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**Book review Sustainable Banking**

*by Mark Thomsen*

*Scholarly collection of perspectives and case studies explores the international financial sector's role in sustainable development.*

The financial sector's role as an intermediary in influencing sustainability is not a new subject. For example, concerned environmental groups and other stakeholders have long held banks liable for financing mining and oil projects in environmentally sensitive areas. The 1997-98 Asian financial crisis, however, seems to have been the event that has truly turned the world's eye toward the relationship finance and sustainability. Since then, the financial sector has been slowly responding to increasing shareowner and stakeholder expectations regarding social and environmental performance.

A new book, "Sustainable Banking – The Greening of Finance," looks at perspectives and case studies on how various changes in the financial sector are moving banks in the direction of sustainability. Published in association with Deloitte & Touche, the book was edited by Jan Jaap Bouma, Marcel Jeucken and Leon Klinkers. Bouma is an economist and an assistant professor at Erasmus University in Rotterdam, Netherlands, Jeucken is a research economist at Rabobank Group, and Klinkers is with the Corporate Real Estate Management Group of Deloitte & Touche.

The editors choose to define "sustainable banking" in a broad sense. "The term is dynamic," the editors write, "because its definition changes over time; also, it has no clear borders – the relationships of banks with their stakeholders makes the concept relevant to actors other than just the banks themselves." But Bouma, Jeucken and Klinkers do choose five central themes in which to categorize the topics presented in their book: the policies of banks, transparency and communication, environmental investment funds, environmental risks and their repercussions for banks' products, and the role of governments, NGOs and multilateral banks.

Transparency and communication are relevant to a number of stakeholders, including social investors. Bjorn Stigson, President of the World Business Council for Sustainable Development (WBSCD), discusses in his essay the WBSCD's efforts to establish metrics that would allow financial markets to quantify eco-efficiency. Says Stigson, "As institutional investors, banks need to know to what extent the environmental performance of a company impacts on its shareholder value. A system of metrics and reporting with cross-comparable indicators is precisely the management tool that will allow banks to measure the link between environmental performance and shareholder value."

On the subject of sustainable development funds, Stefan Schaltegger and Frank Figge of the University of Luneburg, Germany believe that as financial markets seek to reduce risk by incorporating environmental and social performance into investment decisions, a danger will arise to passively managed assets. "Risks that have been turned down by proactive asset managers will end up with those asset managers that do not yet have the appropriate screening and assessment methods in place," write Schaltegger and Figge.

Some banks are already incorporating environmental risk assessment into their day-to-day activities. Andrea B. Coulson of the UK's University of Strathclyde found through research

on British bank Lloyds TSB that lending officers have become more aware of corporate best and worst environmental practices. Coulson notes “Officers guard against the risks of lender liability for the environment while pursuing lending opportunities with companies whose management seeks financial and environmental benefits through sustainable activities.”

The book also offers perspectives on the environmental policies of banks and some special cases of the role of government, NGOs and multilateral banks. While the majority of the book is from a European viewpoint, there are a few authors from Asian and Eastern European countries. What is noticeably lacking are writings from a developing country perspective; the book would have been better balanced if more of such viewpoints were presented.

“Sustainable Banking” may be too academic for the average armchair intellectual interested in sustainable development. For professionals in the financial sector, however, the book provides a valuable snapshot of where sustainable banking is, at least in Europe. And more importantly, it offers insight to where sustainable banking just might be headed.

*"Sustainable Banking - The Greening of Finance"*, edited by Jan Jaap Bouma, Marcel Jeucken and Leon Klinkers, Greenleaf Publishing, 2001.

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