UNEP Finance Initiative
Innovative financing for sustainability

ENVIRONMENTAL AND SOCIAL RISK GOVERNANCE

GOOD PRACTICE - GOOD BANKING

Bartholomew Judd – Société Générale

AGENDA

1. **ENVIRONMENTAL AND SOCIAL RISKS FOR OUR CLIENTS**
2. **WHY THESE MATTER TO FINANCIAL INSTITUTIONS**
3. **INTERNATIONAL DEVELOPMENTS AND TRENDS**
4. **THE OPPORTUNITIES BEYOND THE RISKS**

ENVIRONMENTAL AND SOCIAL RISKS FOR OUR CLIENTS

CLIENT ENVIRONMENTAL AND SOCIAL RISKS

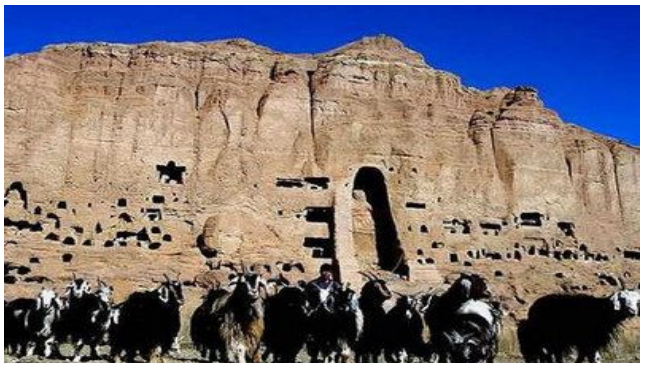
Labour

Pollution

Health and Safety

Communities

Natural Habitats



Cultural Heritage

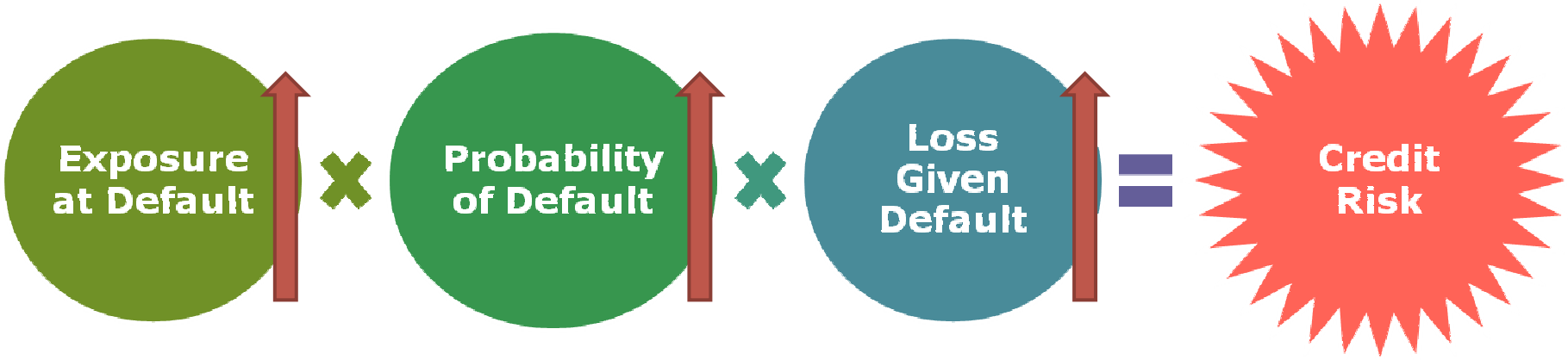
WHY THESE MATTER TO FINANCIAL INSTITUTIONS?

PERCEIVED DRIVERS

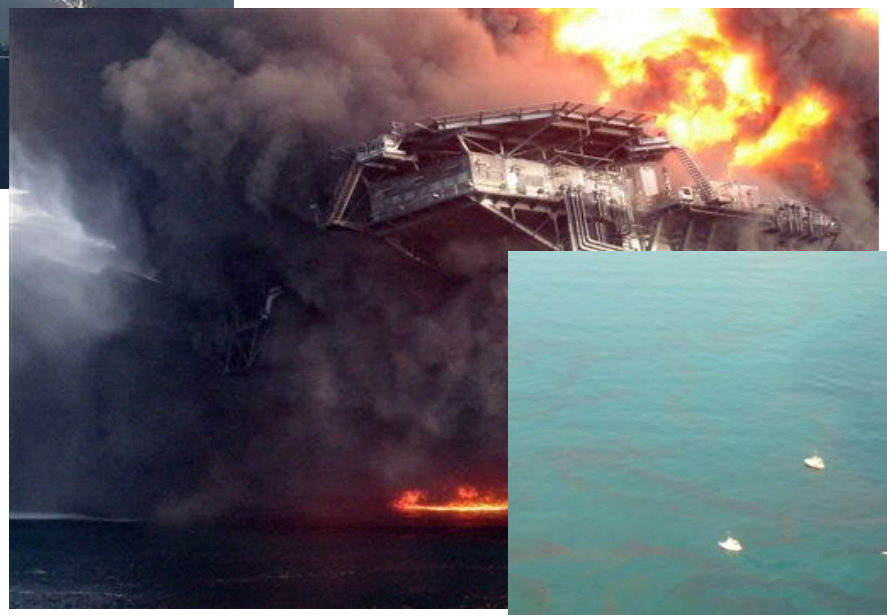
?

CREDIT RISKS

CREDIT RISKS



CREDIT RISKS- ENVIRONMENTAL AND SOCIAL DISASTER



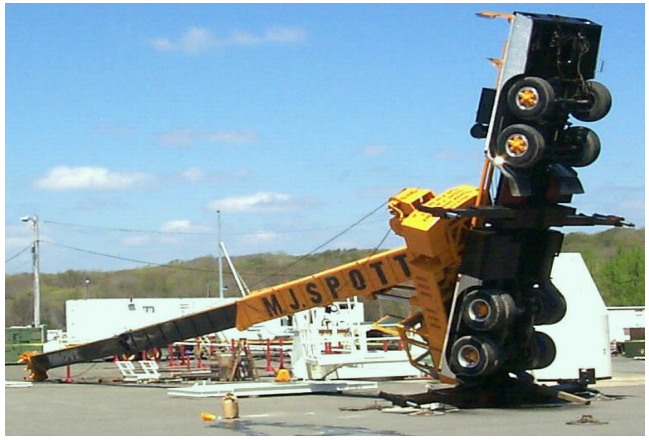
Deepwater Horizon
BP Gulf of Mexico Spill

CREDIT RISKS- PROJECT EXECUTION

Environmental and Social Assessment

Site Shutdowns

"Bankability"



Incidents

Legal Disputes

REPUTATION RISKS

REPUTATION RISKS

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Campaign against Bank for financial support for the Nuclear Power Sector

Campaign against Bank for financial support for the Ilisu Dam in Turkey

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PRI

EQUATOR PRINCIPLES

INTERNATIONAL DEVELOPMENTS AND TRENDS

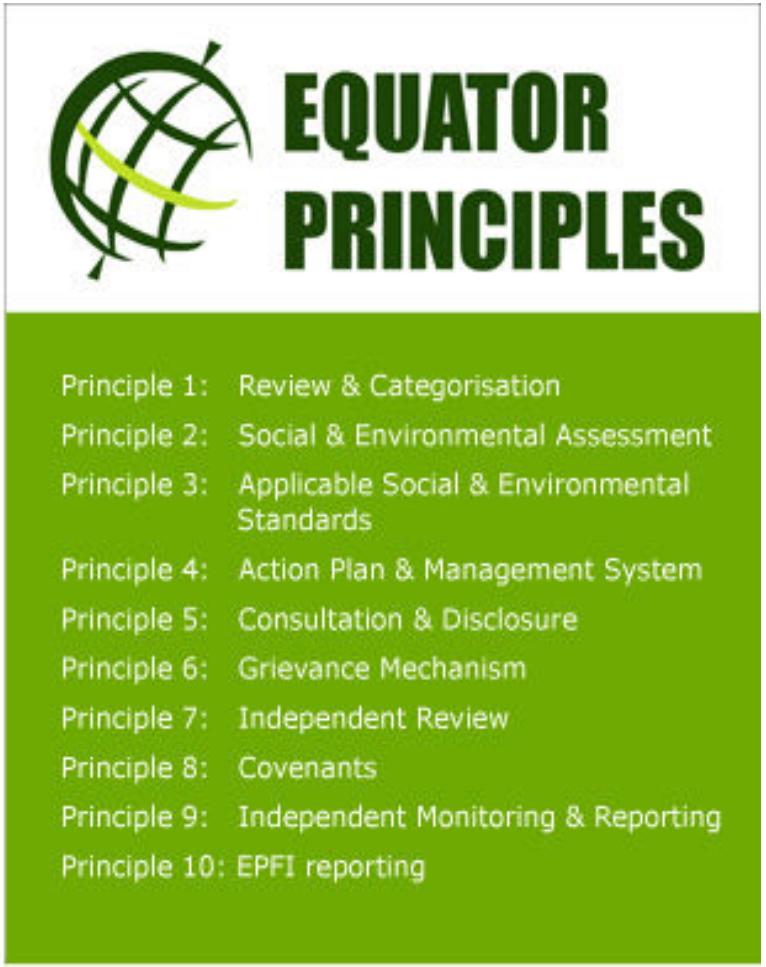
UNESCO

THE GLOBAL COMPACT

OECD

EQUATOR PRINCIPLES

- A credit risk management framework for determining, assessing and managing environmental and social risk in Project Finance.
- Launched in 2003 by ten international banks and currently adopted by 80 financial institutions.
- EPs have now become a global standard for project finance covering over 70 % of international project finance debt in emerging markets.
- EPs provide a framework for the environmental and social evaluation of projects: compliance with IFC social & environmental policies and quantitative environmental guidelines (outside High Income OECD countries).
- EP III:
  - An extension in the scope of the EP to Project-Related Corporate Loans and Bridge Loans.
  - Greater emphasis on human rights, climate change and biodiversity, and a strengthening of reporting and transparency requirements.



IFC STANDARDS PERFORMANCE STANDARDS

International Finance Corporation Performance Standards (January 1, 2012)	▪ Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts ▪ Performance Standard 2: Labor and Working Conditions ▪ Performance Standard 3: Resource Efficiency and Pollution Prevention ▪ Performance Standard 4: Community Health, Safety and Security ▪ Performance Standard 5: Land Acquisition and Involuntary Resettlement ▪ Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources ▪ Performance Standard 7: Indigenous Peoples ▪ Performance Standard 8: Cultural Heritage
IFC General Environmental, Health and Safety Guidelines (April 30, 2007 – being updated)	▪ Environment ▪ Occupational Health and Safety ▪ Community Health and Safety ▪ Construction and Decommissioning

IFC Industry Sector EHS Guidelines	▪ Examples:
	  ▪ Onshore Oil and Gas Development (April 30, 2007)
	  ▪ Waste management facilities (December 10, 2007)
	  ▪ Water and sanitation (December 10, 2007)
	  ▪ Ports, Harbors and Terminals (April 30, 2007)

OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

OECD Guidelines for Multinational Enterprises (2011)	▪ The Guidelines are far-reaching recommendations addressed by governments to multinational enterprises operating in or from adhering countries. ▪ They provide voluntary principles and standards for responsible business conduct in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation. ▪ Turkey is an adhering government. ▪ Currently an OECD Working Group on Responsible Business Conduct reviewing application of the MNE guidelines by financial institutions.
National Contact Points (NCP)	▪ Agencies established by adhering governments to promote and implement the Guidelines. ▪ NCPs have a complaints procedure for recourse against
Financial Institution Complaint Example	▪ •January 2013: UK NCP Initial Assessment - complaint from a non-government organisation in Russia against a UK bank (C) ▪ The UK NCP rejects the complaint against UK Bank C.

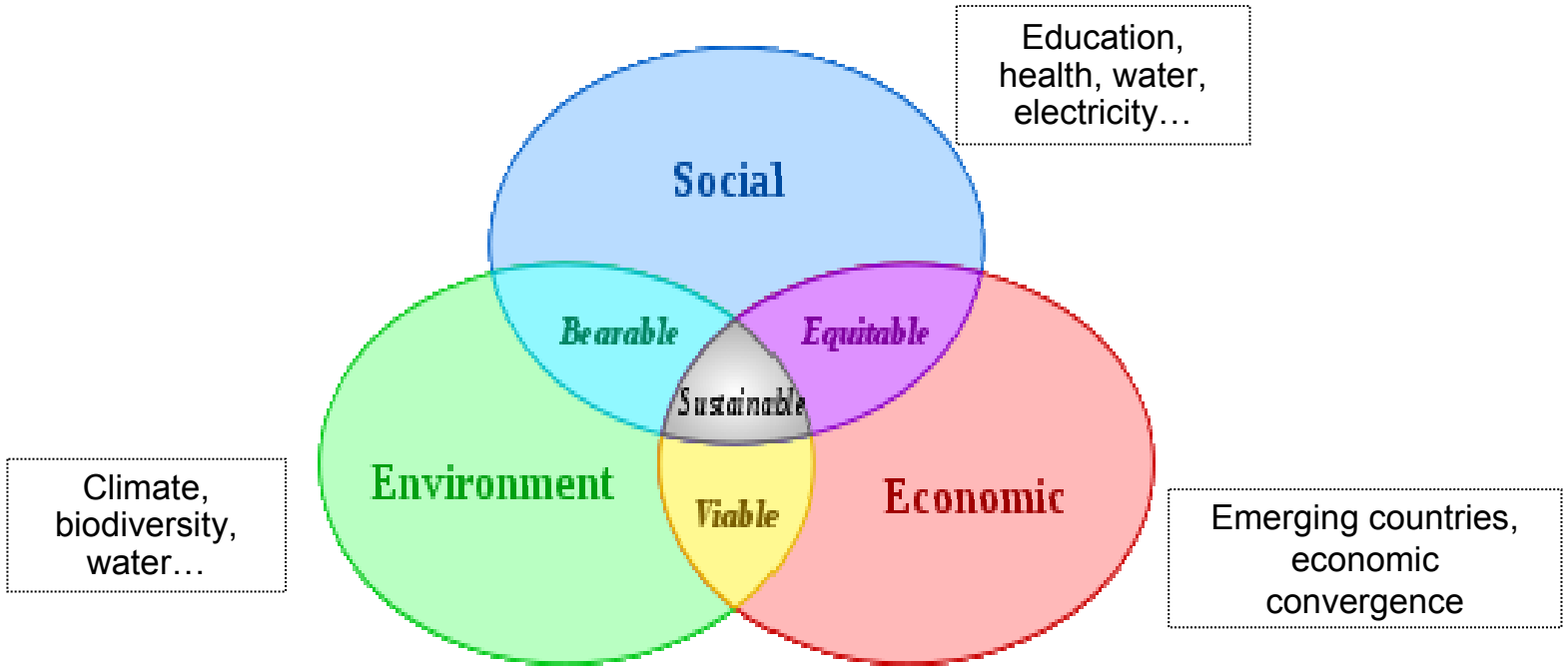
OPPORTUNITIES BEYOND THE RISKS

OPPORTUNITIES- POSITIVE IMPACT FINANCE

- Positive Impact Finance is a matter of financing:
  - Economic convergence (development of Emerging / Developing countries)
  - Global goods ("green" financing)
  - Human welfare (healthcare, education, transportation, water, energy…).
- Thus addressing the challenges of a changing world.

OPPORTUNITIES- POSITIVE IMPACT FINANCE

« Positive Impact Finance » is defined as **a positive impact on one of the sustainable development pillars subject to the correct remediation of potential negative impacts.**



THE OBJECTIVES….

THANK YOU

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