



ESG Webinar

September 8, 2020

Mr. Martin Czurda, HFSF CEO

Transcript speech (0:02:25 – 0:07:25)

Thank you Marica, good afternoon ladies and gentlemen. I am very happy to do the introduction of the ESG webinar, the 1st of its kind organized by the HFSF. This topic ESG has a very powerful meaning for us, as a shareholder – the largest shareholder – in the Greek banking system, we believe this topic will become a game changer. We have seen already now with the COVID crisis unfolding that the focus of society and many businesses shifted from profits to people with the human impact being more important than the economic impact.

Being a shareholder, we also need to look on the value creation though. In that regard many studies have proven that there is a positive relationship between the ESG scores on the one hand and financial returns on the other, whether measured by equity returns or profitability or valuation multiples. How can that be explained? Well it's either by avoiding restrictions or penalties by the relevant regulators or simple cost reductions by reducing operating expenses applying fewer energy resources or efficiency on productivity with highly motivated employees or growth in market share because consumers will demand more the green products.

The Fund is very familiar with that topic ESG. We are active as a shareholder in that role for a while. Just recently we have endorsed the United Nations principles on responsible banking which principles provide the proper framework for a sustainable banking system and will help the industry to signify how it makes a positive contribution to society. And this is not the only step we have taken. We have all worked with passion on the corporate Governance framework of the Greek systemic banks and being based on international best practices it will strengthen the composition and functioning of the banks' Board of Directors and it will drive the establishment of a culture of evaluation and disciplin for the benefit of all stakeholders.

Already back in 2018, we have endorsed the establishment of a Board Ethics & Sustainability Committee, which was implemented in two systemic banks in Greece, the other two are still discussing it and we hope they will follow suit. Upon the issuance of all systemic Greek banks' reports the "HFSF;s review of banks' ESG

practices will be updated, the results discussed and the necessary action points agreed and presented to the bank's boards for their alignment.

Now who is pushing for those initiatives? Most impulses are done by regulators clearly but also by investors and/or shareholders. So, the HFSF is not alone. We also observe more and more large funds or asset managers, who increase the pressure on the banks for adoption of ESG practices; and it is also the client, the customers who are starting to put pressure on the banks because they want to bank with a firm that reflects their views and beliefs and subsequently want to invest in green products.

At last what has been the response of banks to ESG so far? Internationally we have seen commercial banks creating new ESG linked products for their customers, for instance a sustainability linked loan that offers the company lower rates if they meet various ESG targets or in retail banks there are now green loans for sustainable home improvements or in the capital markets new platforms and products for green underwriting.

Banks in Greece are only at the beginning of that new development. There are plenty of opportunities in particular with the favorable funding opportunities with the European institutions though.

The HFSF, as the largest shareholder in the Greek financial system is pushing ahead and proposing to the boards of the banks that they will incorporate ESG in their business strategy and risk appetite.

It will be to the benefit of all stakeholders in Greece.

Thank you.