

Environmental and Social Risk Management – Barclays experience

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UNEP-FI and WWF Russian Training Event, Moscow

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Agenda

- Barclays drivers and journey
- Route to implementation
 - Reporting lines
 - Policy application
 - ESIA screening process
- Case study
- Our lessons learned
- Question time!

Drivers for Barclays

- Brand values and stakeholders expectations
- Credit risk management
- Institutional investors and rating agencies
- Rise of sustainability
- Rise of the internet, NGOs and media.

Our journey

- 1995 –Environmental Risk team established
- 1996 – ESIA policy introduced
- 2003 - Founding party of the Equator Principles (EP) and the Business Leaders Initiative on Human Rights
- 2005 – Steering Committee member of UNEP-FI
- 2007 Chair of the EP
- 2008 – Founder and Chair of Climate Change Working Group at EP; founding party of the Human Rights work stream at UNEP-FI
- 2009- Founder and Chair Social Risks Working Group at EP

The route to implementation

External engagement



- Lenders: peers, development banks, ECAs, EPFIs
- Advisors: lawyers, consultants
- Industry groups, clients

Internal culture



- Senior support and champion
- Finance/deal teams
- Credit risk
- Reputation risk
- CSR/Sustainability approach

Implementation



- Reporting lines
- Policy
- Training
- Reporting

The risks



Our approach – reporting lines

Credit risk



- Responsible for protecting the bank from material environmental risks
- Reporting directly into Head of Credit Risk
- Business and Group level review and committees
- Assess projects and transactions where “known use of funds”
- Annual review for sensitive sectors

Reputation risk



- Additional level of review for sensitive transactions.
- *Business and Group level review and committees*
- Reporting into the Group Exco
- Operated by the Sustainability Team

ESIA policy application at Barclays

- Transaction type
 - Project finance
 - Corporate Loans where there is a “known use of funds”
- Sector
- Reputation risk

Environmentally Sensitive Activities

Activities or Sites:

- Mining and Quarrying
- Power Stations of all natures
- Dams and hydroelectric
- Forestry, logging, pulp & paper
- Nuclear Industry/Radioactive Processes
- Waste management, sewage, recycling
- Oil & gas

Manufacture/Bulk Storage Of:

- Basic Metals and metal products
- Mineral products
- Chemicals and Chemical Products
- Man-Made Fibres
- Plastic Products
- Refined Petroleum Products

Environmental and Social risk areas

Social

- “On site” employees and contractors
 - Occupational health and safety
 - Labour rights
- “Off site” local communities and affected parties
 - Public consultation
 - Socioeconomic impacts
 - Involuntary resettlement and land acquisition

Environment

- Ecosystem, biodiversity
- Air and water
- Use of chemicals and hazardous materials
- Waste management
- Contaminated land and “downstream” impacts

ESIA policy process

Assess



- Categorise
- Identify risks
- Independent review (as appropriate)
- Panel of consultants
- Terms of reference

Manage



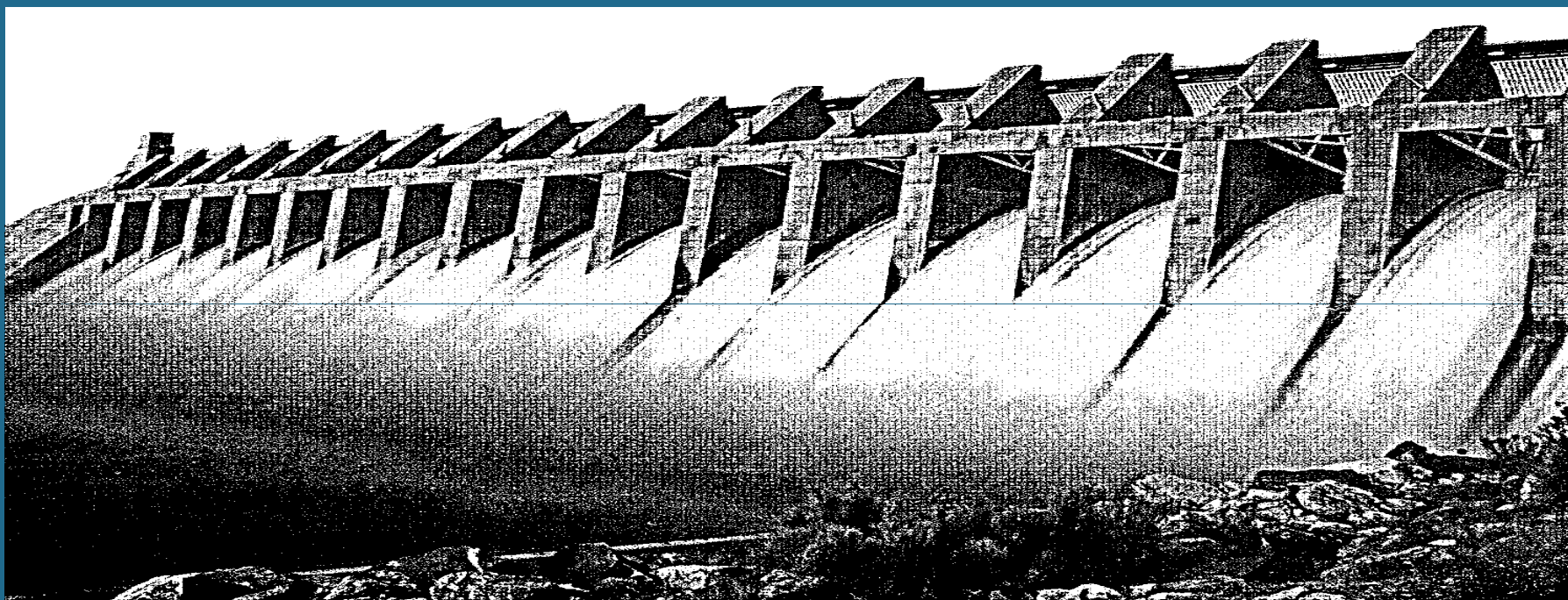
- ESIA report
- Action plan(s)
- Agree covenant in loan documentation

**Monitor and
report**

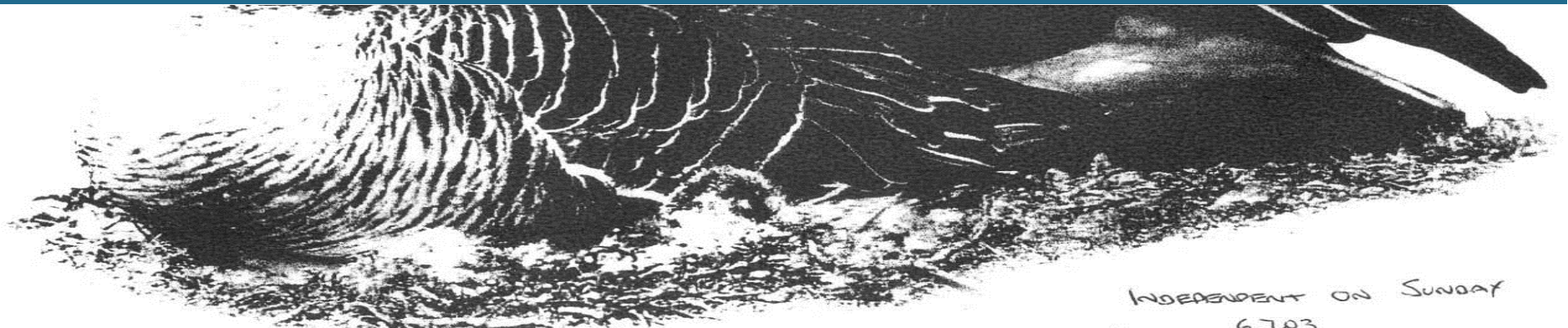


- Regular monitoring
- Reporting to bank
- Annual review

Case Study - Hydroelectric scheme, Iceland



Case Study - Hydroelectric scheme, Iceland



INDEPENDENT ON SUNDAY
6.703
Dams

BARCLAYS COOKS ITS GOOSE

Case Study - Hydroelectric scheme, Iceland



Key messages

- There is increasing interest in environmental & social risk management and sustainability.
- Real business and reputational risks at play.
- Environmental and social risks are taken seriously by international banks.
- Active risk management does help to minimize impact internally and in external perceptions.

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