



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.



Identification, Evaluation and Management of Environmental and Social Risk in Loan and Investment Projects

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Activities:

Identification of risks using tools, guidelines and information sources by sector on Internet

Research into mitigation measures for identified risks

Consolidation of results

Presentation of reports

Credit committee simulation

Exchange of experiences, obstacles, benefits, sources of information, as well as debates throughout the process



Resources:

- 4 case studies of projects within the region
- Videos of projects that have resulted in environmental and social risks and opportunities
- Forms designed especially for ATW
- Information kit on Internet tools



Questions to consider:

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

Identification, evaluation and management of environmental and social risks

Why?

A negative environmental impact on the environment and/or the community that is not avoided, mitigated or compensated can become a risk for the financial institution.

Lessons learnt?

- 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.

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Analysis of potential risks in loan and investment processes

_____ PROJECT

3. Description of the processes carried out by the client during the productive process (description of raw materials, sources of water and energy, number of employees, work shifts, activity's main waste products).

- The manufacturing process ...
- Once within the plant, these raw materials ...
- Later, the different components are distributed and ...
- The remainder of ingredients are added to produce the final product, sold ...
- This product is stored in ... until it is packed and sent to the client.
- Raw material ... Efficiency in use of raw materials ... Other inputs ...
- Sources of energy ... energy used ...
- Water use ... authorizations ... and in what processes?

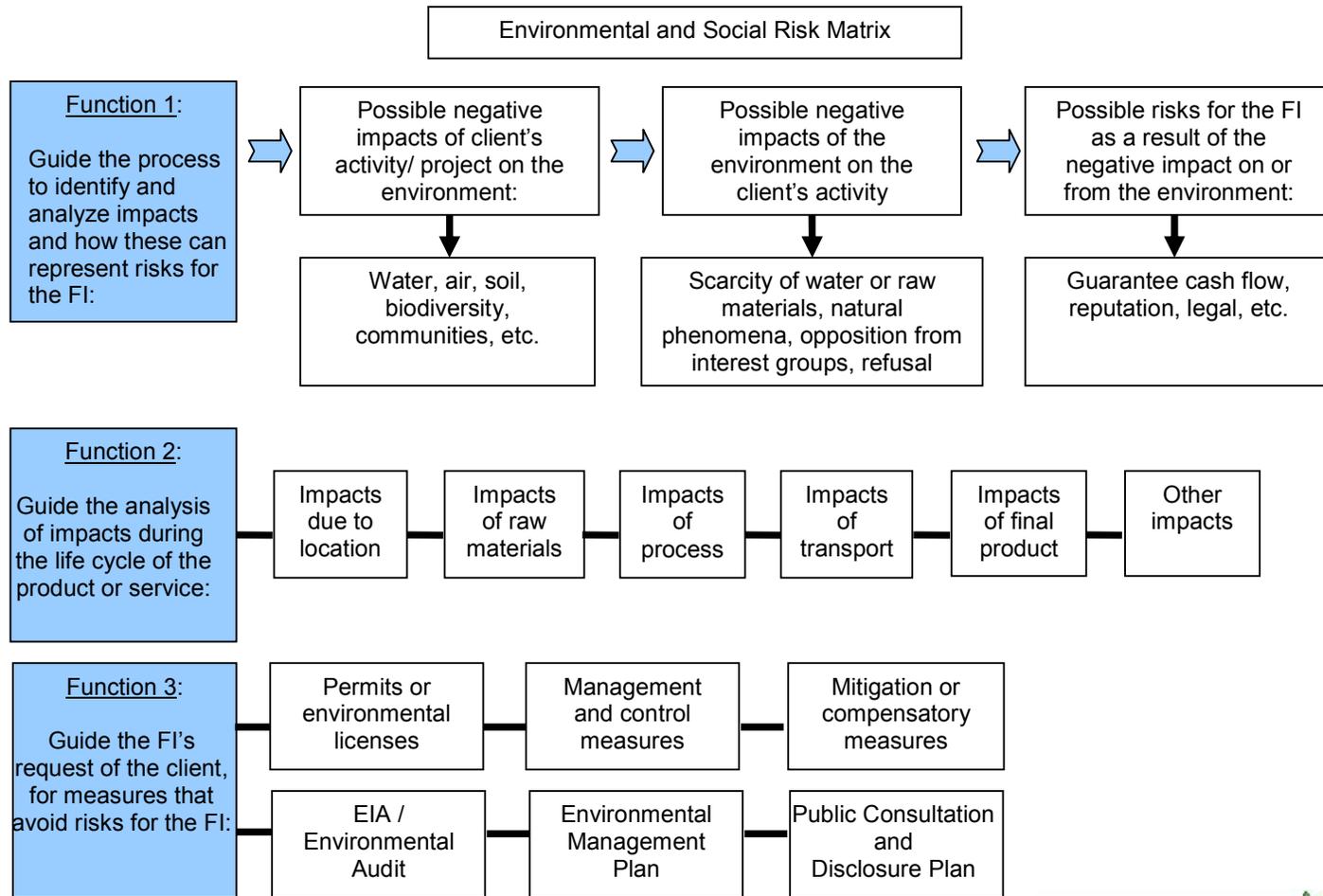
4. Description of environmental and social management and control measures being implemented or in process, e.g. ISO 14001, OSHAS 18001, among others or client's own measures.

- Environmental management system ... Occupational health and safety
- Gas emissions ... Waste management ... Water use ...

5. Description of the guarantee (if land, then specify previous and current use of the area where the client is carrying out his/her activities, as well as neighbouring land use).

- The guarantee ...

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Negative impact of the client's activity/project on the environment: water, air, soil, biodiversity, communities, etc.	Negative impact of the environment on the client's activity/project	Risk to the FI as a result of the negative impact on or to the environment (guarantee, cash flow, reputation, legal, other)	Are there any control measures or environmental permits?		
IMPACTS OF PROCESSES		NUMBER AND DESCRIPTION OF RISKS	YES	IP*	NO
Pollution of water sources due to sediment and sludge from wastewater.	Contamination of poultry due to visitors from other breeding areas without bio-safety protocols.	Guarantee: Loss of land value due to soil and subsoil pollution from liquid waste.			X
Air pollution due to bad smells (emissions of ammonia and other gases from dung) and dust particles.	Bird flue: an illness caused by a type A virus of the <u>Ortomixoviridae</u> family that affects the majority of bird species including chickens, turkeys, ducks, quails, partridges, geese, ornamental birds, hunted birds and wild waterfowl	Reputation: Indications by stakeholders to the FI for financing this client.			X
Pollution of surface and underground water due to dung and subsequent filtration into soil and subsoil.		Cash flow: Fines imposed by environmental authorities due to pollution of water sources.			X
Soil pollution due to filtration of wastewaters.		Cash flow: Closure of operations due to sickness of poultry.	X		
Excessive water use for maintenance purposes.		Cash flow: Protests from the community and subsequent market loss that could temporarily affect the farm's operations as a result of negative impacts on the environment.			X
Employee sickness due to the presence of dust particles in the handling of inputs and other maintenance activities.					
Employee sickness due to inhalation and contact with and exposure to pesticides and other toxic substances.					

Identification, evaluation and management of environmental and social risks

Negative impact on the environment and/or community = environmental risk

Environmental risk = environmental liability

Environmental liability affects the client's ability to pay due to: lawsuits, boycotts, fines, compensations, corrective actions, etc.

Environmental liability may be transferred to the financial institution on assuming clients' goods (loss in collateral value and responsibility to third parties, etc.)

Environmental Impact Assessment

An analytical process aimed at developing an objective opinion on the environmental impact of a specific project.

- In which the project's possible environmental and social effects are identified and evaluated; alternatives are also evaluated and appropriate mitigation, control and monitoring measures recommended.
- Forecasts and evaluations are made of the project's probable positive and negative repercussions, as far as possible in quantitative terms.
- It is a cost-benefit analysis of the project in terms of its potential environmental impacts (air, water, land, flora, fauna, humans)

Reference: ESRA online course – Content of an environmental impact assessment report – Annex ER006

Environmental Action Plan

A set of mitigation, management, monitoring and institutional measures to be taken during implementation and operation to eliminate, offset or reduce adverse environmental and social impacts to acceptable levels.

- **EAPs are essential elements of environmental impact assessment reports for Category A projects.**
- **In the case of an environmental audit of a concrete project, the product can be referred to as a **Corrective Action Plan**.**

Reference: ESRA online course – Outline of an Environmental Action Plan (EAP) – Annex ER007

Public Consultation and Disclosure Plan

A process to ensure the adequate and timely provision of information to people affected by the project and other stakeholders, and provide them with sufficient opportunities to express their opinions and concerns.

In the PCDP it is necessary to:

- **Identify the main groups of stakeholders**
- **Exchange information for the carrying out of different project phases**

Reference: ESRA online course – Guidelines on the preparation of a Public Consultation and Disclosure Plan – Annex ER010A

Environmental Audit

An analytical process to determine the nature and extent of all environmental areas of concern (including occupational health and safety) presented by an existing or new development (expansion, modernization or company investment programme).

Determines the nature and extent of important adverse effects on the environment, including pollution of soils, groundwater and structures and compliance with environmental legislation, as a result of activities specific to the project to be financed.

Reference: ESRA online course – Outline of a project-specific environmental audit – Annex ER008A

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