


Responsible social and environmental performance in economic activities is no longer just an ideal.



Environmental and Social Risk Analysis (ESRA) E-Learning Programme



It gives companies a competitive advantage.



Training Workshop

Identification and Evaluation of Environmental and Social Risks in Credit Processes

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Moscow, 14th December 2011

Introduction

- Part of UNEP FI's support to build capacity within the FI sector to facilitate sustainable development

www.unepfi.org

- Taste of the UNEP FI ESRA course
- Share experience

Contents

- I. Identification of S&E risks
- II. Categorisation
- III. Assessment of social and environmental risks
- IV. Managing client compliance

Questions to consider

1. Do you think social and environmental issues affect your business at the moment?
2. Do you consider that social and environmental issues should be of relevance to the strategic interests of financial institutions? Why?

Find the Bombs

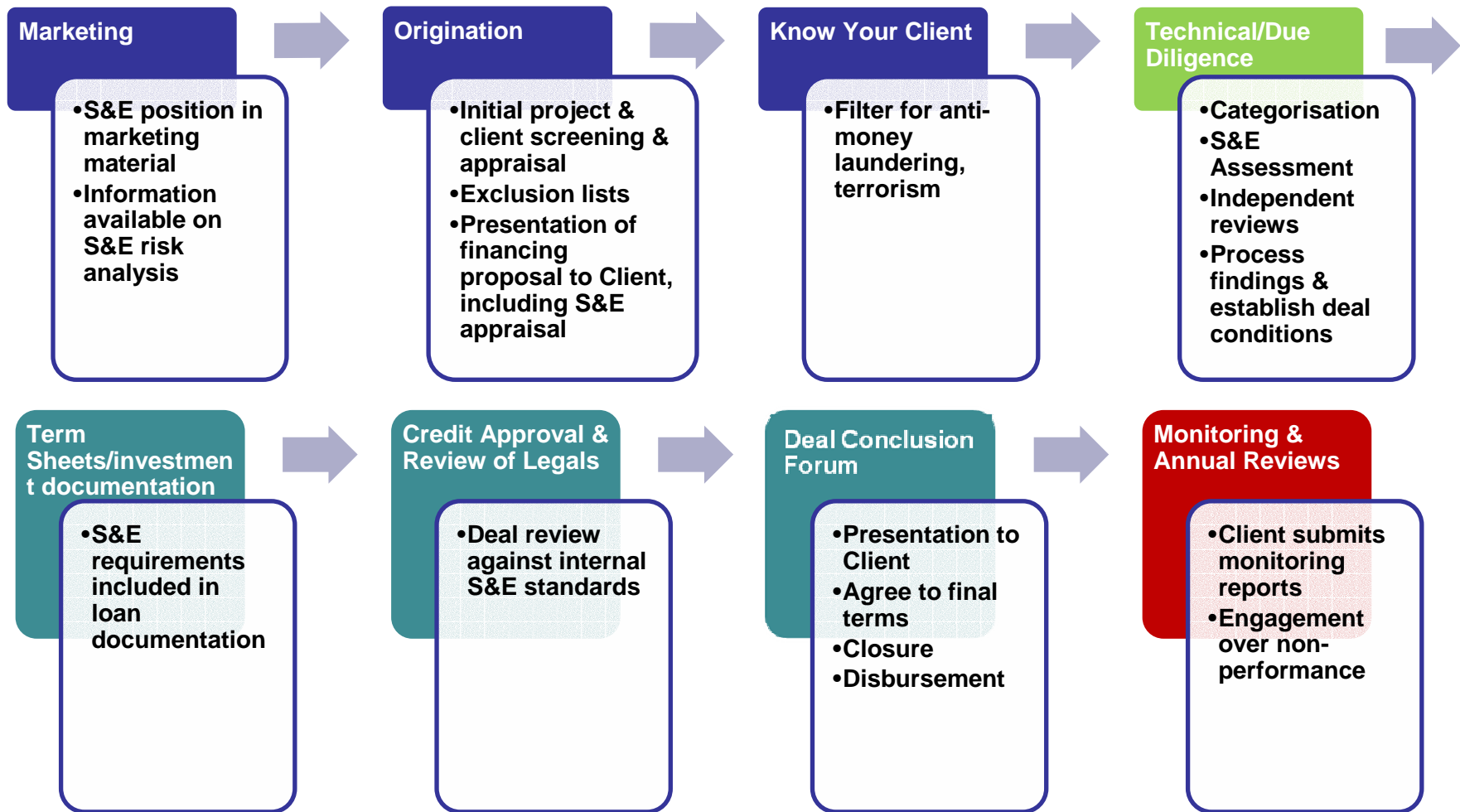
Lessons Learned

- Risk does not always come from obvious sources
- Environmental and social risks can be a financial risk and not just a reputational risk
- Reputation is hard to price until you have lost it

Contents

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Process Integration



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Group Work

Asamoah: Part 1

- Read the case study, Part 1
- Consider the following questions:
 - To what environmental and social risks do you think Asamoah Textiles might be exposed as a result of its activities?
 - What risks could these present to your FI, in the event that you finance them?
- 40 minutes reading and analysis

Purpose

- To detect and assess possible environmental and social risk that the project/company activities might generate
- To establish company's E&S performance against appropriate standards
- It is a general enquiry to establish the need for further follow-up and research

Challenges

- Access to information
- Client willingness, resistance
- Reliability of information
- Benchmarks for performance
 - National standards
 - EU directives and standards
 - IFC Performance Standards and EHS Guidelines
- www.firstforsustainability.org

LUNCH BREAK

Contents

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- II. Categorisation**
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Categorisation

- A screening process to categorise a project based on the nature and magnitude of its potential impacts
 - sector, type, scale, location, related & associated activities, supply chain
- For the purpose of determining level of social and environmental risk assessment and management required
 - Also consideration of **client capacity, commitment and track record**

Definitions

| Category | Characteristics |
|-----------|---|
| A | Potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented |
| B | Potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures |
| C | Minimal or no adverse social and environmental impacts |
| Reference | <i>IFC Policy on Social and Environmental Sustainability, April 2006</i> |

Tools

- ER002 form: an environmental screening and categorisation form
- ER003: Economic activities according to risk criteria
- ER003A: Project selection according to risk criteria
- National social & environmental impact assessment regulations

Group Work

Categorisation Tool

- Screen and classify project using form ER002
- Identify 3 issues of potential concern to your financial institution?
- 15 minutes

Contents

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S&E Assessment

- The duration, depth and type of S&E assessment required depends on the nature, scale and potential impact of the project/company activities.
- Area of influence
- Alternatives
- Avoid, minimise, mitigate and compensate
- Increase positive impact

S&E Assessment

| Category | Assessment | ESRA Form |
|----------|---|------------------------------------|
| A | SEIA and/or Audit, Action Plans Independent Review | ER006, ER007, ER008A, ER010A |
| B | Environmental Audit or internal Environmental Management Analysis, Evaluation of Risks, Corrective Action Plan | ER008, ER009 |

| Project Risk/Client Risk | High Risk Client | Medium Risk Client |
|--------------------------|---|--|
| Category A | SEIA/Audit, APs, Independent Review | B+ ? Level of risk SEIA/Audit, APs Independent Review |
| Category B | B+ ? Level of risk SEIA/Audit, APs Independent Review | Environmental Management Analysis, Evaluation of Risks, Action Plan |

Group Work

Evaluation & management of risks
Evaluation tool for Category B

- Read Asamoah Part 2
- Using form ER009 evaluate the 3 unjustified risks you identified with form ER002.
- What measures would you take to mitigate the risks to the bank from the company's social and environmental impacts?
- Establish conditions for approval or give reasons for which the credit request is denied.
- 45 minutes analysis

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Final Reading and Reflection

Asamoah Textiles: Part 3

- **Next ESRA online course**
3 – 21st October 2011 - French
7 - 25th November 2011 - English



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Thank you!

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