



Sustainability | Leadership | Innovation



## 2017 WINNER INVESTING AND FINANCING

# LESSONS IN DRIVING BUSINESS SUSTAINABILITY

## BANCO PICHINCHA

As a respected and venerable Ecuador private bank with 111 years of history behind it, Banco Pichincha takes its responsibility seriously. It supports productive and micro-enterprise financing and is committed to sustainable development, focusing management on the financial growth of their customers, incorporating social and environmental criteria in the design and distribution of products and services, and creating shared value with shareholders. This background of its history and sharing culture led it to develop SARAS, a first in the field. This is an environmental and social risk management system that collects and then evaluates data to minimise environmental, social, reputational and credit risks to organisations. There are two effects. For the bank, SARAS has reduced credit risk acquired by the institution by improving the environmental practices of customers and suppliers. For its clients it increases confidence and encourages long-term decision making. The long-term impact of SARAS has come about through a win-win of better and more secure loans at the bank and the benefits of more secure business at customers and suppliers.

**This is an environmental and social risk management system that collects and then evaluates data to minimise environmental, social, reputational and credit risks to organisations.**

‘Banco Pichincha was the first financial institution, in Ecuador, to develop and implement its own system to measure social and environmental risks,’ said David Grey, Sustainable Development Manager. ‘For any loan request over US\$40,000, it is mandatory for our customers to fill in a survey about their environmental and social impacts. We use the results to make our lending decisions. But more importantly,’ he said, ‘We encourage our customers to measure their impacts on the environment and community and implement best practices.’

SARAS is an implementation project at a national level that provides follow-up, support and advice to customers and suppliers during the environmental regularisation process, encouraging them in the application of good practice. It works by requesting specific information from customers through a questionnaire available on the bank’s website. The information provided is analysed and evaluated to minimise environmental, social, reputational and credit risks to the organisation. A technical team prepares reports based on these questionnaires and through research, analysis of the applicant’s business activity or service provided, impact assessment, review of environmental permits and on-site visits, if required.

The bank faced challenges of implementation through constant changes to the country’s environmental legislation that slowed the time that reviews took. The bank responded by hiring environmental specialists to follow up the advice given to customers and suppliers during the review process. The bank trained over 1,400 existing employees associated with the project through e-learning or attendance-based courses.

**The long-term impact of SARAS has come about through a win-win of better and more secure loans at the bank and the benefits of more secure business at customers and suppliers.**



The bank trained over 1,400 existing employees associated with the project through e-learning or attendance-based courses

For Banco Pichincha the programme has reduced environmental and social issues credit risk by 2% and improved the bank's environmental rating on the Dow Jones Sustainability Index from 24 to 74 points. Furthermore, it is changing the image of traditional banking. Ecuador's national bank has signed an agreement under which all financial institutions commit to incorporate a SARAS system in their processes. This will lead to a growth in sustainable programmes and services across the wider banking system, following Banco Pichincha's best practices. The resulting improvements that SARAS has brought about in evidencing environmental, social, and governance measures have enabled an increase in trade agreements with the EU. The implementation of SARAS will also help to drive improvements in anti-corruption practices in large corporations across the country.



The SARAS team is comprised of colleagues from the Risk, Products and Sustainable development departments

## “ The benefits flow not just to banks and customers and suppliers, but to the environment itself. ”

The benefits flow not just to banks and customers and suppliers, but to the environment itself. It is hoped that the SARAS system can be scaled up to expand services to the micro-finance sector and expand the range of environmental services and products, as well as developing an in-house web system which would manage clients' applications through the credit process.

### WHAT THE JUDGES SAID

Banco Pichincha's SARAS project is a highly innovative approach to integrating environmental and social matters with their credit risk management process, including engagement for medium and large corporations. This is an emerging issue of growing importance to the financial services industry globally and it is very encouraging to see how it can be tackled in practice.