



United Nations Environment Programme

برنامج الأمم المتحدة للبيئة • 联合国环境规划署

PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE

ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

Finance Initiative

Innovative financing for sustainability

Development of the Water-Related Risk Management Guidelines for Financial Institutions

Consultative Workshop at World Water Week 2007

Outcomes

Participants

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Challenge of the project

These Guidelines are intended to cover a wide variety of categories:

- Different types of lenders and investors
- Within each type of financial institution: both mainstream- as well as SRI / ESG - professionals
- Different types of borrowers and “investees”: water-supply, water-use
- Different geographies

Therefore, the challenge consists in delivering, on the one hand, an introductory overview of the topic that generically achieves to sensitize and raise awareness on the water-related issues for all of the above categories.



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Such an approach is especially apt for (mainstream) **Asset Managers, Project / large Corporate Financiers**, where detailed information will be gathered via special contractors (environmental engineers, for instance) anyway. These target groups predominantly need to “only” be made aware of the issues to keep in mind. Going too much into technical details could render the Guidelines inappropriate for the target group, the financial services sector. However, “the document needs to be sufficient that these professionals can frame intelligent questions and be in a position to interpret the responses”.

At the other hand, the aim is to deliver a more practical and useful product, a tool-kit that the average loan manager can use on a daily basis. Therefore, lists of key questions and checkpoints should be added.

Such an approach is especially apt for **SME / retail bankers** that will have to gather and assess more detailed information on water issues by themselves.

Next steps: broad issues

In order to achieve such a balance within the document the following modifications / extensions will be undertaken:

- In addition to the document presented, a one page summary for "the average banker" (making a differentiation between the average retail / SME / corporate lender) with 3-6 key points and a list of basic questions to ask will be made.
- Enhance navigation: in order to avoid some of the readers' frustration, at the beginning of the document, eventually under a section on “**how to use these guidelines**”, it will be made clear that the initial and rather extensive and academic part will be followed by more practical and business-line oriented sections which will include (at least for the lending-part) hands-on “check-lists”.
- Throughout the whole document **boxed examples** will be introduced to create a bridge from generic to specific in a swift manner. Here, the aim will not be to cover everything in a comprehensive way, but to better illustrate the theory.
- Table 2.1 will be made as comprehensive as possible since “this is the practical/micro detail & info that a FI would be looking for”.
- Were necessary in the document (especially in Chapter 3), a stronger differentiation of issues related to the “water supplying side” and the “water consuming side” will be made. More in-depth elaboration into special sectors – for instance “agri-business”- will be done, as mentioned above, on the basis of **boxed examples**. Reference could be made to the categorization of “sectors” commonly done by asset managers (eventually in Chapter 6).



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- While often having to be generic and broad, the whole document will have to be focused on water-issues more than on issues around sustainability in general. Within Chapter 3.1, for instance, where possible, the typology of risks will be further made as water-specific as possible: all the risk-types listed will have a water-reference. This applies also to Chapters 3.2 to 3.4.
- Within Chapter 3 or, Chapters 4 and 5, a reference to the issue of “Risk Quantification” could be made, eventually using, as an example, the scenario approach undertaken by ANZ during their pilot-testing.
- Where it is of added value it will be made clear that some aspects of water belong to the sphere of “ESG” issues (for instance, down- and up-stream equality) whereas others are directly linked to the core financials of a project (for instance, water-scarcity in the context of hydro-power-generation).
- One of the example-boxes on risk-mitigation through monitoring / reporting could contain the idea / suggestion of company/region-specific water id-cards, as employed by ABN Amro AM in other areas.
- Diagrams on Pages 4, 19, 21, 24 will be made more water specific. This could be done via brief examples as well.
- Develop the opportunities section by transaction/institution type.