

Social and environmental loan criteria

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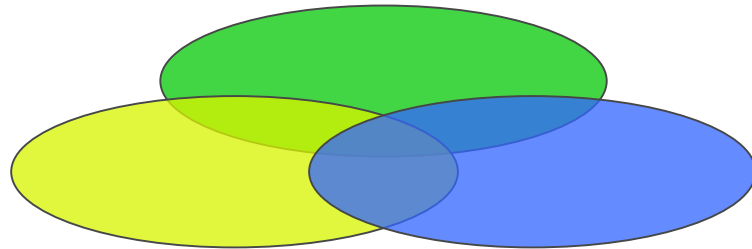
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Governance & Financing Dialogue in Lebanon

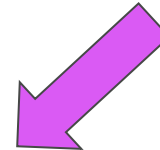
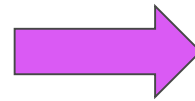
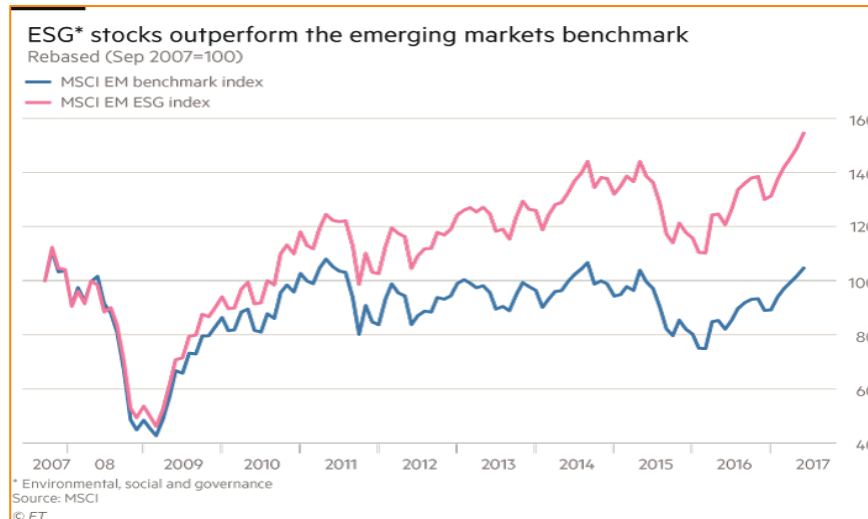
3rd Consultation Workshop

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Corporate Social Responsibility, CSR, is reshaping business across sectors and across geographies



ESG Emerging markets beats emerging markets (MSCI)



Our research shows that the Global Goals opens the 60 biggest market “hot spots” worth up to US\$12 trillion a year in business savings and revenue by 2030 across four economic systems: Food and agriculture, Cities, Energy and Materials, Health and Well-being

-Better business commission 2017

Many international codes and standards highlight the social and environmental role to play for banks

International codes and standards

- IFC Performance Standards for Sustainable Banking
- Environmental and social Performance Requirement of EBRD
- Policies of WB
- UN Global Compact
- Global Reporting Initiative
- UN PRI – Principles for Responsible Investment
- AA 1000
- Equator Principles
- OECD Guidelines for multinational enterprises

Questions

- How many know about the IFC?
- How many banks use the IFC standards today?

IFC Performance requirements is a widely used and respected standard for sustainable banking

Eight Performance Standards establish the criteria that the client is to meet throughout the life of an investment:

1. Assessment and Management of Environmental and Social Risks and Impacts
2. Labor and Working Conditions
3. Resource Efficiency and Pollution Prevention
4. Community Health, Safety, and Security
5. Land Acquisition and Involuntary Resettlement
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Indigenous Peoples
8. Cultural Heritage

A simplified version of the IFC PR have been developed as a draft for Lebanese banks to consider

- The eight standards have been simplified to meet SME's.
- Rephrased into criteria questions
- Most important 25% of standard is included
- Banks can assess responses and make informed decisions.

The following suggestions for environmental and social criteria build upon IFC performance standards on environmental and social areas (from 2012). The specified areas contain the criteria from the IFC which is assessed as feasible for SMEs to answer and abide to. The matrix consequently included parts of, but not all of, the IFC performance standards.

| IFC Performance standard number and name | Standard requirements (selected areas - simplified version) | Yes or No | If, no bank official will insert an explanation |
|---|--|-----------|---|
| 1. Assessment and Management of Environmental and Social Risks and Impacts. | Will relevant project information to Affected Communities and other stakeholders be disclosed? (should explain the risks, impacts and opportunities of the project as regards (i) the purpose, nature, and scale of the project; (ii) the duration of proposed project activities; (iii) any risks to and potential impacts on such communities and relevant mitigation measures; (iv) the envisaged stakeholder engagement process; and (v) the grievance mechanism) | | |
| | Will the project (if Affected Communities are subject to identified risks and adverse impacts from a project) undertake a process of consultation process? (should be done in a manner that provides the Affected Communities with opportunities to express their views on project risks, impacts and mitigation measures, and allows the client to consider and respond to them= | | |
| | Will the project (where there are Affected Communities) establish a grievance mechanism to receive and facilitate resolution of their concerns? (to be inserted in environmental lines) | | |

Questions

1. Is this approach realistic and feasible with SME's in Lebanon?
2. Is the level of ambition appropriate for SME's?
3. Is it possible to integrate requirements of this kind in the loan process in the banks?