Sustainable Finance

Risks and Opportunities

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Agenda

- What are the issues and risks?
- Impacts on FI’s
- Going forward – are there opportunities?
The Issues and Risks
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**Population explosion:**
“Global population expected to reach 9 billion by 2050” (source Earth Trends database)

**Deforestation**

**Pollution**
The issues and risks

**Project Finance:**
Equator Banks increasingly targeted

**Climate Change:**
Significant areas of the Asian sub-continent could be impacted

**Child Labour:**
Global drive to eradicate child labour
Stakeholders – there are now many more AND they all want a piece

- Employees
- Customer needs
- International Media
- Local Media
- Environmental NGOs
- Social NGOs/ Human Rights groups
- Govt/Regulators
- USA
- UN
- EU
- G8
- World Bank
- SRI Analysts

BUSINESS

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There are now many stakeholders AND they all want a piece.
So – what are the impacts on FI’s?
So how do we look at these risks in an FI?

Direct and Indirect

- **Direct** – “Getting our own house in order”
- **Indirect** – our biggest impact is through our business values and who we lend to
Getting our own house in order!

- Senior Management Engagement
- Policy
- Environmental Management System
- Staff awareness and engagement
The Indirect Risks
Imagine you are the CEO and you wake up to these type of headlines

Adidas gets tough on laggard suppliers

McDonald’s sacks Chinese Toy Maker
So the Indirect Risks are:

- customers not meeting local environmental or social standards
- customers not meeting international standards – these could be required by their customers
- lending to non-sustainable businesses or projects

All of these could result in Credit and/or Reputational risk
Environmental risks in lending

- Air pollution
- Water pollution
- Land pollution
- Depletion of non-renewable resources
  - timber
  - mining
Social risks in lending

- Remuneration
- Discrimination
- Child Labour
- Working Hours
- Health & Safety
- Discipline
- Freedom of Association
- Forced Labour
Sustainable Project Finance through the

The Equator Principles
A framework for financial institutions to manage environmental and social issues in project financing
The opportunities
From Risk to Opportunity

Opportunities to help customers develop sustainable business practices

Risk from environmental and social concerns
The Opportunities

• **Direct impacts:**
  - Cost savings
  - Staff engagement
  - Reputation

• **Indirect impacts**
  - Improved Risk Management – understanding all risks
  - Product development – opportunities to introduce new products
  - Adopting standards such as Equator Principles
  - Reputation
THANK YOU