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## SUSTAINABLE FINANCE UPDATES: UN Principles for Responsible Banking and more

As discussed in our [January 2019](#) and [April 2019](#) briefings, there has been growing awareness of the importance of sustainable finance as part of a multipronged approach to tackling climate change, both from an international and national perspective. This was no more evident that at the recent launch of the Principles for Responsible Banking at the United Nations Headquarters in New York City on 22 September 2019, during the annual United Nations General Assembly.

### Principles for Responsible Banking

On 22 September 2019, the [Principles for Responsible Banking](#) (the **Principles**) were launched by the United Nations and 130 banks from 49 countries, representing more than USD 47 trillion in assets. The purpose of the Principles is to help develop and support the transition to low-carbon and sustainable economies.

The Principles were originally developed by a group of 30 founding banks through a partnership between banks from around the globe, jointly representing more than USD 18 trillion in assets, together with

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the UN Environment Programme Finance Initiative (**UNEP FI**). The Principles represent a single framework for a sustainable banking industry. The signatories to the Principles commit to:

- ▣ **Alignment:** aligning their business strategy with the UN's Sustainable Development Goals, the 2015 Paris Climate Agreement as well as relevant national and regional frameworks;
- ▣ **Impact and target setting:** continuously increasing positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from their activities, products and services;
- ▣ **Clients and customers:** working responsibly with clients and their customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations;
- ▣ **Stakeholders:** consulting, engaging and partnering with relevant stakeholders to achieve society's goals;
- ▣ **Governance and culture:** implementing their commitment to the Principles through effective governance and a culture of responsible banking; and
- ▣ **Transparency and accountability:** periodically reviewing their individual and collective implementation of the Principles by being transparent about and accountable for their positive and negative impacts.

A detailed [guidance document](#) was prepared by, amongst others, the UNEP FI to support the implementation of the Principles by providing guidance to banks on measures they can take to implement each principle.

## AIB becomes first Irish bank to become a signatory to the Principles

Allied Irish Banks, p.l.c. (**AIB**) became the only Irish bank to become a founding signatory to the Principles. This signatory status followed a commitment by the CEO of AIB, Colin Hunt, of five billion euro of funding (one billion per annum) to support Ireland's transition to a lower carbon economy. In addition, on 23 September 2019, AIB launched their [Green Bond Framework](#) which is in line with the ICMA green bond principles (see our [January 2019](#) briefing for further information) that will enable AIB to issue green bonds. In keeping with the ICMA green bond principles, the intention of the framework is to support lending to projects in energy efficient building, renewable energy and other climate-related initiatives.

## Sustainable Investment Regulation

On 25 September 2019, the Council of the EU announced that it has agreed its position on the proposed regulation on the establishment of an EU-wide classification system or "taxonomy", which will provide businesses and investors with a detailed framework to identify to what degree economic

activities can be considered environmentally sustainable. At present, there is no common classification system at EU or global level which defines what is or what is not an environmentally sustainable economic activity, which, arguably, has resulted in a degree of "greenwashing", i.e. the practice of marketing financial products as "green" or "sustainable", when in fact they do not meet basic environmental standards. As such, the development of a legally-binding standard for sustainable finance is a welcome step in this sector. According to the Council's position, the taxonomy should be established by the end of 2021, to ensure its full application by the end of 2022.

## In other news - Climate Finance Week 2019

To cap off the inaugural Year of Sustainable Finance, November 4<sup>th</sup> to the 8<sup>th</sup> sees the launch of the Climate Finance Week. The week of events is being convened by, amongst others, the Department of Finance and is part of the Government's Ireland for Finance Strategy to continue to promote Ireland as a hub for sustainable finance and responsible investment, another sign of the continued growth of awareness of the importance of sustainable finance. Dillon Eustace are looking forward to attending some of the organized events.

## How can Dillon Eustace help?

If you have any queries in respect of the above or require further information, please contact your usual Dillon Eustace contact or any member of the Banking and Capital Markets Team.

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