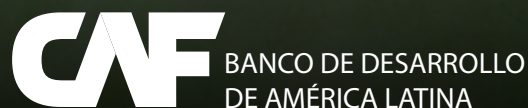




SUSTAINABLE DEVELOPMENT

IN THE CHILEAN
BANKING SYSTEM

◀ EXECUTIVE SUMMARY ▶



EXECUTIVE SUMMARY

This report was undertaken by UNEP FI and CAF - Development Bank of Latin America. It showcases the progress made by national banking institutions and international banks operating in Chile, as they integrate practices that support sustainable development into their operations.

The financial institutions in the study sample represent approximately 70% of the total assets of the Chilean market. Of those surveyed, 36% have an internal Environmental, Social and Corporate Governance (ESG) system, functioning in a comprehensive manner, while the remaining 64% have implemented some kind of related practices, activities and initiatives into their operations. This group of institutions hopes to receive the support of regulatory agencies and the Chilean Association of Banks and Financial Institutions (ABIF) as they implement these Environmental, Social and Governance management systems.

The study provides important data on various practices related to the inclusion of sustainable development in Chile's financial sector, and shows that the market is ready to advance the development of a national agreement on sustainable finance practices, such as the Green Protocol of Colombia or the Financial Sustainability Table of Paraguay.

Here are the main findings:

- 91% of the banks surveyed stated that they are adhering to some type of external code of conduct (environmental, social or corporate governance) such as Global Compact, Global Reporting Initiative (GRI) or the Equator Principles, among others;
- 73% of the banks surveyed reported that they have marketed some kind of green financial product, and 55% of banks have financed products and / or activities to mitigate climate change (i.e. renewable energies);
- 100% of the banks surveyed believe that there is a market for green financial products¹ related to the financing of products and / or activities for climate change mitigation and adaptation;
- 92% of banks would be interested in obtaining training on financial analysis of environmental projects.

The report identifies the following areas where practices could be improved:

- Aspects of gender equity - In the banks that were surveyed, 50.1% of the personnel at operational level are women. However, only 22.5% of women are in management positions;

- Capacity building - 100% of the surveyed banks report that among the most significant obstacles to promoting the integration of environmental and social criteria are the lack of training/knowledge to promote green markets, environmental and social practices, and/or reducing greenhouse gas emissions;
- Empowerment of the Regulator - 72% of banks consider that the lack of clear signals from the country's financial, environmental and economic regulators is one of the main factors slowing the adoption of sustainable development practices.

Finally, when comparing the performance of banks in Chile with those in Latin American, it can be concluded that Chilean banks have made more progress in the development and commercialization of green financial products, as well as in the implementation of environmental and social management systems. These advances have been driven mainly by the requirements of multilateral banks and other international organizations. However, Chilean banks lag others in the region in the consideration of environmental and social factors in their risk analysis and training on environmental and social issues within the financial sector.

It is important to take advantage of the enormous interest from Chilean banks in obtaining more information on sustainable finance, and getting access to more training on how to incorporate environmental and social criteria into the activities of these institutions.

The survey highlights the desire amongst banks to see ESG regulation put in place. They believe that support will be provided by multilateral and international institutions such as CAF and UNEP FI, among others, but that change should be supported and led by ABIF, together with the Superintendence of Banks and Financial Institutions (SBIF) of Chile and the Central Bank of Chile. Strengthening regulation with regards to the inclusion of sustainable development considerations into the operations of financial institutions and the consideration of environmental and social risks as additional risks (alongside credit, market, financial and operational risks) will lead to a more robust financial system. This is a goal towards which both regulators and financial institutions should be working.

1. Aggregate percentage of banks that could market or have already marketed green financial products

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