

Tools to assess and manage ESG risks

1. Sustainable Banking Assessment (SUSBA)
2. Soft Commodity Risk Platform Tool (SCRIPT)
3. Water Risk Filter (WRF)

SUSBA

WWF Sustainable Banking in ASEAN Report

Analysed 34 banks in 6 countries to:

- Highlight the potential of the finance sector in driving sustainable development in ASEAN
- Provide a useful framework to assess and monitor progress on Corporate Governance and ESG integration in the banks
- Present the results in an interactive online platform (www.susba.org), which allows users to compare selected banks and indicators



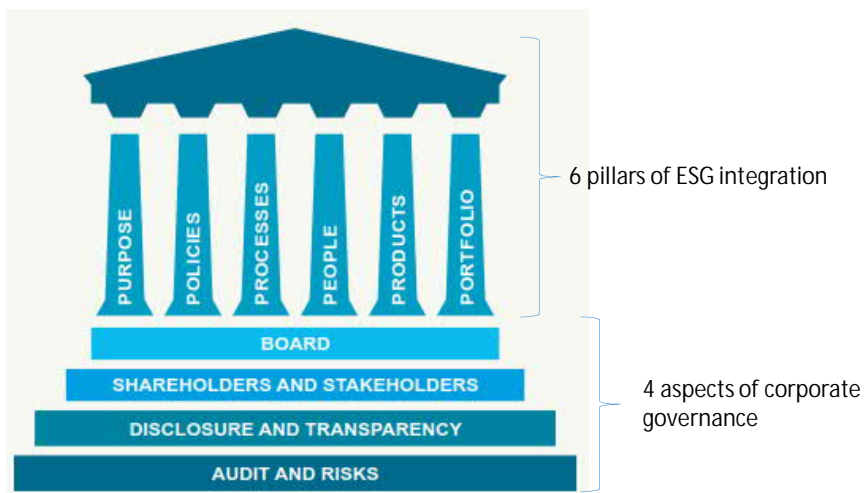
Banks assessed

1 INDONESIA	2 MALAYSIA	3 PHILIPPINES	4 SINGAPORE	5 THAILAND	6 VIETNAM
<ul style="list-style-type: none"> Bank Central Asia Tbk (BCA) Bank Mandiri (Persero) Tbk (Mandiri) Bank Negara Indonesia Tbk (BNI) Bank Panin Tbk (Panin) Bank Permata Tbk (Permata) Bank Rakyat Indonesia Tbk (BRI) Bank Victoria International Tbk (Victoria) 	<ul style="list-style-type: none"> AMMB Holdings Berhad (Ambank) CIMB Group Holdings Berhad (CIMB) Hong Leong Bank Berhad (Hong Leong) Malayan Banking Berhad (Maybank) Public Bank Berhad (Public Bank) RHB Bank Berhad (RHB) 	<ul style="list-style-type: none"> BDO Unibank, Inc (BDO) Bank of the Philippine Islands (BPI) China Banking Corporation (CBC) Metropolitan Bank & Trust Company (Metrobank) Philippine National Bank (PNB) Security Bank Corporation (SBC) 	<ul style="list-style-type: none"> DBS Group Holdings Limited (DBS) Oversea-Chinese Banking Corporation Limited (OCBC) United Overseas Bank Limited (UOB) 	<ul style="list-style-type: none"> Bangkok Bank (BBL) Bank of Ayudhya (Krungsri) Kasikorn Bank (KBank) Krung Thai Bank (KTB) Siam Commercial Bank (SCB) Thanachart Bank (TBank) TMB Bank (TMB) 	<ul style="list-style-type: none"> Bank for Investment and Development of Vietnam (BIDV) Joint Stock Commercial Bank for Foreign Trade of Vietnam (VCB) Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) Vietnam Export-Import Commercial Joint Stock Bank (Eximbank) Vietnam Prosperity Bank (VPBank)

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Sustainable banking framework



ESG integration is a natural extension of good corporate governance

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Assessment Framework - four aspects of Corporate Governance

The Sustainable Banking Assessment CG framework is used to:

- 1 assess responsible banking implementation
- 2 benchmark against peers
- 3 assess performance on key issues such as the inclusion of sustainability in corporate governance mechanisms

Frameworks used:

G20/OECD Principles of Corporate Governance
GRI
Sustainability Reporting Guidelines
IIRC

ASPECTS (CG)	No.	INDICATORS	ASPECTS (CG)	No.	INDICATORS
1) BOARD 	1	Independence and qualifications of the board	3) DISCLOSURE AND TRANSPARENCY 	8	Release of reports and disclosure on ESG issues
	2	Clearly stated roles and monitoring the implementation of corporate strategy		9	Corporate website
	3	Appointment, selection, training and re-election	4) AUDIT AND RISKS 	10	General audit function and audit on sustainability
	4	Remuneration and appraisal		11	Risk management frameworks and ESG-related risks
2) SHAREHOLDERS AND STAKEHOLDERS 		5		Rights of shareholders	
		6	Policies on stakeholder engagement and list of stakeholder groups engaged		
		7	Stakeholder reporting and communicating mechanisms		



Basis for the ESG Integration assessment framework







- Conservation experience on the ground across WWF's global practices.
- WWF's transformative work with companies on key issues such as climate, energy, food and water to drive sustainability.
- Experience from WWF's participation in cutting-edge sustainable finance initiatives.
- Experience from developing multiple sustainability standards
- Other frameworks, including:
 - TCFD
 - Sustainability Accounting Standards Board (SASB)
 - GRI



Assessment framework - six pillars of ESG Integration

The Sustainable Banking Assessment ESG framework is used to:

- 1 assess responsible banking implementation
- 2 benchmark against peers
- 3 assess performance on key issues such as climate change, deforestation, water, human & labour rights.
- 4 assess TCFD readiness.


















































PILLARS (ESG)	No.	INDICATORS	PILLARS (ESG)	No.	INDICATORS
1) PURPOSE 	1	Relevance of sustainability to the organization and its strategy for addressing sustainability	4) PEOPLE 	7	Responsibilities for ESG
	2	Participation in commitment-based sustainable finance initiatives and policy advocacy with regulators		8	E&S staff competency and performance evaluation
2) POLICIES 	3	Public statements on principles and risk appetite and aspects of ESG	5) PRODUCTS 	9	ESG integration in products and services
	4	Sector-specific policies		6) PORTFOLIO 	10
3) PROCESSES 	5	Processes for assessing ESG risks in client and transactional approvals	11		Disclosure of ESG risk exposure and targets
	6	Procedures for client monitoring and engagement			



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Average for ASEAN (CG)

KEY:  Fulfilled  Improved  No Change  Regressed  Unfulfilled

CORPORATE GOVERNANCE PILLARS AND INDICATORS		INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM	AVERAGE
1) BOARD	1. Independence and qualifications of the board							
	2. Clearly stated board's role and monitoring the implementation of corporate strategy							
	3. Appointment and selection, training and re-election							
	4. Remuneration and appraisal							
2) SHAREHOLDERS AND STAKEHOLDERS	5. Rights of shareholders							
	6. Policies on stakeholders engagement and list of stakeholders groups engaged							
	7. Stakeholder reporting and communicating mechanisms							



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Average for ASEAN (CG)

KEY: Fulfilled Improved No Change Regressed Unfulfilled

CORPORATE GOVERNANCE PILLARS AND INDICATORS		INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM	AVERAGE
3) DISCLOSURE AND TRANSPARENCY	8. Release of reports and disclosure on ESG issues							
	9. Corporate website							
4) AUDIT AND RISKS	10. General audit function and audit on sustainability							
	11. Risk management frameworks and ESG-related risks							



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Average for ASEAN (ESG)

KEY: Fulfilled Improved No Change Regressed Unfulfilled

ESG INTEGRATION PILLARS AND INDICATORS		INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM	AVERAGE
1) PURPOSE	1. Relevance of sustainability to the organization and its strategy for addressing sustainability							
	2. Participation in commitment-based sustainable finance initiatives and policy advocacy with regulators							
2) POLICIES	3. Public statements on principles and risk appetite and aspects of ESG and ESRM							
	4. Sector-specific policies							
3) PROCESSES	5. Process for assessing ESG risks in client and transactional approvals							
	6. Procedures for client monitoring and engagement							



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Average for ASEAN (ESG)

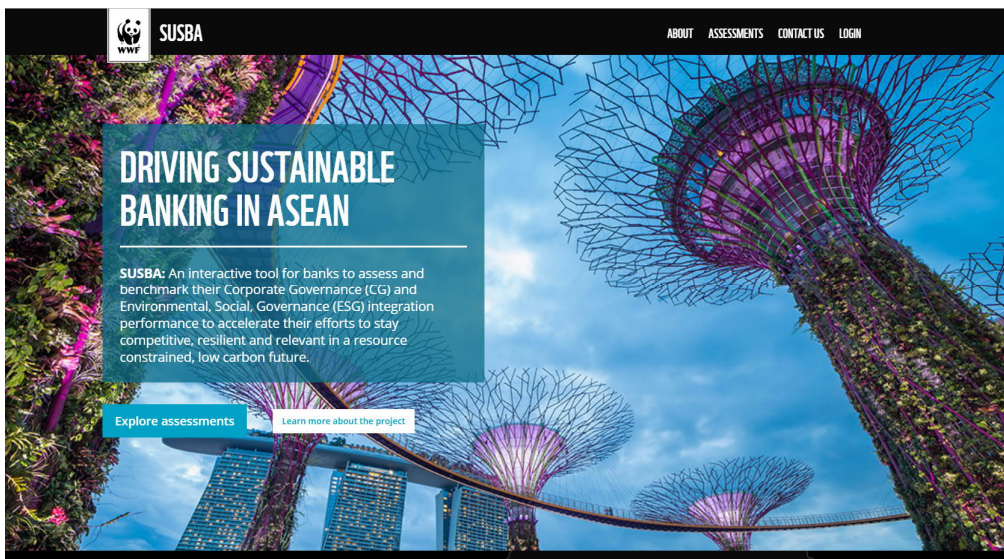
KEY: Fulfilled Improved No Change Regressed Unfulfilled

ESG INTEGRATION PILLARS AND INDICATORS		INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM	AVERAGE
4) PEOPLE	7. Responsibilities for ESG							
	8. E&S staff competency and performance evaluation							
5) PRODUCTS	9. ESG integration in products and services							
6) PORTFOLIO	10. ESG risk assessment and mitigation at portfolio level							
	11. Disclosure of ESG risk exposure and targets							



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Sustainable Banking Assessment (SUSBA) tool



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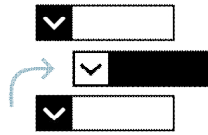
How to use this tool?

UNDERSTAND



- Access bank disclosures against 11 ESG integration and 11 CG indicators.
- Identify gaps
- Track progress

CUSTOMISE



- Compare selected indicators across banks and countries
- Benchmark oneself against regional peers
- Assess banks' management of climate risk based on TCFD readiness mapping

TAKE ACTION



- Download and share reports based on customized assessment outputs to catalyse change



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SCRIPT

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Platform to analyse soft commodity risk exposure

- Identify the business risks associated with financing unsustainable companies
- Understand and adopt corporate best practices for reducing deforestation associated with soft commodities.
- Effectively engage companies operating in soft commodity supply chains with step-by-step engagement guidance.



- 1 POLICY BENCHMARKING TOOL
- 2 PORTFOLIO RISK TOOL



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Policy benchmarking tool

- Assess the strength and quality of a FI's policies against peers in these commodities:
 - ❖ Palm Oil
 - ❖ Soy
 - ❖ Cattle Products
 - ❖ Timber Products
 - ❖ Seafood (to be launched Dec 2018)
- Benchmarked against 150 financial institutions
- Understand minimum and best policy practices
- Develop new or stronger policies based on customized analysis



global canopy



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Portfolio risk tool

- Understand the exposure of portfolio to deforestation risks
- Quantify progress made by companies in soft commodity supply chains including **palm oil**, **soy**, **cattle** products, and **timber** products
- Generate risk assessments for portfolios, with customisable criteria
- Develop strategies tailored to the institution's portfolio and issue areas for engaging with portfolio companies



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Water Risk Filter

WWF PRESIDENTIAL COLLABORATION WITH KFW DEG

Water Risk Filter

EXPLORE ASSESS VALUE RESPOND

Introduction Maps Country Profiles WWF Basins Risk Reports Data & Methods

WWF

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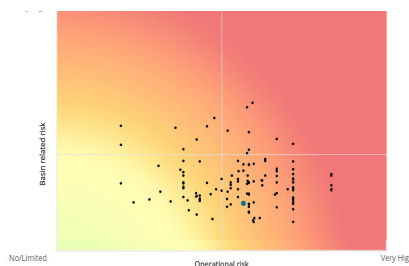
The *New* Water Risk Filter 5.0

EXPLORE

- 32 basin water risk data including new data sets from Brazil, Colombia, Mekong
- Explore over 120 country profiles
- Filter data using high resolution maps, charts, tables and figures

ASSESS

- Assess water risk exposure based on:
 - Basin water risk (nature of basin)
 - Operational water risk (nature of business)
- Generate portfolio matrix



Coming soon...

- **VALUE:** New valuation tool to explore how a portfolio's water risk exposure may potentially affect financial value
- **RESPOND:** Link risk assessment results to provide customized set of mitigation response actions



Thank you

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