Environmental and Social Risk Management – Barclays experience

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Agenda

- Barclays drivers and journey
- Route to implementation
  - Reporting lines
  - Policy application
  - ESIA screening process
- Case study
- Our lessons learned
- Question time!
Drivers for Barclays

• Brand values and stakeholders expectations
• Credit risk management
• Institutional investors and rating agencies
• Rise of sustainability
• Rise of the internet, NGOs and media.
Our journey

- 1995 – Environmental Risk team established
- 1996 – ESIA policy introduced
- 2003 – Founding party of the Equator Principles (EP) and the Business Leaders Initiative on Human Rights
- 2005 – Steering Committee member of UNEP-FI
- 2007 Chair of the EP
- 2008 – Founder and Chair of Climate Change Working Group at EP; founding party of the Human Rights work stream at UNEP-FI
- 2009- Founder and Chair Social Risks Working Group at EP
The route to implementation

External engagement
- Lenders: peers, development banks, ECAs, EPFIs
- Advisors: lawyers, consultants
- Industry groups, clients

Internal culture
- Senior support and champion
- Finance/deal teams
- Credit risk
- Reputation risk
- CSR/Sustainability approach

Implementation
- Reporting lines
- Policy
- Training
- Reporting
The risks

Direct  Credit  Reputation
Our approach – reporting lines

Credit risk
- Responsible for protecting the bank from material environmental risks
- Reporting directly into Head of Credit Risk
- Business and Group level review and committees
- Assess projects and transactions where “known use of funds”
- Annual review for sensitive sectors

Reputation risk
- Additional level of review for sensitive transactions.
- Business and Group level review and committees
- Reporting into the Group Exco
- Operated by the Sustainability Team
ESIA policy application at Barclays

- Transaction type
  - Project finance
  - Corporate Loans where there is a “known use of funds”
- Sector
- Reputation risk
Environmentally Sensitive Activities

Activities or Sites:
- Mining and Quarrying
- Power Stations of all natures
- Dams and hydroelectric
- Forestry, logging, pulp & paper
- Nuclear Industry/Radioactive Processes
- Waste management, sewage, recycling
- Oil & gas

Manufacture/Bulk Storage Of:
- Basic Metals and metal products
- Mineral products
- Chemicals and Chemical Products
- Man-Made Fibres
- Plastic Products
- Refined Petroleum Products
Environmental and Social risk areas

Social
- “On site” employees and contractors
  - Occupational health and safety
  - Labour rights
- “Off site” local communities and affected parties
  - Public consultation
  - Socioeconomic impacts
  - Involuntary resettlement and land acquisition

Environment
- Ecosystem, biodiversity
- Air and water
- Use of chemicals and hazardous materials
- Waste management
- Contaminated land and “downstream” impacts
ESIA policy process

Assess
- Categorise
- Identify risks
- Independent review (as appropriate)
- Panel of consultants
- Terms of reference

Manage
- ESIA report
- Action plan(s)
- Agree covenant in loan documentation

Monitor and report
- Regular monitoring
- Reporting to bank
- Annual review
Case Study - Hydroelectric scheme, Iceland
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Key messages

• There is increasing interest in environmental & social risk management and sustainability.

• Real business and reputational risks at play.

• Environmental and social risks are taken seriously by international banks.

• Active risk management does help to minimize impact internally and in external perceptions.
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