2nd Athens ESG Forum
The Emerging Landscape of Sustainable Finance

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Financing and ESG:
Challenges
&
Opportunities

Constantinos Calogirou

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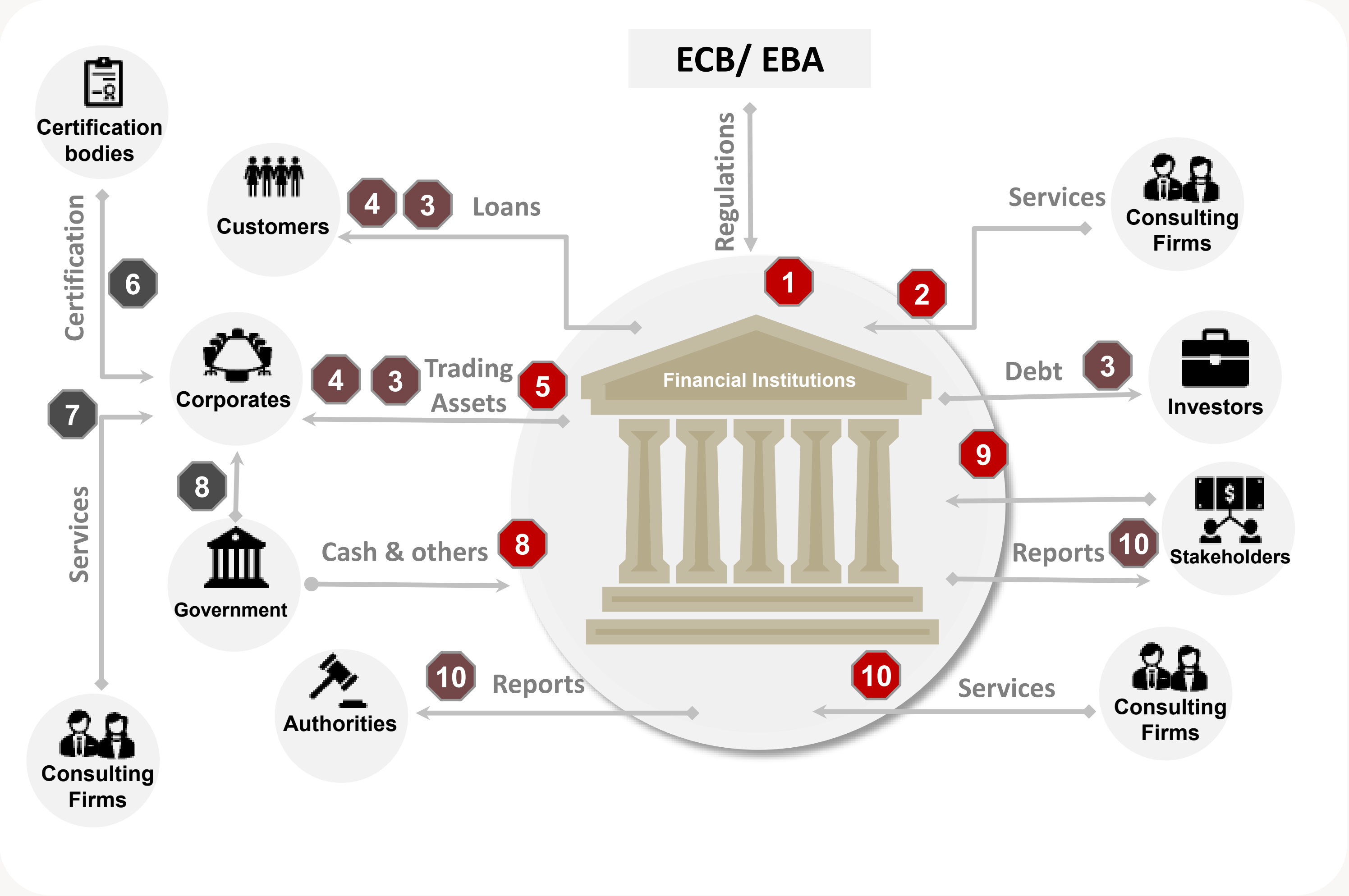
What areas of the Financing processes will be affected by ESG?



FI : *Financial Institutions*

: *Input to incorporate into FI processes*

: *Outcome from FI processes*

: *Actions implicitly influence FI*

1. Regulatory bodies set **framework for ESG treatment**, identifying key **metrics**, **methodologies** and **actions** (ESG Taxonomy, Climate-related risk stress tests).
2. The FI with the support of consulting firms, if needed, consider the incorporation of sustainability in the **business strategy** and the **organizational setup/governance.**
3. FI offer **sustainable financing** to sustainable counter parties, **adjust products offered** and exposure **portfolios** as well as **refinance** counter parties with sustainable instruments. Similar actions govern FI exposure to investors.
4. Consideration of ESG (risk) in **pricing & risk management**
5. FI receive by corporates **ESG Data**, **manage** and **evaluate** them possibly in collaboration with **ESG rating firms**.
6. Certification bodies **assess** and **certify Corporates ESG performance** and processes in alignment with ESG framework.
7. Corporates may use consulting firms to improve their **ESG performance** and to achieve **privileged financing conditions**.
8. Government provides **support, incentives and financing opportunities** to Corporates for improving their ESG footprint through FI or other funding entities.
9. FI adapt new stakeholder management approach and spread ESG knowledge in-house
10. FI with the support of consulting firms, if needed, assess and report to supervising authorities and stakeholders of its own **ESG risks** and their **impact**

Which are the main challenges for the Financial Institutions in implementing ESG in the Financing processes?

- Move towards not only compliance to ESG regulation, but also to long-term value creation by offering sustainable financing product to sustainable clients and considering Climate related risks and ESG risks impact in the allocation of cost of funds.
- Evaluate their existing portfolio and adjust considering new ESG risks factors and criteria incorporating new credit assessment procedures for new "money" (in accordance with EU taxonomy and/or ICMA-Green Principles).
- Collecting, managing and using ESG data for risk modelling and embedding ESG Risk, mainly Environmental (physical and transitional risk) in existing risk practices.
- Ensure the necessary capacity for the implementation of new procedures related to ESG requirements (tools, new staff with related experience, trainings, consulting services)
- Translating the ESG strategy into the organization's ecosystem and considering improving their own ESG footprint (ESG culture, Personal data security and privacy, Values and Ethics etc.)

Successful management of ESG risks is a matter of materiality. Determining which ESG risks are most relevant to each FI operations and stakeholders and which ones are most impactful in terms of cost, risk and growth are critical for FI development.

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What ESG Opportunities are there for the Financial Institutions ?

Reduce operating costs by adopting ESG solutions

Revaluate and manage risks

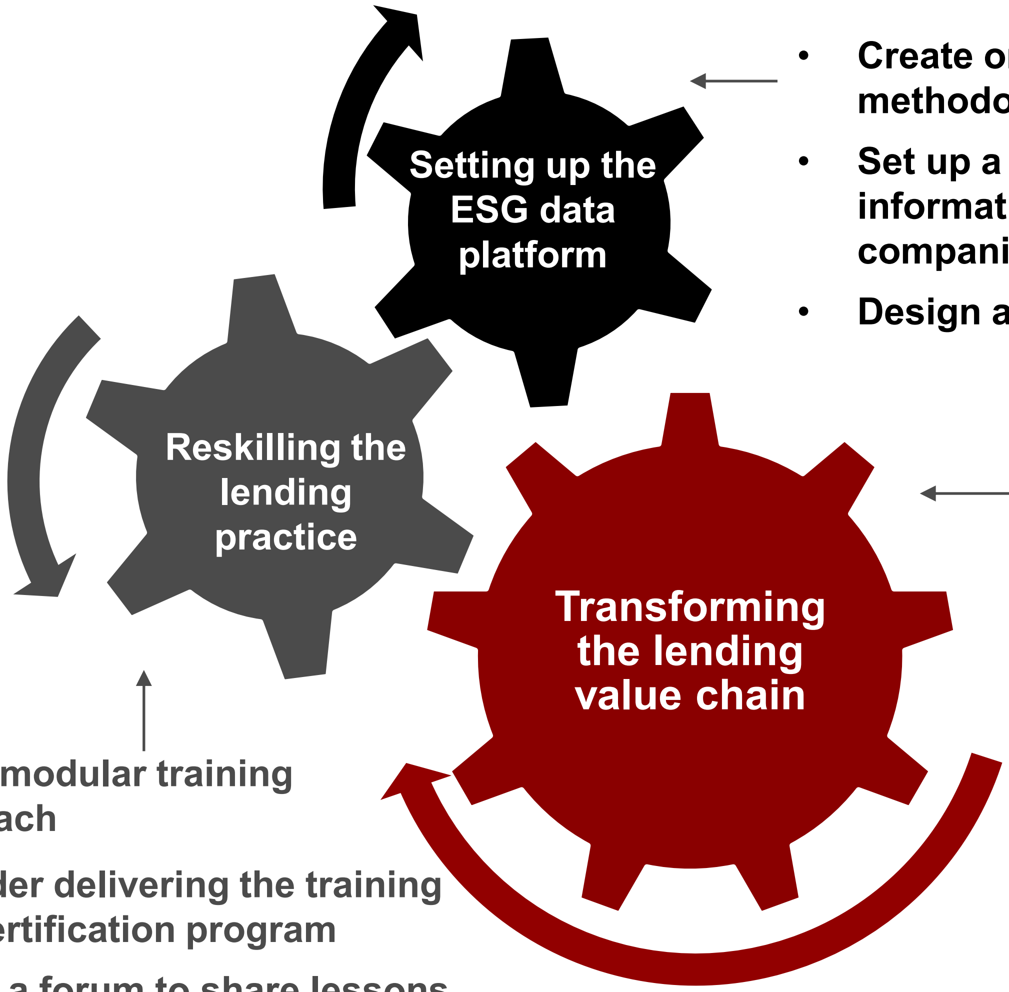
Avoid value destruction and capture incremental value by providing sustainable lending*

Attract new customers by selling new green products

Responsible financing approaches and skillful management of ESG can improve risk-adjusted returns, enhance reputation, spark commercial opportunities, mitigate portfolio risks, and improve market positions and value.

Sustainable financing products can help mitigate a bank's exposure to ESG-related risks and improve profitability.

* How can Financial Institutions establish a strategy for sustainable lending?



- Create or select an ESG score methodology for listed companies
- Set up a formula process to acquire information from non-listed companies
- Design an ESG Central Data utility

- Adjust credit product, policies and processes
- Create industry specific ESG capabilities
- Make lending operations sustainable

- Use a modular training approach
- Consider delivering the training as a certification program
- Create a forum to share lessons learned and the best practices

Which are Companies’ challenges based on the requests of Financial Institutions?

Focus in environment

- Produce annual data mainly related to environmental performance.
- Ensure that their activities comply with all applicable regulations and financing standards in order to be eligible to be financed by Banks and other Financial Institutions

Disclose complete ESG performance

- Incorporate in relevant reports Social and Governance related metrics.
- Disclose ESG performance through annual reports.
- Develop measures consistent with the industry requirements and comparable over the years.

Improve ESG performance

- Establish an ESG strategy, depicting short and long term commitments.
- Define an action plan in order to adopt new processes and improve ESG performance .
- Achieve higher ESG ratings.
- Link ESG performance with financing terms.

Which are the ESG driven financial opportunities for Companies?

RECOVERY FUND - Private Investment Financing Pillar: Green Transition

Banks and other Financial Institutions – New ESG Driven products

Investors and funds looking for profitable long term sustainable investments

Which are the ESG driven financial opportunities for Companies?

RECOVERY FUND
Green Transition Pillar

The National Plan for Recovery and Sustainability entitled "Greece 2.0" aims to renew the productive model of the country and emphasizes the digital transformation, the green transition as well as private investment to ESG actions and the economic and institutional transformation. (field of implementation: green technologies, green abilities, biodiversity, energy efficiency, building renovation, circular economy, sustainable development, job creation, safeguarding energy security)

Banks and other Financial Institutions – New ESG Driven products

Investors and funds looking for profitable long term sustainable investments

Which are the ESG driven financial opportunities for Companies?

RECOVERY FUND - Pillar Private Investment Financing: Green Go

Banks and other Financial Institutions – New ESG Driven products

All Greek systemic Banks as well as other Financial Institutions are trying to incorporate ESG criteria for financing companies that demonstrate transparency, and good performance in ESG related matters and achieve higher ESG ratings, offering them better access to funding as well as more favorable financing terms. The new ESG approach of lending addresses all loans (Retail & Corporate) as well as other financial instruments.

Investors and funds looking for profitable long term sustainable investments

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RECOVERY FUND - Pillar Private Investment Financing: Green Go

Banks and other Financial Institutions – New ESG Driven products

Investors and funds looking for profitable long term sustainable investments

Investors and funds are increasingly taking into consideration the ESG results of companies as it is closely related to high performance and risk limitation and as such, companies with strong ESG proposition have competitive advantages over other investments.

Becoming ESG-enabled is not a “check-the-box” activity – addressing each issue requires careful attention, strategy, action, and measurement.

Third party assistance plays a key role at the implementation of ESG requirements. Their experience and specialization can support Companies to respond to the challenges.

What should Companies do?

Assess

Assess their ESG situation primarily via a reputed third-party service provider,

Demonstrate

Demonstrate their ESG standing using a recognized model of ESG assessment and

Act

Undertake measures and actions to improve areas where there is relatively weaker ESG performance.

Which are the ESG priorities for the Companies?

ESG priorities and actions are unique for every company. For many organizations, focusing on ESG will require transformation in a number of areas and face many challenges. For example:

Carbon emission reductions and commitments and fostering reductions among suppliers and other value chain partners.

Energy use (including mix of renewable and traditional energy sources)

Water and other natural resource impacts

Human capital, including workforce demographics & diversity, turnover, training, comp & benefits, and health & safety

Develop strategies, organizational structures, resources and tools to support the integration of ESG into financial reports

Innovating with the aim of delivering value to society and the environment, in addition to commercial value for businesses and consumers.

Optimizing mechanisms and procedures for ESG issues, including internal controls, reporting, decision-making approach and board-level oversight.

Supporting communities through corporate giving, donation and fostering entrepreneurship

How a strong ESG proposition links to value creation and creates new financing opportunities? Examples

	Strong ESG proposition (examples)	Weak ESG proposition (examples)
Meet the requirements of funding sources	- Enhance investment returns by better allocating capital for the long term (eg, more sustainable plant and equipment) - Avoid investments that may not pay off because of longer-term environmental issues	- Suffer stranded assets as a result of premature write-downs - Fall behind competitors that have invested to be less "energy hungry"
Improve performance	- Attract B2B and B2C customers with more sustainable products - Achieve better access to resources through stronger community and government relations	- Lose customers through poor sustainability practices (eg, human rights, supply chain) or a perception of unsustainable/unsafe products -Lose access to resources (including from operational shutdowns) as a result of poor community and labor relations
Regulatory and legal interventions	- Achieve greater strategic freedom through deregulation - Earn subsidies and government support - Reduce	- Suffer restrictions on advertising and point of sale - Incur fines, penalties, and enforcement actions
Gain a competitive advantage	- Boost employee motivation and attract talent through greater social credibility - Promote business ethics and social prosperity, thus adopting and promoting sustainable practices enhances companies' reputation	- Deal with "social stigma" - Lose talent as a result of weak social proposition
Cost reductions	- Lower energy consumption with the use of solar panels or other renewable energy sources - Reduce water intake - Use of electrical or hybrid vehicles	- Generate unnecessary waste and pay correspondingly higher waste - Disposal costs - Expend more in packaging costs

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Thank You

PLANET S.A.
64 Louise Riencourt Street, 11523 Athens, Greece

Constantinos Calogirou
Enterprises Business Unit Leader
kkalog@planet.gr