GOVERNMENT OF BARBADOS
THE ENVIRONMENT DIVISION

The Barbados Bankers Association Inc.

Training Workshop:
Evaluation and Management of Environmental and Social Risks in Lending and Investment Practices

24 November 2008, The Hilton Barbados

Workshop conclusions on the immediate needs of the Caribbean financial sector in terms of sustainability

At the end of the Workshop, participants were invited to work in their groups to identify the needs, barriers and next steps in the process of mainstreaming sustainability practices in the Caribbean financial sector. Their comments were presented to high-level executives the following day.

What needs to be done to attain the mainstreaming of sustainability practices in the financial sector?

The group which addressed this question felt that the banks needed to offer mandatory training for credit officers; to broaden the knowledge beyond the credit risk department; and to establish an environment assessment risk unit.

They continued by outlining that all banks needed to report on activities across the sector; assist with training and awareness; and commit resources to the Barbados Sustainable Finance Task Force.

As far as the regulators were concerned they suggested that they needed to incorporate environmental indicators as part of the risk assessment and also to assist with awareness raising process. The group recommended that other institutions, particularly academia, could incorporate training within their existing programmes and degrees. It was also felt that a number of mechanisms could be created to register complaints, and that there should be easy access to environmental information on best practices and standards etc. Their final recommendation was that the regulatory oversight be strengthened, particularly for projects that are funded externally.

Summary

(a) Banks
- Broaden knowledge beyond credit risk department
- Establish environmental risk assessment units
- Conduct mandatory training for credit officers on the above

(b) Banking Associations
- Reporting on activities in sector
- Assist with training and awareness
- Commitment of resource to task fore

(c) Regulators
- Incorporate environment indicators as part of risk assessment
- Assist with awareness
- Strengthen and review incentives to FIs and companies for compliance

(d) Other
- National awareness

- Create and explore opportunities for registering complaints
- Academia should incorporate environmental issues into training programs
- Easy public access to environmental information (e.g. standards, best practices, by companies)
- Strengthen and enforce regulation and oversight, particulalry where projects are funded externally

Barriers which might lie in the way of mainstreaming of sustainability practices in the financial sector.

The group which addressed this question felt that the banks could develop a code of benchmarks and adapt best practices. They agreed that there needed to be partnerships with government on environmental and risk management, but they indicated that it was also difficult to measure benefits and that there was a need to develop and define a set of environmental and social risk measures as part of the underwriting analysis.

The group's presenter recommended that research be conducted to analyse the relationship between sustainability and profitability. The group also addressed the barrier of no clear business case and said that there was a need to emphasise a win-win for the financial institution and client regarding image and long term liability.

With respect to lack of shareholder and stakeholder demand, the group felt that some appropriate tax facilities could be created as an incentive. They indicated that a loan pricing mechanism could be created to encourage environmentally friendly practices. The group also felt that education was needed on tax incentives already in existence.

Summary

Difficult to measure benefits:
- Extend decision making process to include expert analyses
- Define and develop a set of environmental and social risk measures, as part of underwriting and portfolio analysis

No legal requirements
- Create internal codes and benchmarks (by banking assocation)
- Adoption of best practices
- Partnership with government on environmental risk management enforcement

No clear business case
- Communicate that research shows coincidence betw sustainability and profitability
- Communicate win-win for FIs and client

Lack of shareholder and stakeholder demand
- Create tax incentives
- Create loan pricing mechanisms to encourage environmentally friendly practices
- Education on existing tax incentives

Next steps to fulfil the needs and overcome the barriers.

The group which addressed this question felt that within their banks it was necessary to have training and education on sustainable finance and to incorporate environmental practices and risk management practices.

In terms of the overall banking sector, especially the regulators, the group recommended that further education on sustainable finance was required. They suggested that there be a partnership with Central Bank to work on minimum standards. The group also proposed that sector incentives be created and audits conducted.

The presenter for this group also mentioned "pull" factors in terms of advocating the real meaning of environmental stewardship to change the markets in which banks and FIs operate and that educational institutions should also be encouraged to offer short courses.

Summary

(a) Banks
- Training on sustainable finance
- Incorporate environmental best practices in risk management (have internal champions)
- Learn about risks and returns of sustainable business

(b) Banking sector
- Cooperation
- Common standards
- Sustainable finance education
- Cross-fertilization between countries' experiences

(c) Regulators
- Partnership betw Central Bank and FIs
- Incentives for env. audits

(d) Others
- Govt support of NGOs in West Indies
- Advocate mechanism to change the way markets in which FIs operate work
- Academia to offer short courses