such as banks indicated energy consumption figures in the same league as many manufacturing companies.

The United Nations Environmental Programme (UNEP) was quick to recognize the important role of financial service providers in promoting global sustainable development and initiated the "Statement by Financial Institutions on the Environment and Sustainable Development" in 1992.

The financial institutions were closely followed in joining the initiative by the insurance industry, which issued its own statement shortly afterwards. More than 170 of the world's banks and around 90 insurance companies have now signed up to the two statements and committed themselves to respecting environmental concerns in the conduct of their business. The current list of signatories to these initiatives can be found on www.unepfi.net.

Important measures

But the two most important measures for the development and maintenance of environmental management systems are the European Eco-Management and Audit Scheme (EMAS), which was launched in 1995, and the international management system standard ISO 14001, issued by the International Organization for Standardization (ISO).

Both essentially address the same fundamental methods and goals: a continuous cycle comprising a situation analysis followed by the development of an environmental programme and regularly scheduled target-performance comparisons is instituted to create a process through which the environmental performance of the company is continuously improved.

The revision of the EMAS Regulation approved in March 2001 increases the emphasis on indirect environmental factors – "product ecology" – and requires registered companies to include such factors in their environmental statement. Indirect environmental issues are from my point of view the factors of substance for good environmental performance in the financial sector.



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More than 30 banks, savings banks and insurance companies in Germany had published a corporate environmental report by the start of 2001. The dialogue on environmental topics initiated by these reports, most of which appear annually, now forms an essential part of society's approach to dealing with environmental issues.



The German environmental ministry's new publication on environmental management for the financial sector is available free of charge in English and German by e-mail (service@bmu.de or petra.berner@uba.de), or can be downloaded at www.bmu.de.

A corporate environmental report not only satisfies external requirements, but also performs a number of important internal functions. Most notable is the role an environmental report can play in motivating employees. A report that sets clear objectives and directly expresses the commitment of management to meeting these objectives serves as a guide to employees in their daily activities. The report achieves other functions too, particularly with regard to the monitoring of targets and their attainment.

Sustainability

The principle of sustainability promotes a type of development that manages to be environmentally compatible, socially responsible and economically realistic. Assessing a company's sustainability performance thus means looking at economic and social factors and employee relations, as well as environmental issues.

The range of topics covered by corporate environmental reports has been expanding in recognition



Germany's Gerling Insurance Group (www.gerling.com) was one of the principal initiators of the 'e-mission 55' initiative through which businesses are encouraging governments to support the Kyoto Protocol on climate change. Dr. Jürgen Zech (fifth from left), then CEO of Gerling, is pictured here at Deutsche Telekom, also an initiator of e-mission 55, with the German environment minister, Mr. Trittin (fourth from left) during the July 2001 Bonn conference on climate change, COP 6b.

of this and some have already progressed far enough to be fairly called sustainability reports. The important role played by financial service providers such as banks and insurance companies and the part they play in shaping the economy is making it ever more essential for them to be environmentally and socially responsible.



Among practical environment-related measures at the ISO 14001-certified Cologne headquarters of Gerling is a shop where both employees and the public can purchase organic food, which is also served exclusively at the Gerling canteen.

Information on environmental reports worldwide, including reports from the financial sector, can be viewed at www.corporateregister.com.

This database is a compilation of public environmental reports voluntarily published by companies and organizations worldwide. In cooperation with the Federal Environmental Agency (UBA), the Scientific Library for Environmental Protection of the Federal Environmental Agency and London-based Next Step Consulting Ltd., these partners have created the world's largest register of environmental and sustainable reports.



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Enormous influence

Banks, savings banks and insurance companies have an enormous influence on the achievability of sustainable growth targets. This is true of a number of aspects of their business. On the one hand, they can act within their own spheres of responsibility to ensure a direct and positive effect on the environment, for example with ecoefficient administrative buildings or waste reduction measures.

On the other hand, the financial institutions exercise a significant function as pacesetters in our society. So, if they actively commit themselves to the cause of environmental protection, this points the way forward for employees, private customers and businesses.

Many financial service providers now make better use of the opportunities they have to create an awareness of climate control and social responsibility within the company itself, among customers and in their own immediate social environments.



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There has therefore been a significant change in the product field in recent years. Whereas responsible trading and profits were once seen as being at odds with each other, the sustainability ratings now show that sustainably managed companies are often more successful financially.



The Madrid offices of the Spanish bank BBVA (Banco Bilbao Vizcaya Argentaria – www.bbva.es), which has been certified by the Spanish national standards institute AENOR to both ISO 14001 and ISO 9000.

This has encouraged the banks to focus more on environmental criteria and develop new products in their lending and investment business too. The insurance companies' premium structures and

new product offerings increasingly reflect the fact that environment-oriented behaviour reduces risks. Nevertheless, a lot more could still be done to improve the environmental performance of the financial sector.

A new book published by my Ministry and the Federal Environmental Agency gives an overview of progress to date on the issue of *Green Finance – Environmental Management in Banks, Saving Banks and Insurance Companies* in Germany. Without claiming to be exhaustive, it simply sets out selected best-practice examples in the areas of operational and “product ecology”, environmental management and social responsibility. These examples show what can be achieved in the financial sector through good environmental management. ■



The Association of Environmental Management in Banks, Savings Banks and Insurance companies (VfU – www.vfu.de) is the first sector-specific association for environmental management in Germany and counts 19 financial institutions as members. This photo was taken at a VfU workshop on the implications of the Kyoto Protocol for the financial sector, in June 2001 at the Oberhausen Savings Bank.

From left to right: Claudia Velosa da Silva, of VfU; Iris Göckeritz, of Sparkasse Mülheim-Ruhr; Axel Schwob, of Victoria Versicherungen; Silvia Weiss, of Landesbank Baden Württemberg; Ingmar Schade, of Victoria Versicherungen; Dr. Peter Süsser, of Stadtparkasse Köln; Josef Janssen, Uni Sankt Gallen; Oliver Zwirner, of Rheinland Versicherungen; Marion Semrau-Matzdorf, of Landesbank Berlin; Lorenz Szyperski, of Deutsche Ausgleichsbank; Sandra Greiner, of HWWA; Wolfgang Kugler, of Bayerische Landesbank; Martin Wersch, of Hypovereinsbank; Ralf Nickel, of Allianz; Dr. Roland Geres, of Future Camp; Uwe Strangmann, of KfW; Erik W. Wissema, of Ministry for Economy, Netherlands; Thomas Zimmermann, of Stadtparkasse Oberhausen.



An ‘eco-patrol’ – one of the in-house environment-related activities at Yasuda Fire and Marine Insurance (www.yasuda.co.jp), the first financial institution in Japan to publish an environmental report and to achieve ISO 14001 certification.



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