UNEP Finance Initiative

Innovative financing for sustainability

ENVIRONMENTAL AND SOCIAL RISK – From awareness to action

Accra, 22 April 2013

Content

- Introduction
- Business, Society & the Environment
- Drivers for Environmental and Social Risk Management
- Concluding Remarks

Introduction

Objectives

- Introducing People
- Why we're here today

Business, Society & the Environment

Externalities

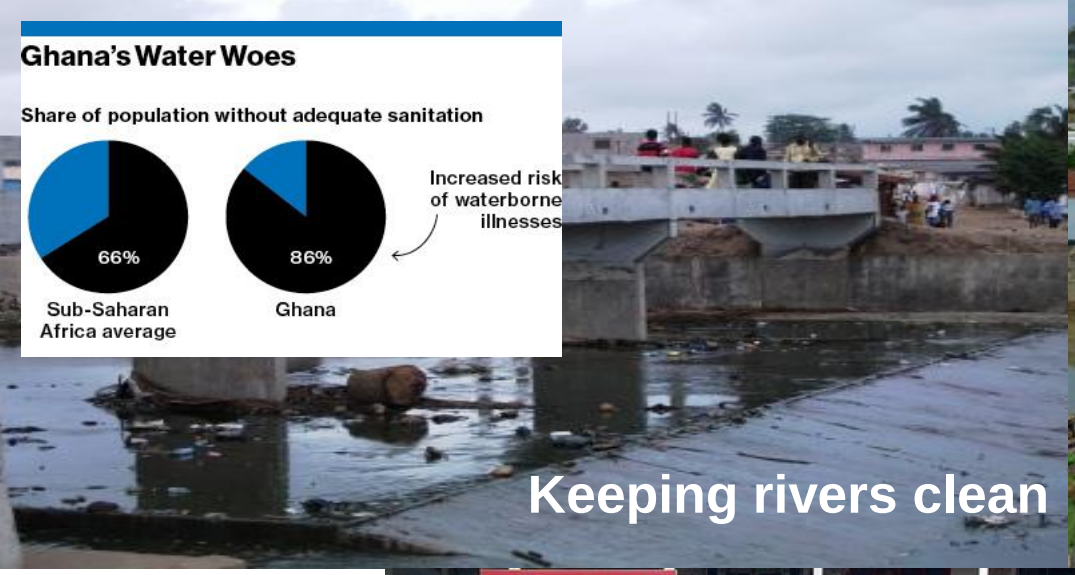
Externality: A (positive or negative) consequence of an economic activity that is experience by unrelated third parties, whose interests not taken into account

Negative Externalities:

- Air pollution, water pollution and effect on availability and quality and related health problems
- Loss of biodiversity and/or cultural heritage

Positive Externalities:

- Stable Climate
- Water availability and water quality



Externalities – a thing of the past?

Stable Climate, Ecosystem Services ...can no longer be taken for granted...

UNEP Finance Initiative
Changing finance, financing change

The cost of “externalities”

- Cost of water, Cost of water treatment
- Cost of waste disposal
- Cost of cleaning contaminated land
- Cost of reducing air pollution, Cost of CO_2 emissions
- Cost of health & other social costs
- Environmental fines
- Cost of payment indemnities/damages/compensations

Tullow Oil's foul play in Ghana.

Jun 28, 2012 · 1:39 pm · by ben

Tweet 38 Like 24 +1 2

Sunderland FC's controversial sponsorship deal with a Tullow Oil front group was featured in today's *Independent*:

> There are growing concerns surrounding the suitability of Sunderland's new sponsor, Invest in Africa, amid claims from the oil watchdog Platform that the initiative's founding partner, Tullow Oil, is responsible for damaging business practices on the continent.

Tullow Oil have a reputation of trying to push oil contracts in countries like Uganda and the Democratic Republic of Congo with terms that are not at all favourable to the local communities. In Ghana, where Tullow have faced comparatively less criticism, the company has fallen short of its stated commitments to corporate responsibility and local development in Africa.

The Oil Production and Ghana's Fishing Industry; a Case of Another Dutch Disease?

From: Richster Nii Amarh Amarfio / Richster@revitalization.org Published On: August 24, 2012, 00:25 GMT

Comments (0) Email Print

7 Tweet 2 Recommend 0 +1 1 Share

Follow Us
on Facebook
on Twitter
RSS Feeds
Mobile
Podcasts

Ghana's quest to discover and produce hydrocarbon predates independent Ghana, but actual commercial find happened probably a century after. Hydrocarbons has been seen as a panacea to many a country's economic quagmire, that once a country discovers the black gold, all its economic woes are resolved.

Modern industries, pollution and agricultural productivity: Evidence from Ghana

Published - 16th April 2013

Mining reduces agricultural productivity by almost 40%

Gold mining and its resulting pollution has reduced agricultural productivity by almost 40% in Ghana. The displacement of agriculture by gold mining can also be associated with increases in poverty, child malnutrition and respiratory diseases.

Africa | 16 April 2013 Last updated at 13:00 CET

0 Comment

Ghana mine collapse kills 17

By Joel Olatunde Agoi

Previous Next

Select Language

The site of a gold mine collapse at Dunkwa on-Offin in central Ghana, on June 27, 2010. By Adadevoh David (AFP/File)

ACCRA (AFP) - A gold mine collapse in central Ghana has killed 17 people who were working illegally and had been told to leave by the operator, police and an official told AFP Tuesday.

The operator had completed its work at the mine near the town of Kyekyewere and returned only to shut down the operation and carry out reclamation work, said the area police commander William Otu.

They found several people from the local community mining illegally, who refused when asked to leave.

Not long after, "the operator got information that the mine caved in and covered the people," the police commander said.

"The number of those trapped were 22," said local government official Peter Owusu-Ashia.

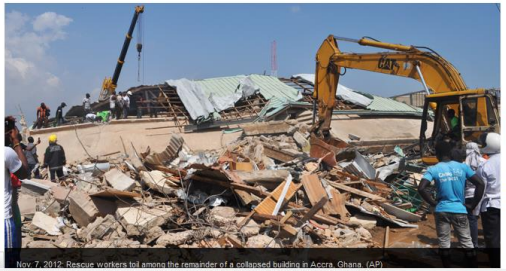
> "Without obstacles there cannot be miracle; and without challenges there cannot be changes"
>
> By: *Neequaye Edward*

More Quotes | Submit Quote

WORLD HOME U.N. Afghanistan Iran Iraq Middle East Americas Asia / Pacific Global Te

Authorities blame faulty construction for Ghana building collapse that left at least 4 dead

Published November 08, 2012 / Associated Press



Nov 7, 2012: Rescue workers toil among the remainder of a collapsed building in Accra, Ghana. (AP)

so that we can improve your experience.

Ghana Oil and Gas

Your one-stop news source on Ghana's oil and gas industry

3 easy steps to Convert to PDF:
1) Click "Download"
2) Download FREE from our web page
3) Convert to PDF

Mining | Oil Contracts | Energy News | Business | Economy | Working in Oil | Lif

Home » Lifestyle » Ghana: Over 300 Illegal Miners Died In Mine Accidents in 2011 And 2012

Ghana: Over 300 Illegal Miners Died In Mine Accidents in 2011 And 2012

BY SEBASTIAN R FREIKU, Kumasi — OVER 300 illegal Miners died as a result of frequent mine accidents in 2011 and 2012, the Minister of Lands and Natural Resources, Alhaji Inusah Fuseini has announced at the expanded council meeting of the Ghana chamber of mines in Kumasi

UNEP **Finance Initiative**
Changing finance, financing change

Drivers for Environmental and Social Risk Management

"As we have seen all too recently, when banks fail, the economic stability of nations and indeed the entire global financial system are threatened. This has brought the issue of "sustainability" into sharp focus.... sustainability has been considered somewhat of a "soft" topic until fairly recently, an addendum to the normal course of running a business and relying too heavily on anecdotal evidence rather than measurable benchmarks. This approach is now a thing of the past... sustainable economic development is not a luxury, but a requirement to strategically position our economy for this century."

Mr Sizwe Nxasana
CEO, First Rand Limited

IFC Beyond Risk Survey: Risks for a FI's clients

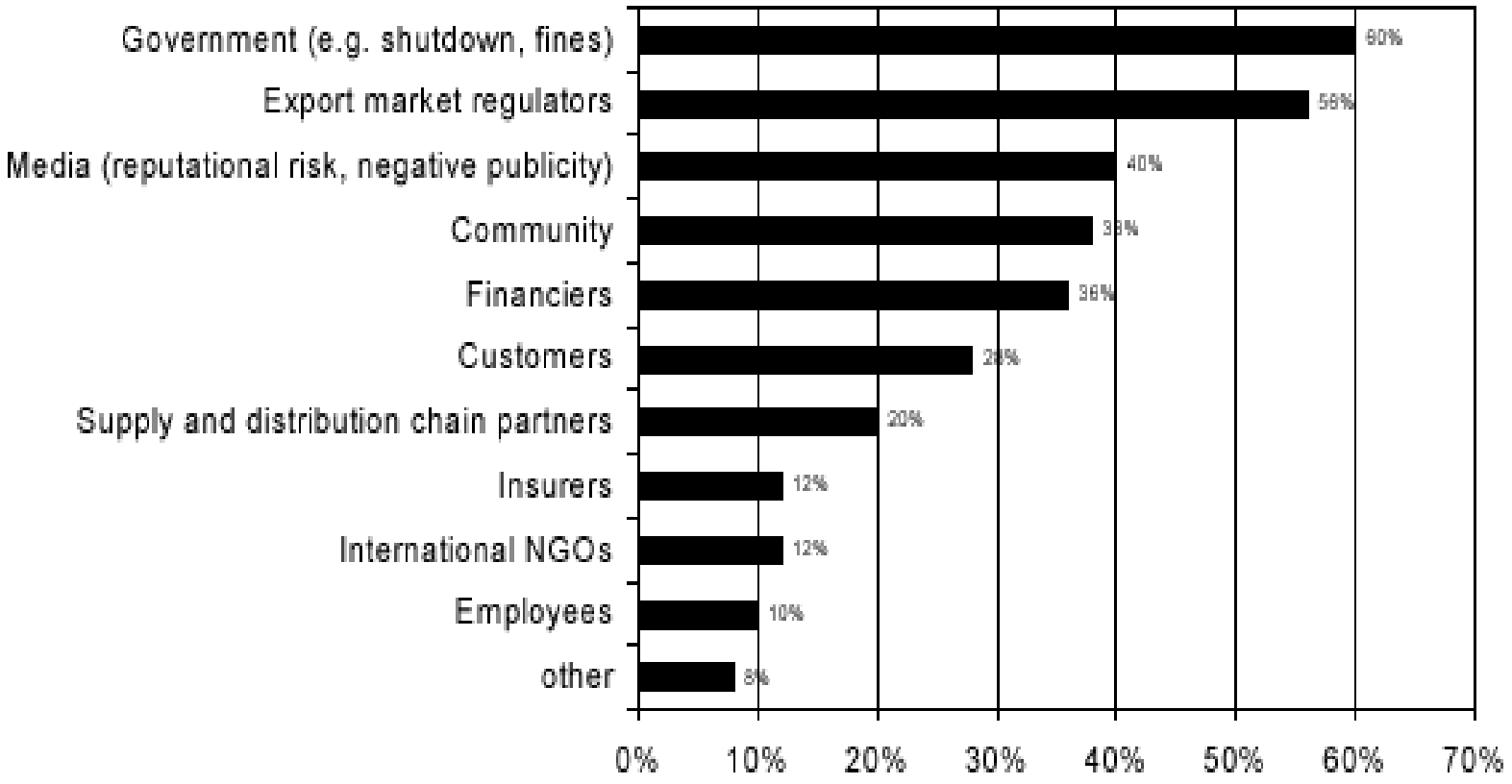


Figure 2.2 Significant sources of environmental risks for clients identified by all financing institutions

IFC Beyond Risk Survey: Risks for Lenders

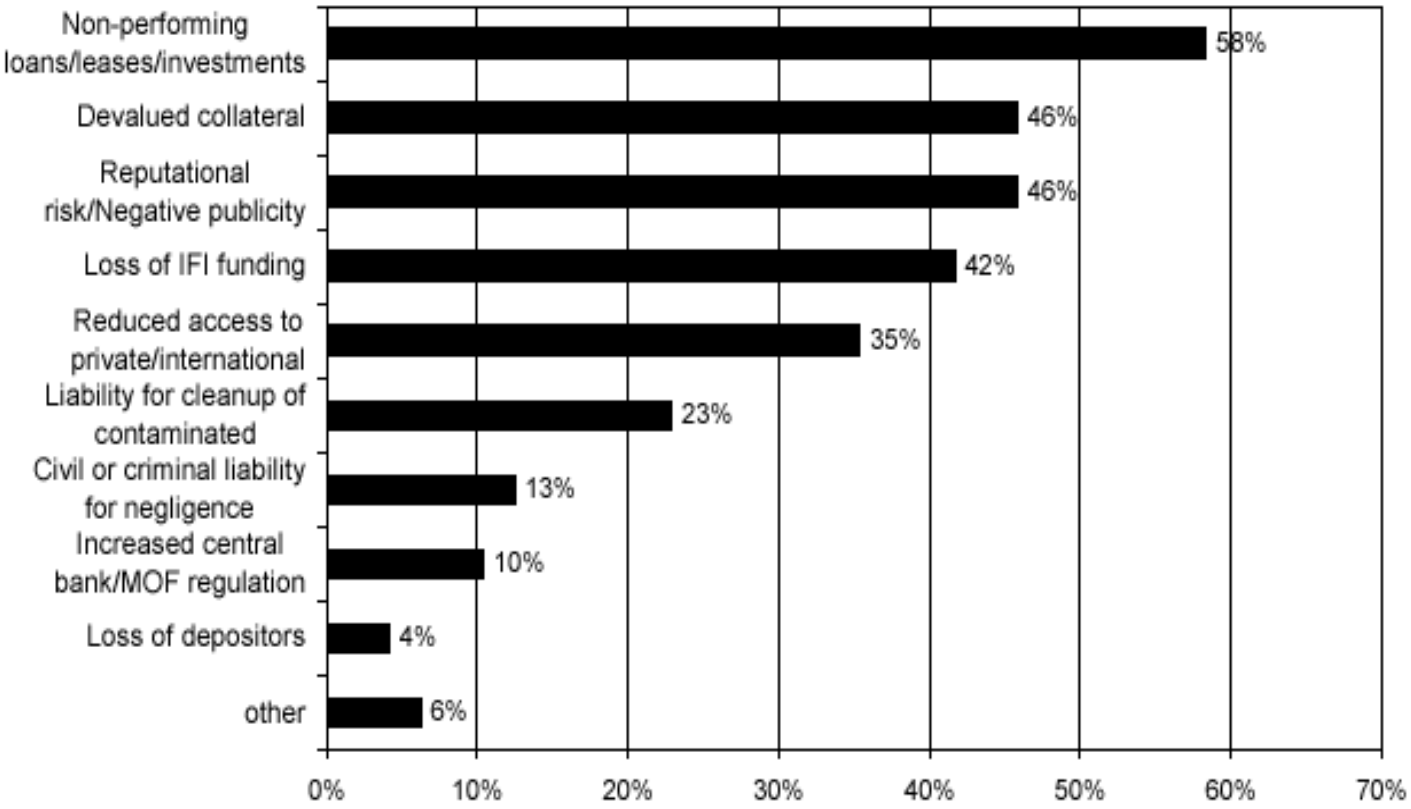


Figure 2.11 Environmental risks for financial institutions

Regulators

- Green Banking/Green Credit Policies
- Central Banks are starting to take action
  - China's Green Credit Policy, now supported by the CBRC Green Credit Guidelines
  - Nigeria Sustainable Lending Principles
  - Brazil – series of resolutions; E&S risk evaluation inclued in capital adequacy requirements
  - Bangladesh – ESRM policy, volunatary quarterly reporting
- Basel III shifts focus to 'material risk', and expectation for E&S risk to be specifically mentioned is rising

Investors & Capital Markets

Investors:

Collaborative engagements by PRI signatories

Engagements with companies on Carbon Disclosure Project data * Investor statement calling for global arms trade agreement * Investor statement in support of Prof. John Ruggie's Draft Guiding Principles * Pilot Project on Responsible Business in conflict affected and high risk areas * Sudan Engagement Group * Sustainable stock exchanges

Capital Markets:

- Sustainability Indices > rewards those who do well.
- Growing drive for 'sustainable stock exchanges', including mandatory reporting for listed companies.

Multilateral / Development Banks

- Have some of the most advanced/ sophisticated E&S Risk Management policies and procedures
- Increasingly working through or with private sector FIs
- Access to deals is dependant on E&S Risk Management capacity

You are being watched

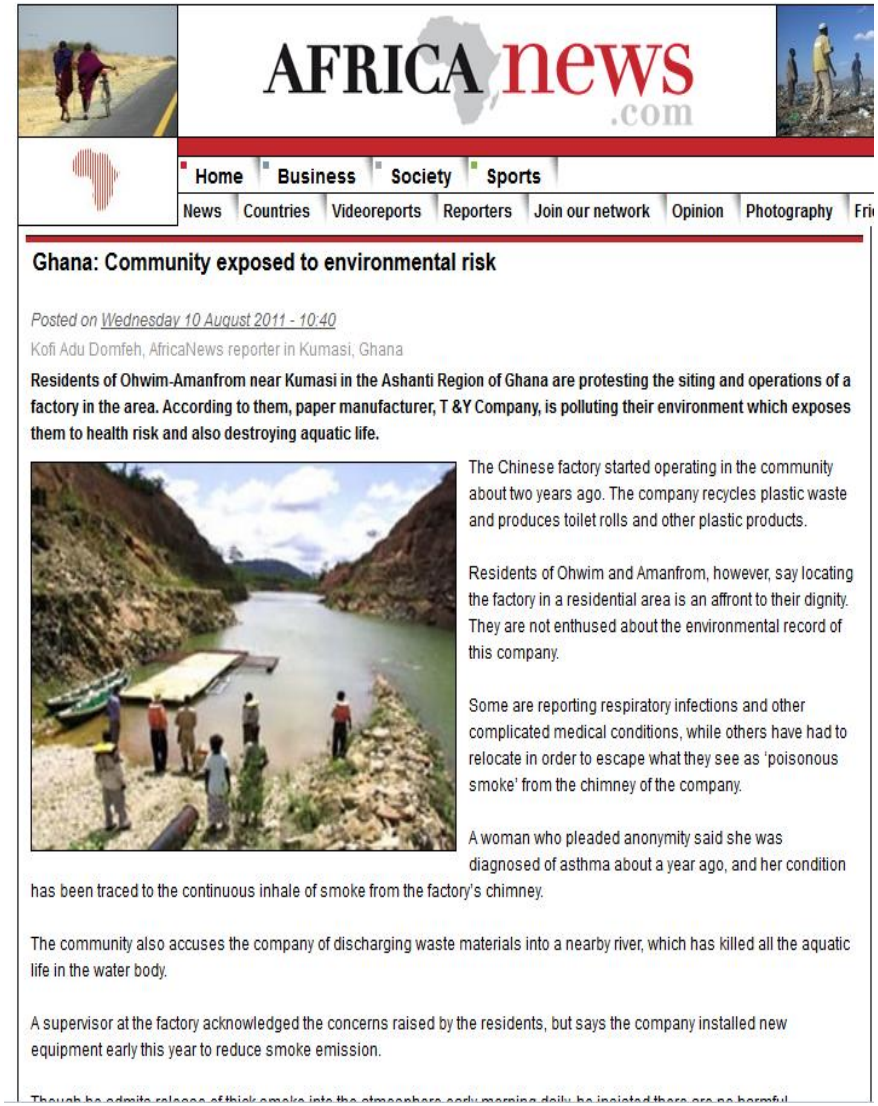
From NGO campaigns to Bank track to the Wall Street Movement...

BANKTRACK

Ahafo Mine Serial Cyanide Poisoning in Ghana

Thousands of Dead Fish Poisoned In the Latest Incident At Newmont Open Pit Mine

Colorado-based Newmont's Ahafo gold mine in Ghana. The company was cited for human rights abuses associated with the removal of 10,000 farmer to make room for the mine. The company wants to displace another 10,000 people in order to expand the mine. The W[redacted] provided the $125 million loan that allowed Newmont to bring progress to the local economy by removing the people. When Newmont becomes unhappy with protests, the protesters get arrested.



AFRICA news .com

Home | Business | Society | Sports

News | Countries | Videoreports | Reporters | Join our network | Opinion | Photography | Fri

Ghana: Community exposed to environmental risk

Posted on Wednesday 10 August 2011 - 10:40

Kofi Adu Domfeh, AfricaNews reporter in Kumasi, Ghana

Residents of Ohwim-Amanfrom near Kumasi in the Ashanti Region of Ghana are protesting the siting and operations of a factory in the area. According to them, paper manufacturer, T &Y Company, is polluting their environment which exposes them to health risk and also destroying aquatic life.

The Chinese factory started operating in the community about two years ago. The company recycles plastic waste and produces toilet rolls and other plastic products.

Residents of Ohwim and Amanfrom, however, say locating the factory in a residential area is an affront to their dignity. They are not enthused about the environmental record of this company.

Some are reporting respiratory infections and other complicated medical conditions, while others have had to relocate in order to escape what they see as 'poisonous smoke' from the chimney of the company.

A woman who pleaded anonymity said she was diagnosed of asthma about a year ago, and her condition has been traced to the continuous inhale of smoke from the factory's chimney.

The community also accuses the company of discharging waste materials into a nearby river, which has killed all the aquatic life in the water body.

A supervisor at the factory acknowledged the concerns raised by the residents, but says the company installed new equipment early this year to reduce smoke emission.

Peer Pressure

	Equator Principles	UNEP FI	UN Global Compact	Carbon Disclosure Project	Global Reporting Initiative
Standard Chartered	✓	✓	✓	✓	✓
Standard Bank	✓	✓			Self declared
First Rand	✓	✓			Self declared
Ecobank Transnational	✓	✓	✓		
Access Bank	✓	✓	✓		Third party checked
Guarantee Trust Bank		✓			
Fidelity, Nigeria	✓	✓			

Key Initiatives

- 1987 – 1992 – WB Group EA requirements
- 1992, UNEP FI
- 2000, UN Global Compact, Carbon Disclosure Project, GRI, OECD Guidelines for Multinationals
- 2002, London Principles “enhance financing of sustainable development”
- 2003, Equator Principles
- 2006, GRI Financial Sector Supplement, UN Principles for Responsible Investment, IFC PS, EP II, FT Sustainability Awards
- 2008, The Carbon Principles, Ruggie Framework for Business & Human Rights

Key Initiatives, since 2008

- Climate Principles
- Water Disclosure Project – moving faster than CDP
- Forest Footprint Disclosure Project
  - 12.8 trillion, forest risk commodities (biofuels, soy, palm oil, beef, timber)
- Revision of the IFC Performance Standards, Jan 2012
- Natural Capital Declaration – launch at Rio +20
  - Integration of natural capital considerations into financial products
- IFC PS Revision 2
- Equator Principles Revision III

From Awareness to Action
Leaders & Trends

Risk Management

Assessing & Deciding where to stand

- Exclusion Lists
- Sector Policies

THE DIRECTION

Developing the tools and capacity you need to walk the talk

- Client questionnaires
- Access to information
- Training for employees (credit and risk, but also commercial teams)

THE MAP

THE VEHICLE

E&S Risk for FIs

CLIENT/INVESTEE

Unmanaged E&S impacts in operations

Risks

- Disruption of Operations
- Fines & penalites
- Loss of market share
- Market devaluation because of liability

FINANCIAL INSTITUTION

Direct Risks

- Liability for E&S damage caused by client/ investee

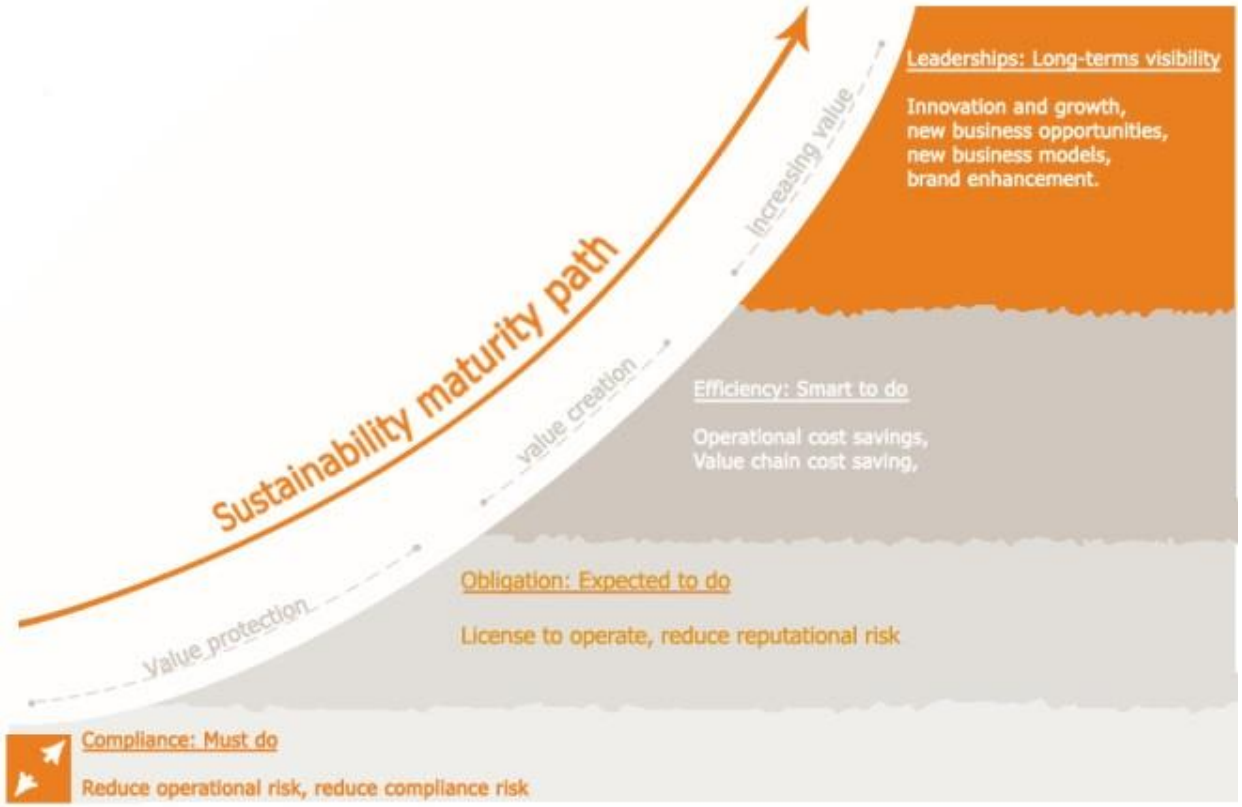
Indirect Risks

- Credit risk – reduced repayment capacity
- Market risk – reduced value of collateral
- Reputational risk – negative publicity

Consequences

- Loss of assets
- Reduced profits
- Damage to reputation

It’s not all about Risk!



Source: PWC

Smart Money ….. the Green Economy

- Going foward will Bank's be more critically judged for
  - Investment in old polluting technology?
  - Commitment of funds that cause the loss of biodiversity and ecosystem services?
- UNEP's "Toward a Green Economy" estimates that the investment required will be US$1.3 trillion per year from 2010 to 2050. [1]
- The WEF and Bloomberg calculate that clean energy invesmtent must rise to US$500bn by 2020 to restrict global warming to 2 degrees. [1]
- HSBC estimates a US$10 trn growth in cumulative captial investmnet between 2010 and 2020. [2]
- It is estimated that more than 80% of this financing needs to come from the private sectors.

1 Towards a Green Economy, UNEP (2011)

2 Sizing the Climate Economy, HSBC Global Research 2010

Today's Sustainability Leaders

IFC/FT Awards designate the Sustainable Bank of the Year since 2006

- 2012: Standard Chartered Bank

Regional winner Africa/Middle East: Nedbank, South Africa

- 2011: Banco Itau, Brazil

Regional winner Africa/Middle East: Access Bank, Nigeria

- 2010: Co-Operative Financial Services, U.K. , Runner-up: HSBC, U.K.
- 2009: Triodos Bank, Netherlands. Runner-up: Standard Chartered, UK

"Green" Winners

The performance of sustainability-focused companies during the financial crisis

As companies cut costs to get through the current global economic slowdown, there is often a temptation to abandon recent forays into sustainability. Yet a new A.T. Kearney analysis finds that companies committed to corporate sustainability practices are achieving above-average performance in the financial markets during this slowdown. So before tossing out those sustainability practices and initiatives, it might be wise to first determine the real value of the efforts—especially the possible rewards for staying the course.

A recent A.T. Kearney analysis reveals that

In the past few years, a decidedly "imperfect" storm of scarce resources, global warming debates, shifts in customer demand and regulatory changes have compelled many businesses to react to the sustainability challenge. an award is won for a track record of social responsibility.

As the financial crisis takes its toll, and sustainability-related projects add costs, many companies are considering abandoning their sustainabil-

Fashion or Strategy? Why Firms Are Jumping on the Sustainability Bandwagon

Published : January 19, 2011 in Knowledge@Wharton

If building a sustainable enterprise was a fashionable trend five years ago, today it is a business imperative. Forward-looking corporations have figured out that a focus on environmental, social and governmental (ESG) factors is not just a bid to burnish their image, but rather it is a necessity in today's marketplace. And if done well, it is a true competitive advantage.

A panel of senior executives from consulting, banking and the chemical industries sat down to debate and discuss this critical shift during the recent Wharton Social Impact conference. The panel, "Sustainability and Corporate Social Responsibility: Is ESG the New CSR?" included participants from a variety of backgrounds and experience. Still, all were in agreement that what was a somewhat nebulous (but fashionable) movement five or 10 years ago has become a focused, integrated way of doing business at many firms.

"Sustainability has become more mainstream now," said Eliza Eubank, assistant vice president for the environmental and social risk management department at Citigroup. "It is not just something that the do-gooder environmentalist cares about. It is something that is on the priority list of CEOs." Stephane N'Diaye, senior manager of strategy-sustainability at consulting firm Accenture, echoed that view. The progress over the last several years in sustainability efforts, he noted, stems from "where it stands on the CEO's agenda."

In fact, for savvy companies, a strategy built around sustainability can be a critical advantage, Boston Consulting Group senior partner Martin Reeves pointed out. Even when government action puts more burdens on business, Reeves said there can be an upside. When you change the rules of the game, you "are putting a floor on certain behaviors [and] raising barriers to entry." Case in point: the establishment

Moving from awareness

To facilitators of

Economic growth that is low carbon, resource efficient and socially inclusive

Changing Finance to Finance Change

BANK LENDING

Business as usual → Unsustainable economic activity

Environmental and Social Risk Management, Engagement, and Financing → Gradual shift to sustainable economic activity

A word on UNEP FI

Our Mission:
To identify and promote best environmental and sustainability practice at all levels of financial institution operations.

- We research
- We raise awareness
- We set standards
- We connect leaders
- We build capacity
- We facilitate dialogue and engagement

Contact

Melissa Makwarimba
Sustainable Finance Advisor
khokhela@iwayafrica.com

UNEP Finance Initiative
www.unepfi.org