SUSTAINABLE FINANCE: AN EVOLUTIONARY PERSPECTIVE OF INTERNATIONAL TREATIES.

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ABSTRACT

From the 1980s, the banks, which played a strictly economic and financial role, were forced to review their accountability to the granting of funding impactful to the environment. Faced with this new scenario, financial institutions began to incorporate the environmental variable in the credit rating process. Later, with the arising of Corporate Social Responsibility, the bank joined the management models that prioritized sustainable practices and required changes in its strategic policies. In this direction, were created specific financial services such as environmental credit lines that shaped the concept of sustainable finance. The Rio + 20, over the theme Green Economy, raised the importance of sustainable finance as a means of financing for sustainable development. This paper aims to present, through a literature review, the evolution of this concept focusing on financial institutions of Brazil signatory of The Equator Principles.

KEYWORDS

- Sustainable Finance
- Sustainable Development
- Green Economy
- Corporate Social Responsibility
1 INTRODUCTION

The environmental issue reached main highlight in the twenty-first century, through concerns about the finiteness of natural resources, population growth and polluting modes of production used by the industry. Faced with a non-optimistic scenario, the Sustainable Development comes up with a new logic of management and production, which has as main purpose to maintain the balance between environmental, social and economic variables. The Rio + 20 brought, as a prominent theme, the Green Economy, a new term that, along with the Sustainable Development, requires structural changes in the political, economic and social spheres.

The demand for new development models requires companies and governments to review their roles as change agents. Among these companies, the banks are the ones that have most changed over thirty years. Banks operate in almost all world economies and in all economic sectors that, somehow, require them to operate. However, in face of the search for an inclusive and less polluting economy, the role of these institutions has been pressured by society and government. The activities financed by banks produce direct and indirect impacts on the environment and communities, whether it is the extraction of a natural resource or disposal of industrial waste in an ecosystem. Actions such as these, leverage inequalities because lead to more social, environmental, health and economic problems, whether it is from local to global. From this perspective, banks are as responsible as companies of environmental degradation, with regard to the financing of impacting activities.

Faced with the urgent need for new actions, some local and global agreements were created in order to insert the environmental variable in banks’ funding processes, highlighting the treaty of Equator Principles.

This paper aims to present, through a literature review, the evolution of this concept through international agreements and the evolution of its practices focusing on financial institutions of Brazil signatory of The Equator Principles.

2 CONSTRUCTION OF SUSTAINABLE FINANCE

Financial institutions have come to play an important role in raising awareness and in demanding sustainable actions of various economic activities in the world (BankTrack, 2006). Moreover, pressure from stakeholders, particularly through movements such as Corporate Social Responsibility (CRS), boosted changes like the inclusion of the environmental variable in their lending processes and in their administrative structure. The understanding of this transformation requires a historical assessment of major environmental initiatives in the financial sector, which have influenced and shaped the concept of sustainable finances.

The term sustainable finance addresses the economic development at the same time that cares about environmental limits and social impacts of the activities involved in this process (Brito & Gonzalez, 2007). The reform of financial institutions that adopt this approach should be expanded also to their internal environment, specifically in their strategic context. In practice, there are actions in the offer of financing sustainable credit lines and in the adoption of environmental strategic policies in their administrations.
2.1 Main Events

The ground zero at this point began in 1956 with the creation of the International Finance Corporation (IFC), World Bank member body that operates in the private sector. IFC was created with the mission of "[...] promote private sector investment in developing countries, helping to reduce poverty and improve people's lives" (International Finance Corporation, 2016, para. 2). It operates in developing countries by granting credits and loans, through partnerships with private investors; and providing advisory services to businesses and governments.

The environmental variable has become an official issue only in 1972 with the United Nations Conference on the Human Environment or Stockholm Conference. That same year, the Club of Rome released one of the most important reports on environmental issues - The Limits to Growth. This report was prepared by a group of scientists at the Massachusetts Institute of Technology (MIT) that, through mathematical simulations, predicted that the level of industrialization, if they continue at the same rate, may, in no more than 100 years, compromise the use of the limit of planet's natural resources.

Facing these discussions, begins another debate: the inclusion of the environmental variable in business issues and the transformations of companies. In 1979, Archie B. Carroll proposed a theoretical model for the CRS consists of four social responsibilities: Economic, Legal, Ethical and Discretionary. Economic responsibilities are the basis of the operation of businesses: generation of profit through industrial production or services. Legal responsibilities refer to the laws and regulations that companies must follow to operate in legality. Ethical responsibilities include moral values that go beyond legal compliance. Finally, there is Discretionary responsibilities involving actions that are not directly related to the company's activity, such as philanthropy (Carroll, 1979).

In the year following the publication of Carroll Theory, emerged in the United States one of the first initiatives to legally responsible banks for environmental damage caused by their customers. In 1980, was created by US Congress the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), known as Superfund program, a law in the form of tax that aims to "protect human health and the environment by cleaning up polluted sites and make Responsible parties pay for work Performed at Superfund sites" (United States Environmental Protection Agency, 2011, para. 3). After the creation of the Superfund, financial institutions took on a co-responsibility never before associated with their activities. Thus, beyond the law requires a new attitude of companies, the society also would start making demands. In this general context, there is the case of Superfund as a practical example of the new social responsibilities of companies displayed by Carroll.

In 1992, influenced by the Rio Summit, United Nations Environment Programme (UNEP) established the United Nations Environment Programme Finance Initiative (UNEP–FI) initiative with the target "aims at creating an enabling environment for financial institutions – investment companies, banks and insurance companies – to embed development sustainable policies into their operations" (United Nations Environment Programme Finance Initiative, 2015, p. 2). In 1997, UNEP–FI and some financial institutions have launched the Statement of Commitment by Financial Institutions on Sustainable Development (Figure 1), a document that had its final update in 2011.
### STATEMENT OF COMMITMENT BY FINANCIAL INSTITUTIONS ON SUSTAINABLE DEVELOPMENT

#### COMMITMENT TO SUSTAINABLE DEVELOPMENT

| 1.1 | We regard sustainable development - defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs - as a fundamental aspect of sound business management. |
| 1.2 | We believe that sustainable development is best achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. Governments have a leadership role in establishing and enforcing long-term priorities and values. |
| 1.3 | We regard financial institutions to be important contributors to sustainable development, through their interaction with other economic sectors and consumers and through their own financing, investment and trading activities. |
| 1.4 | We recognize that sustainable development is an institutional commitment and an integral part of our pursuit of both good corporate citizenship and the fundamentals of sound business practices. |
| 1.5 | We recognize that the sustainable development agenda is becoming increasingly inter-linked with humanitarian and social issues as the global environment agenda broadens and as climate change brings greater developmental and security challenges. |

#### SUSTAINABILITY MANAGEMENT

| 2.1 | We support a precautionary approach to environmental and social issues, which strives to anticipate and prevent potential negative impacts on the environment and society. |
| 2.2 | We will comply with all applicable local, national and international regulations on environmental and social issues. Beyond compliance, we will work towards integrating environmental and social considerations into our operations and business decisions in all markets. |
| 2.3 | We recognize that identifying and quantifying environmental and social risks should be part of the normal process of risk assessment and management, both in domestic and international operations. |
| 2.4 | We will endeavor to pursue the best practice in environmental management, including energy and water efficiency, recycling and waste reduction. We will seek to form business relations with customers, partners, suppliers and subcontractors who follow similarly high environmental standards. |
| 2.5 | We intend to update our practices periodically to incorporate relevant developments in sustainability management. We encourage the industry to undertake research accordingly. |
| 2.6 | We recognize the need to conduct regular internal reviews and to measure our progress against our sustainability goals. |
| 2.7 | We recognize the need for the financial services sector to adapt and develop products and services which will promote the principles of sustainable development. |

#### PUBLIC AWARENESS AND COMMUNICATION

| 3.1 | We recommend that financial institutions develop and publish a statement of their sustainability policy and periodically report on the steps they have taken to promote the integration of environmental and social considerations into their operations. |
| 3.2 | We are committed to share relevant information with customers, as appropriate, so that they may strengthen their own capacity to reduce environmental and social risk and promote sustainable development. |
| 3.3 | We will foster openness and dialogue relating to sustainability matters with relevant stakeholders, including shareholders, employees, customers, regulators, policy-makers and the public. |
| 3.4 | We will work with the United Nations Environment Programme (UNEP) to further the principles and goals of this Statement, and... |
seek UNEP’s active support in providing relevant information relating to sustainable development.

### 3.5
We will encourage other financial institutions to support this Statement. We are committed to share with them our experiences and knowledge in order to extend best practices.

### 3.6
We recognize the importance of other initiatives by the financial services sector in forwarding the aims and objectives of sustainable finance and will seek to assist such initiatives in an appropriate manner.

### 3.7
We will work with UNEP periodically to review the success in implementing this Statement and expect all Signatories to make real progress.

**Figure 1.** Statement of Commitment by Financial Institutions on Sustainable Development. Adapted from: UNEP FI Statement by United Nations Environment Programme Finance Initiative (2011). Retrieved from [http://www.unepfi.org/about/statements/statement/](http://www.unepfi.org/about/statements/statement/)

This declaration is a milestone in the official commitment of financial institutions to act in promoting Sustainable Development. It is structured with three key points: Commitment to Sustainable Development; Sustainability Management and Public Awareness and Communication (United Nations Environment Programme Finance Initiative, 2011). On the first point, financial institutions recognize their role as agents in promoting Sustainable Development. Also emphasized that governments must lead this process through the implementation of priority policies for this issue. The second point refers to the prevention of environmental and social impacts by assessing and managing the risks of the involved activities and the adoption of environmental management practices by their partners, customers and suppliers. And finally, the third point stresses the importance of transferring periodically, to their stakeholders, transparent information about their environmental actions. Statement of Commitment by Financial Institutions on Sustainable Development brought advances in the subject in the following years.

In 1999, during the World Economic Forum, it was created the United Nations Global Compact (UNGC). It aimed to bring the private sector to contribute on the advance of the practice of CRS and to build a sustainable and inclusive economy. The UNGC is composed of ten principles that include the issues of human rights, labor relations, the environment and combating corruption (United Nations Global Compact, n.d.). Regarding the environment topic, principles 7, 8 and 9 deal respectively with: support a precautionary approach to environmental challenges; promote environmental responsibility and encourage the development of technologies that do not harm the environment. Although not aiming directly at the banking sector, the UNGC had the adhesion of some financial institutions.

Designed specifically for this sector, the year 2003 brought two important events: Collevecchio Declaration (Figure 2) and the creation of The Equator Principles (Figure 3). Created by the non-governmental organization BankTrack, Collevecchio Declaration has as goal to delineate on the responsibility and the role that the financial sector has in promoting sustainability (BankTrack, 2006).
Comparing it to the Statement of Commitment by Financial Institutions on Sustainable Development, it is clear that there are commonalities such as: commitment to sustainability, the integration of risk and environmental management in funded activities, preventive actions of environmental damage and communication of these to the public (external or internal). On the other hand, Collevecchio Declaration differentiates itself by transmitting and detailing, in a more clearly way, the actions and responsibilities that financial institutions must address in their conduct as companies. Stand out, for example, the following propositions:

- Integration of environmental limits, social and economic equity in business strategies;
- Payment in full or partial for the damages caused by their activities, including those financed by these institutions and
- Criticism by the use of standardized communication with the various stakeholders.

Following the approach of the Collevecchio Declaration, at the same year it was launched the most known initiative of finance and sustainability theme: The Equator Principles (EP). The story of its creation dates back to 2002 when the IFC and the Dutch bank ABN Amro promoted a meeting in London in order to discuss the financing of projects in emerging countries that involve the social environmental issues (Louette, 2007; Wörsdörfer, 2013). In 2003, The EP is released as: “A risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making” (Equator Principles, 2011, para. 1). The EP has some differences from others statements presented. First, the membership of financial institutions is voluntary and independent. Second, the structure has detailed actions, which works as a step-by-step to be followed by the signatory financial institutions. And third, it is geared towards financing the modality Project Finance\(^1\) for at least $10 million. Its structure is composed by the following ten principles:

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\(^1\)Is a method of financing in which the lender looks primarily to the revenues generated by a single Project, both as the source of repayment and as security for the exposure” (Equator Principles, 2013, p. 18).
### SUMMARY OF THE EQUATOR PRINCIPLES

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
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| 1. Review and Categorisation | A ➔ Potential significant adverse environmental and social risks  
B ➔ Limited adverse environmental and social risks  
C ➔ Minimal or no adverse environmental and social risks |
| 2. Environmental and Social Assessment | For all Category A and Category B Projects, the EPFI will require the client to conduct an Assessment process to address, to the EPFI’s satisfaction, the relevant environmental and social risks and impacts of the proposed Project. |
| 3. Applicable Environmental and Social Standards | The Assessment process should, in the first instance, address compliance with relevant host country laws, regulations and permits that pertain to environmental and social issues. |
| 4. Environmental and Social Management System and Equator Principles Action Plan | For all Category A and Category B Projects, the EPFI will require the client to develop or maintain an Environmental and Social Management System (ESMS). |
| 5. Stakeholder Engagement | For all Category A and Category B Projects, the EPFI will require the client to demonstrate effective Stakeholder Engagement as an ongoing process in a structured and culturally appropriate manner with Affected Communities and, where relevant, Other Stakeholders. For Projects with potentially significant adverse impacts on Affected Communities, the client will conduct an Informed Consultation and Participation process. |
| 6. Grievance Mechanism | For all Category A and, as appropriate, Category B Projects, the EPFI will require the client, as part of the ESMS, to establish a grievance mechanism designed to receive and facilitate resolution of concerns and grievances about the Project’s environmental and social performance. |
| 7. Independent Review | For all Category A and, as appropriate, Category B Projects, an Independent Environmental and Social Consultant, not directly associated with the client, will carry out an Independent Review of the Assessment Documentation including the ESMPs, the ESMS, and the Stakeholder Engagement process documentation in order to assist the EPFI’s due diligence, and assess Equator Principles compliance. |
| 8. Covenants | For all Projects, the client will covenant in the financing documentation to comply with all relevant host country environmental and social laws, regulations and permits in all material respects. |
| 9. Independent Monitoring and Reporting | For all Category A and, as appropriate, Category B Projects, require the appointment of an Independent Environmental and Social Consultant, or require that the client retain qualified and experienced external experts to verify its monitoring information which would be shared with the EPFI. |
| 10. Reporting and Transparency | - The client will ensure that, at a minimum, a summary of the ESIA is accessible and available online;  
- The client will publicly report GHG emission levels |

**Figure 3.** Summary of The Equator Principles. Adapted from “Equator Principles III” by Equator Principles. (2013). Retrieved from http://www.equator-principles.com/resources/equator_principles_III.pdf

Each of them comprises a step that must be fulfilled by the financial institution and its client. Address from the categorization of projects according to the environmental and social impact of the activity, to monitoring measures of risk and communication with stakeholders. Currently, The Equator Principles (EP) is in its third
version\textsuperscript{2}, and brought some changes such as the expansion of its scope\textsuperscript{3} of action and the adoption of report GHG emission levels. To be EP signatory, the financial institution, in theory, is required to enter in all its financing process the figure of environmental and social risk before the project activities are carried out. There are criticisms about the EP, the main is regarding that its application can only be possible in modality of Project Finance (Wörsdörfer, 2013). To set up a voluntary initiative, the adoption of EP depends on the level of consciousness of the financial institutions management and also of the requirements of the consumer market for a more "green" posture of banks so that they can be adopted. Despite the criticism, the Equator Principles is an important ally of the environment in business, even if they act in a restricted way.

In 2006, the UNEP-FI and the UNGC launched the Principles for Responsible Investment (PRI), which aims to “understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions” (Principles for Responsible Investment, 2015, p. 2). The initiative consists of six principles to be followed by its signatories. Among the stated commitments, stand out the inclusion of environmental and social governance in decision-making processes of the institutions as well as the charge for transparency in its implementation. The PRI is no different from other previously mentioned initiatives, it only has a more targeted audience: pension funds, insurance companies, sovereign wealth funds and development.

The initiatives presented represent the efforts of financial institutions to become more conscious companies on the impact of their activities on society and the environment. Environmental sustainability within the financial institution refers to the need to integrate sustainable perspective to its own mission and strategies, starting to adopt then environmental criteria in the decision-making processes (Mattarozzi & Trunkl, 2008).

There were major advances in the environmental awareness of financial institutions, but the financial crisis of 2008 has become a threat to further progress. It is worth remembering that before the financial crisis of 2008, humanity has faced another: the environmental crisis. Both crises share risks and uncertainties that severely affect the poorest populations. However, it can also be seen as opportunities to promote profound, positive and significant changes. There is a theoretical current that believes that both suffer from the misallocation of capital. In the financial crisis, the misallocation is related to the supply of credit without proper management, while in the environmental crisis, the problem occurs when impacting activities that waste limited resources and that pollute are financed (Tienhaara, 2010).

The Green Economy, that was proposed at Rio + 20, brings the challenge of building a new economy that can bring solutions to the two crises, but that depends on the commitment of governments, companies and society.

\textbf{2.2 Challenges of Sustainable Finance towards the Green Economy}

The Rio + 20 Conference brought to its central debates the Green Economy in the context of Sustainable Development and poverty eradication. The concept Green Economy, launched by UNEP, aims to mobilize and refocus the global economy towards investments in clean technologies and natural infrastructure (United Nations

\textsuperscript{2} Updated in 2013.
\textsuperscript{3} Project Finance, Project Finance Advisory, Project-related-Corporate Loans and Bridge Loans.
Environment Programme, 2011). Defined as “one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities” (United Nations Environment Programme, 2011, p. 2), the Green Economy is characterized by being little intensive on carbon, efficient on use of natural resources and socially inclusive.

The Green Economy is based on environmental limits and human well-being, however, it can only be considered salvation to the environmental crisis in which humanity finds itself, if it can extricate itself completely from the chains of the current economic system. The Green Economy has as challenges to deconstruct pillars that shape the current economy and bring negative social and environmental impacts. First, the company mold itself into an industrial model that uses a fossil energy sources. Second, the economic activities, in some way, source themselves with ecosystem services indiscriminately. Finally the current system does not reduce poverty and social inequalities (Radar Rio + 20, 2012). It is therefore essential for the Green Economy, entering among the decision-makers of both, the global economy and governments, because only in this way it will be possible to change the economic structures and enter new values in politics, business and society.

Sustainable finance has much to contribute and also challenges to face. There is a need to review the patterns of consumption and production and thus design a ‘safety margin’ for mankind to preserve its well-being and of future generations. This safety margin has been suggested by studies and is defined as Planetary Boundaries, a safe operating space where it is possible, in theory, to ensure the Earth System functioning without drastically affect society. However, there are limits that must be respected because if exceeded, it could compromise, irreversibly, the quality of life of the entire planet. The studies of Rockström et al. (2009) and Steffen et al. (2015) suggest as Planetary Boundaries: Climate Change, Changes in Biosphere Integrity, Stratospheric Ozone Depletion, Ocean Acidification, Biogeochemical Flows, Land-System Use, Freshwater Use and Introduction of Novel Entities. The negative impacts of these variables are perceived by increasing the temperature, by species extinction, by the commitment of ecosystem services and by the losses in food production. The loss, caused by these imbalances, not only reflects on the environmental sphere, but also affects society and the economy (Raworth, 2012), which consequently will also affect financial institutions.

On demand for an inclusive and less environmentally impactful, financial institutions launched in 2012 the initiative Natural Capital Declaration (NCD). The document is a letter of intent proposing:

- The disclosure of dependence and impacts of their activities on the natural capital,
- The use of fiscal measures that hinder impacting business,
- Incentives for companies to integrate through the valuation of natural capital,
- Implementation of international agreements

The valuation of the natural capital, specifically the ecosystem services that compose it, has been disseminated by the Initiative of The Economics of Ecosystems and Biodiversity (TEEB)4. Its goal is to present the importance of ecosystem services through monetary values and thus make visible its influence on the economic system. There are many criticisms and concerns regarding the valuation of natural capital,

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4 TEEB is hosted by the United Nations Environment Programme.
because if it is used and seen in the wrong way can influence the pricing of the nature and treatment of it as a commodity - movement called commodification (BankTrack, 2012), what is not and nor should it be the intention.

Natural capital is ‘consumed’ by the banks to finance the sectors: Agriculture, Fisheries, Energy, Transport, Manufacturing and Buildings, for example. These sectors are identified as the most in need of reform in their production processes so that the Green Economy is in fact effective.

The theme sustainable finance has been inserted in several countries, as presented above. Together with the Green Economy and Sustainable Development, sustainable finance tools are able to provide social improvements in the long-term environmental and economic. Its transformative role has great importance in the economies of most weight, but it should be noted, its importance and development in developing countries, as in this case Brazil.

3 BRAZIL AND SUSTAINABLE FINANCE

Brazil is innovative and proactive regarding the issue of sustainable finance. Following the global trend, in 1995, it created a normative called Green Protocol. This initiative was launched with the aim of incorporating the environmental variable in credit management and concession of federal banks. Had primarily as target audience, public financial institutions and its signatories were: Banco do Brasil SA (BB), Banco da Amazônia (BASA), Banco do Nordeste do Brasil (BNB), Caixa Econômica Federal (CEF) and Banco Nacional de Desenvolvimento Econômico e Social (BNDES).

The Green Protocol stands out by incorporating, in its recommendations, points as:

- Creation of units and technical groups related to the environment,
- Employee training on the topic,
- Adoption of project classification system as its environmental impacts,
- Differentiated interest rates and terms in relation to environmental risks and liabilities
- Creation of financial credit lines specific for the promotion of Sustainable Development.

In August 2008, the Green Protocol was revised; some changes were made; was signed by the Brazilian Federation of Banks (Febraban) and extended to private banks. The new document, unlike the previous version, addresses the management of water resources, preservation of biodiversity, sustainable management of forests and fighting global warming as issues that should be priorities for financial institutions. It will also require that policies and practices created by the signatory institutions are in line with the concept of Sustainable Development presented by the Brundtland Report.

Unlike the agreements or initiatives previously covered throughout the paper, the Green Protocol is the only one that covers the creation of specific products and services for the financing of Sustainable Development. In general, it can be seen in others document the issue of environmental risk as a priority variable.

Before the 2008 economic scenario, the initiative to renew the Green Protocol is commendable. However, there is a flaw in this whole process: The absence of a supervisory body to examine the actual membership of its signatories. The signing of the document has no ability to measure how much the banks and their customers...
are engaged with environmental principles in their management. Importantly, the Brazilian Law 6.938/81 already required the financing potentially impacting activities were directly conditioned by the environmental licensing presentation. However, in practice, the lack of licensing did not prevent the granting of credit to these enterprises.

After the Rio + 20 Conference and the UNEP demand for the creation of measures that may assist in the transition to the Green Economy, the Central Bank of Brazil launched the Resolution No. 4.327 in 2014. This document sets out the guidelines that must be followed by financial institutions in the implementation of a Socio-Environmental Liability Policy (SELP). It aims to prevent financial institutions on possible recurring losses of environmental damage, focusing mainly on the management of environmental risk. In addition, the document stresses that, prior to any implementation, the institutions should review their degree of exposure to this risk, the nature and complexity of their activities. The normative also proposes encouraging the participation of stakeholders in the process of the drafting of SELP and that it be evaluated every five years by the Executive Officers or the Board of (The Central Bank of Brazil, 2014). The Resolution No. 4.327 appears as a reaffirmation of the commitment signed in Green Protocol.

Although many existing initiatives, EP is still the instrument most commonly used by financial institutions when considering the inclusion of the environmental variable in their activities. In Brazil, the signatories are: Banco Bradesco S.A, Banco do Brasil, Caixa Econômica Federal and Itaú Unibanco S.A (Equator Principles, 2011). In practice, these institutions fall within the environmental variable through Sustainability Programs and have actions ranging from financial socio-environmental credit lines to creating units responsible for the spread of a sustainable culture at all organizational levels. In relation to financial expense amount to implement this new approach, there is no available data in their reports or official websites.

Towards the challenges required by the Green Economy, it is possible to find solutions in sustainable finance to promote this transformation. There are ways to finance the transition of the ten most important sectors for the global economy: Agriculture, Buildings, Energy, Fisheries, Industry, Forestry, Tourism, Transport, Waste and Water. These sectors present unique challenges in changing their functional structures and require investments to be 'greenish' (United Nations Environment Programme, 2011). Specifically in Brazil, the resources for these investments can be found through the socio-environmental financial credit lines in the Brazilian signatory institutions of the EP (Figure 4). For a better understanding, follows below the overview of what can be financed by these credit lines in each sector:

1. Agriculture - Financing organic production projects, Agroecology, reduction of deforestation and recuperation of degraded areas;
2. Buildings - Provides expert advice in order to engage the sector to sustainable practices;
3. Energy - Financing projects of solar and wind energy, biomass and biofuels;
4. Fisheries - The only sector that is not in the list of financial socio-environmental credit lines;
5. Forestry - Financing of reforestation projects, environmentally sustainable extraction, restoration and maintenance of areas of permanent and legal preservation;
6. Industry - Financing of the treatment of water, air and their residues; the generation of renewable energy, carbon credits, the purchase of equipment to promote energy efficiency;
7. Tourism - Construction financing, remodeling, expansion and modernization of hotels that invest in efficiency energy;
8. Transport - Funding for the purchase of fuel conversion equipment of vehicles to natural gas and for adapting vehicles for people with special needs;
9. Waste - Financing projects and recycling;
10. Water - Financing water treatment projects, waste and effluents.

The Figure 4 shows the EP signatory financial institutions that bring, in its portfolio of socio-environmental products, financial credit lines that include the fundamental sectors for the transition of the Green Economy according to United Nations Environment Programme Finance Initiative (2011).

<table>
<thead>
<tr>
<th>Sector</th>
<th>Green Economy Investment Allocation (US$ bn/year)</th>
<th>EP BRAZILIAN FINANCIAL INSTITUTIONS</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Banco do Brasil</td>
</tr>
<tr>
<td>Agriculture</td>
<td>108</td>
<td>Financial Credit Line</td>
</tr>
<tr>
<td>Buildings</td>
<td>134</td>
<td>Financial Credit Line</td>
</tr>
<tr>
<td>Energy</td>
<td>362</td>
<td>Financial Credit Line</td>
</tr>
<tr>
<td>Fisheries</td>
<td>108</td>
<td>No Financial Credit Line</td>
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<td>Forestry</td>
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<tr>
<td>Industry</td>
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<td>Financial Credit Line</td>
</tr>
<tr>
<td>Tourism</td>
<td>134</td>
<td>No Financial Credit Line</td>
</tr>
<tr>
<td>Transport</td>
<td>194</td>
<td>Financial Credit Line</td>
</tr>
<tr>
<td>Waste</td>
<td>108</td>
<td>Financial Credit Line</td>
</tr>
<tr>
<td>Water</td>
<td>108</td>
<td>Financial Credit Line</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,347</td>
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4 CONCLUSION

Over time, banks inserted in their management structures and their products and services environmental values. There was an evolution in the application of concepts and guidelines of the CRS, which also absorbed the environmental variable in their processes.

The Green Protocol brought the incentive for the creation of financial socio-environmental credit lines in Brazil, while the Statement of Commitment by Financial Institutions on Sustainable Development submitted proposals for the incorporation of the environmental variable in the management processes and the dissemination of good practices of the institutions. The Equator Principles incorporated the figure of the environmental risk and brought the need to take responsibility with the communities affected directly by the financed projects, as well as the requirement of transparency in all their processes through the annual disclosure reports to their stakeholders. But yet the actions were not enough for the transition. And there is urgency for transformation to occur as soon as possible. Therefore, the Green Economy came up with the hope of being responsible for aligning the economy to Sustainable Development.

The Green Economy neither has the purpose, nor the ability to replace the concept of Sustainable Development, it represents only one of its three pillars. Its importance lies in boosting practical advances in the subject of sustainable finance. There is an urgent need to transform all sectors that directly or indirectly affect the quality of life and the environment, and the key to this is the transformation of the economic system. To this end, UNEP raises efforts to effect this transition through the Inquiry Design of a Sustainable Financial System, an initiative that is still being built, since 2014. Its goal is on bringing advances in policy that are able to drive the necessary changes to the implementation of the Green Economy (United Nations Environment Programme, 2014).

It’s notary that the transition to the Green Economy is no longer an option; it has become an emergency. Banks still must adapt to the new requirements towards Sustainable Development, but, as processing agents, they can encourage changes and combine environment to business therefore becoming co-responsible for building a strong and beneficial economy to society.

REFERENCES


