

Panel discussion: Environmental and Social Credit Risk Management

Moderator: Paul Clements-Hunt, Head, UNEP FI

Speakers: Tunde Akerele, Oceanic Bank
Felix Egbon, Zenith Bank
Remi Odunlami, Country Risk Manager, Citibank Nigeria
Louisa Olaloku, Credit Risk Manager, Fidelity Bank
ChukwuJekwu Ozoemene, Senior Manager, Access Bank Plc.
Kiki Lawal, Programme Officer, UNEP FI

Mr. Paul Clements Hunt, Head of UNEP, introduced the speakers and explained that the aim of the discussion is to tackle the key issues concerning environmental risk management.

Mrs. Remi Odunlami, Country Risk Manager for Nigeria International Bank, Citibank Nigeria quoted Frank Popoff, former Dow Chemical CEO and Chairman - “No matter how competitive you are and how globally you trade, if you are environmentally irresponsible, someone can and would and should padlock your door.”

Mrs. Odunlami detailed the different reasons banks incorporate environmental and social risk management: ethical principles; liability for their clients’ activities; and costs. Sectors at risk are numerous and include: tourism, fisheries, textiles, hydropower etc. On the opportunity side an appropriate environmental and social risk management system will create business opportunities by efficiency enhancement or improvement in reputation and profitability.

Clients’ risks are various: plant closure, civil or criminal liability, loss of market share, product boycott, workers’ health and safety, etc. The bank is responsible for its clients and its clients’ suppliers activities as ultimately if there is an environmental problem in the chain it will trickle back to the bank. Mrs. Odunlami then presented how Citibank handles those risk issues, using environmental and social risk management screening and categorization criteria, environmental review and environmental audit outputs such as regulatory frameworks and standards. Environmental review is conducted by independent experts.

Mr. Paul Clements Hunt, Head of UNEP challenged the speakers by asking to what point such good practices were enforced in their institutions.

Mr. Felix Egbon of Zenith Bank, Mrs. Odunlami and Mrs. Olaloku of Fidelity Bank, replied by referring to the fact that international finance institutions as regular contributors have encouraged environmental policies to be set up in their institutions to meet their environmental expectations, although there is still room for improvement. However, **Mr. Tunde Akerele of Oceanic Bank** acknowledged that regarding large projects, environmental and social credit risk management, as not yet truly institutionalized in all credit making processes.

Ms. Kiki Lawal, Programme Officer, UNEP FI, explained that UNEP FI provides training programmes and assessment tools for the signatories to consolidate their knowledge and skills to enforce their environmental and social risk management policies. The ESRA (Environmental and Social Risk Analysis) E-learning programme aims at educating employees of local, regional and international financial institutions in the identification, analysis and management of environmental and social risk generated through their lending and investment activities. It provides exercises, case studies and evaluations to learn how to identify market opportunities resulting from environmental and social risk analysis and how to achieve a competitive advantage through risk reduction and value creation (more information can be found on the website: www.unepfi/training).

Answering a question concerning the need for environmental impact assessment and the risk it could be biased in favor of the borrower, **Mrs. Odunlami** stated the necessity for the bank to ask for an independent assessment, mainly through consultants not related to the borrower. She explained that most of the projects she looked at, because of their size, were mostly assessed by agencies which were external to the country; although she believed that over time there will be more and private sector environmental assessment agencies.

As remarked **Mr. Duro Kuteyi, Managing Director, Spectra Nigeria Limited**, this process could be too expensive for small and medium enterprises (SMEs) as they cannot afford a consultant. Reacting to Mr. Duro Kuteyi's remark, **Mr. ChukwuJekwu Ozoemene, Senior Manager, Access Bank Plc** stressed that if the debate was mostly revolving around large scale projects it is because, unless SME's projects were very technical, a formal environmental assessment was not always needed.

Mr. Jan Kappen, Associate Expert, UNEP Division of Technology, Industry and Economics (DTIE) underlined that effective risk management can only be obtained with good quality and relevant data and asked the participants how comfortable they feel regarding the data available for the core areas they have to assess and if they felt the need for international organizations or private research institutes to do more. **Mr. Egbon, Zenith Bank**, explained that it seems that no effort has been made regarding data availability referring to city planning as an example. **Mr. Ozoemene** put forward the fact that some institutions try to find a way to circumvent environmental and social risk management policies. He urged to think about the reasons why such policies are not really enforced.

Mr. Akerele, pointed out that Nigerian banks have evolved a lot, from a situation where most banks and institutions were purely rent seeking to a point where, they are much more responsible for environmental and community development.

Mr. Clements-Hunt, concluded the session asking the speakers what they could do to become 'more real' on environmental and social risk issues.

- **Mr. Ozoemene** stated that as a financial institution, Access Bank was to ensure an assessment of the environmental impact of its activities in to see how it can impact humanity.
- **Mrs. Louisa Olaloku, Fidelity Bank** put forward that the major challenge was to make sure that their environmental policy could efficiently cascade down in order to be practically applied.
- **Mr. Egbon** underlined the importance of training for bank managers for them to fully apply internal environmental and social credit risk management.
- **Mrs. Odunlami** explained that in addition to their global environmental and social policy they are developing a local policy, specific to the Nigerian context.