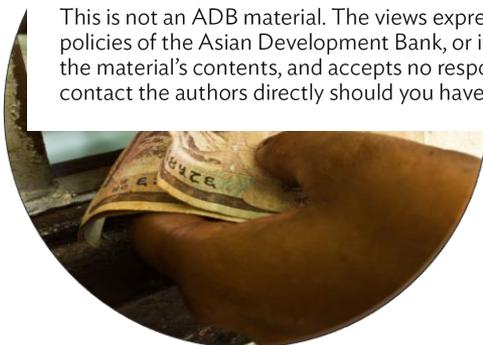




Environmental and Social Sustainability in Trade and Supply Chains Workshop



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Opening Remarks and Introduction

Speaker:

Can Sutken,

Relationship Manager, ADB



Environmental and Social Sustainability in Trade and Supply Chains

15 – 17 November 2022 | Istanbul, Türkiye



Making global trade and supply chains **inclusive**, **green**,
resilient, **transparent**, and **socially responsible**.

Making global trade and supply chains **inclusive, green, resilient, transparent, and socially responsible.**

Digitalization critical to making supply chains resilient

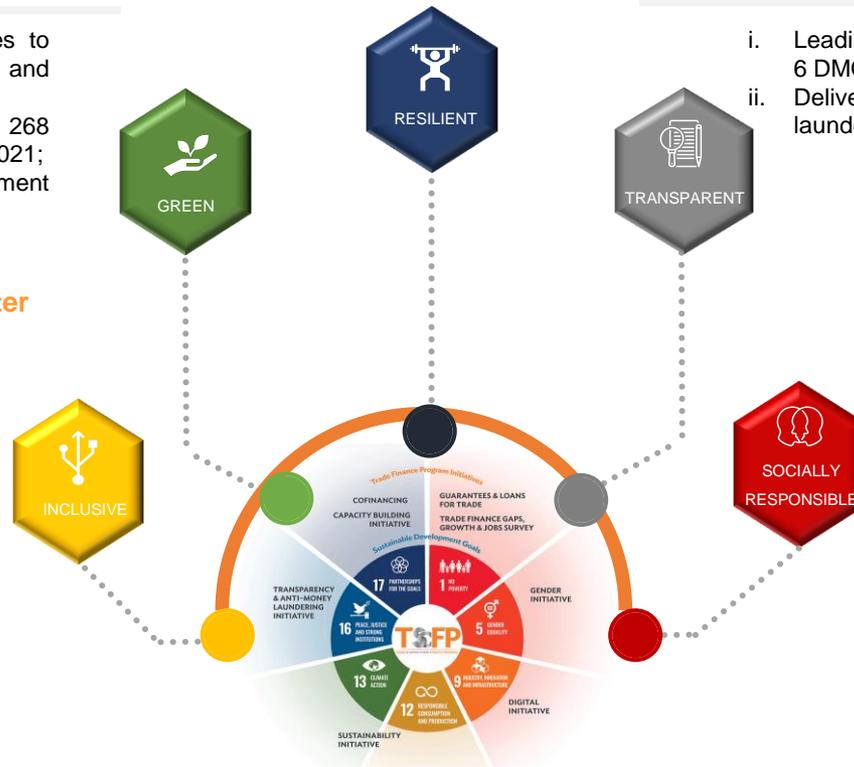
- i. Created Digital Standards Initiative with International Chamber of Commerce and Government of Singapore to drive inter-operability between exporters, shippers, ports, customs, warehousing, and importers;
- ii. Advocating adoption of electronic documents legislation, including technical assistance;
- iii. Mapping supply chains for COVID-19 goods.

80% of global carbon footprint traced to supply chains¹

- i. Leading public-private sectors initiatives to drive sustainability through global trade and supply chains;
- ii. Executing green transactions, including 268 “green deals” valued at \$317 million in 2021;
- iii. Implementing environmental management systems in commercial banks.

Closing trade finance gaps for greater inclusion and to achieve SDGs²

- i. Trade Finance Gaps, Growth, and Jobs study identified \$1.7 trillion trade finance market gap, why it exists, and what action needed;³
- ii. Executed 6,790 transactions in 2021 valued at \$8 billion, \$5.5 billion of which cofinanced, supporting 2,858 SMEs;
- iii. Leading gender and initiating disability initiatives across all DMCs.



Crime in trade and supply chains impedes development

- i. Leading trade-based money laundering pilot with 6 DMCs;
- ii. Delivering extensive training on detecting money laundering, trade in wildlife and people.

Ensuring social / labor standards in supply chains

- i. Developed social/labor due diligence form for banks to ensure corporate client compliance;
- ii. Exploring pilot to include social information in product bar/QR codes;
- iii. Exploring creation of single minimum social industry standard in partnership with ILO and others.

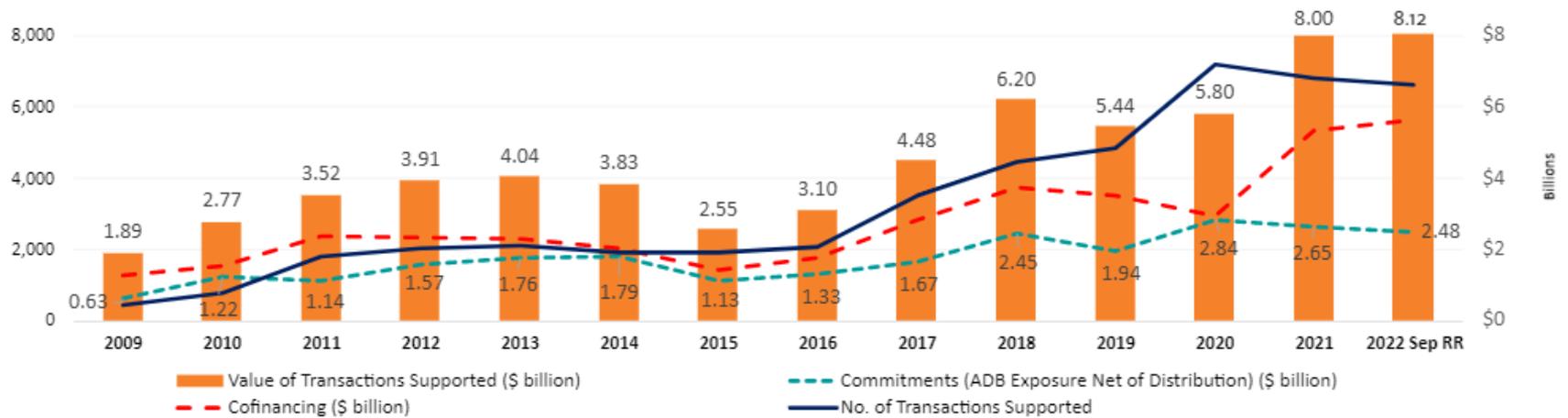
¹ Titia Bové and Swartz. 2016. [Starting at the source: Sustainability in Supply Chains](#). McKinsey & Company.

² United Nations [Addis Ababa Action Agenda](#): Trade Finance is important in achieving SDGs.

³ NB: Most initiatives undertaken in partnership with ADB departments, including ERCD, OAI, OGC, SDCC, as well as regional departments



TFP Portfolio Overview (2009 – 2022)



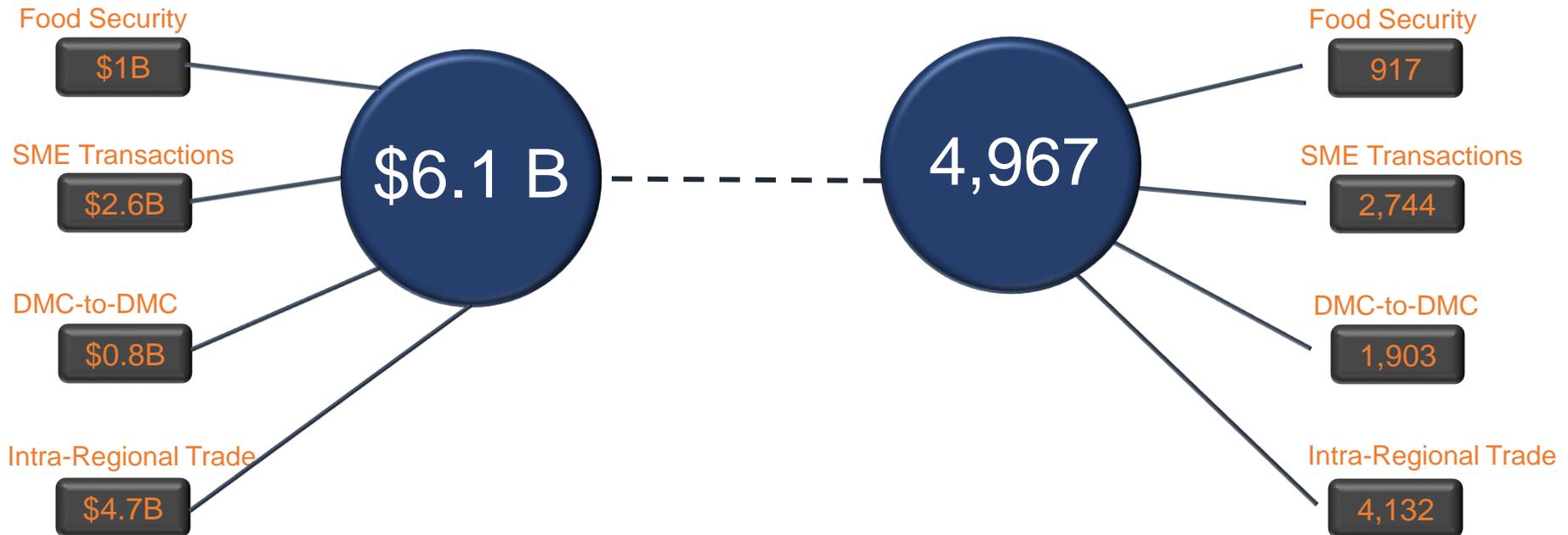
Value of Transactions	No. of Transactions	Cofinancing	SMEs supported	Intra-regional Trade	DMC to DMC Trade
2021 \$8 B*	2021 6,790	2021 \$5.5 B	2021 2,858	2021 5,490	2021 2,347
2009-2021 \$55.5 B	2009-2021 39,876	2009-2021 \$33.4 B	2009-2021 24,571	2009-2021 30,888	2009-2021 10,776



TFP Results - 9 Months 2022

Value of Transactions
Jan-Sept 2022

Number of Transactions
Jan-Sept 2022



Making global trade and supply chains **inclusive**, **green**,
resilient, **transparent**, and **socially responsible**.



Effective Crisis Response Vehicle

Food Security

COVID Knowledge Products

COVID Support

1,411 transactions valued at **\$1.6 billion** in the food and agriculture sector in 2021. First nine months of 2022: **917** transactions worth **\$1 billion**.

In addition to the above, specific **food security limit** has been assigned to selected banks in August 2022.

COVID Supply Chain Map Tool:
End-to-end mapping of all companies in supply chain for **34 pandemic fighting goods**, e.g., ventilators, masks, to help identify/alleviate bottlenecks

Transactions valued at **\$386M in 2021** [medicines, vaccines, test kits etc.], includes **\$160M** to Sri Lanka for **40%** of Sri Lanka's vaccines.

Making global trade and supply chains **inclusive, green, resilient, transparent, and socially responsible.**



Agenda – 15 to 17 November 2022

Day 1

- Environmental and Social Sustainability

Day 2

- Supply Chain Financing
- Correspondent Banking
- Trade Finance Case Studies

Day 3

- Knowledge Initiatives
- Other ADB Solutions
- Launch of Disability Inclusion Initiative

Making global trade and supply chains **inclusive**, **green**,
resilient, **transparent**, and **socially responsible**.

The ADB Team



Ankita Pandey
Relationship Manager



Aparna Soni Bhalla
Relationship Manager



April Ann Cruz
Relationship Associate



Can Sutken
Relationship Manager



Elnora Mangapat
Senior Investment Officer



Gema Perez Lopez
Senior Investment Specialist



Laurence Vannut Genee
Principal Safeguards Specialist



Olga Skotareva
Senior Social Safeguards Specialist



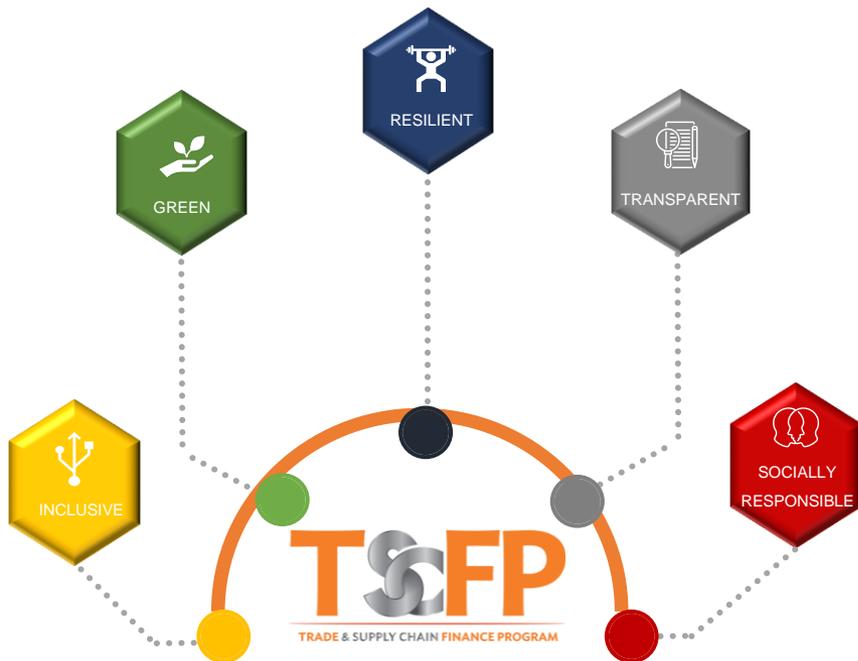
Ozden Onturk
Investment Specialist



Pinky Rose Lustre
Program Coordinator



Rose Anne Botanes
Middle Office Consultant



Thank you.

Making global trade and supply chains **inclusive**, **green**, **resilient**, **transparent**, and **socially responsible**.

**Environmental and Social Sustainability in
Trade and Supply Chains Workshop**

15-17 November 2022, Istanbul, Türkiye

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Session 2:

Trends in Environmental and Social Risk Management in Banking

Speaker:

Charles Gooderham

Partner, ERM UK



ERM: Shaping a sustainable future with the world's leading organisations



Strategy to win in a more sustainable economy



Financing the transition towards a sustainable economy



Creating sustainable products and supply chains



Developing physical assets in a sustainable way



Integrating sustainability into daily operations

[ERM - Environmental Resources Management](#)

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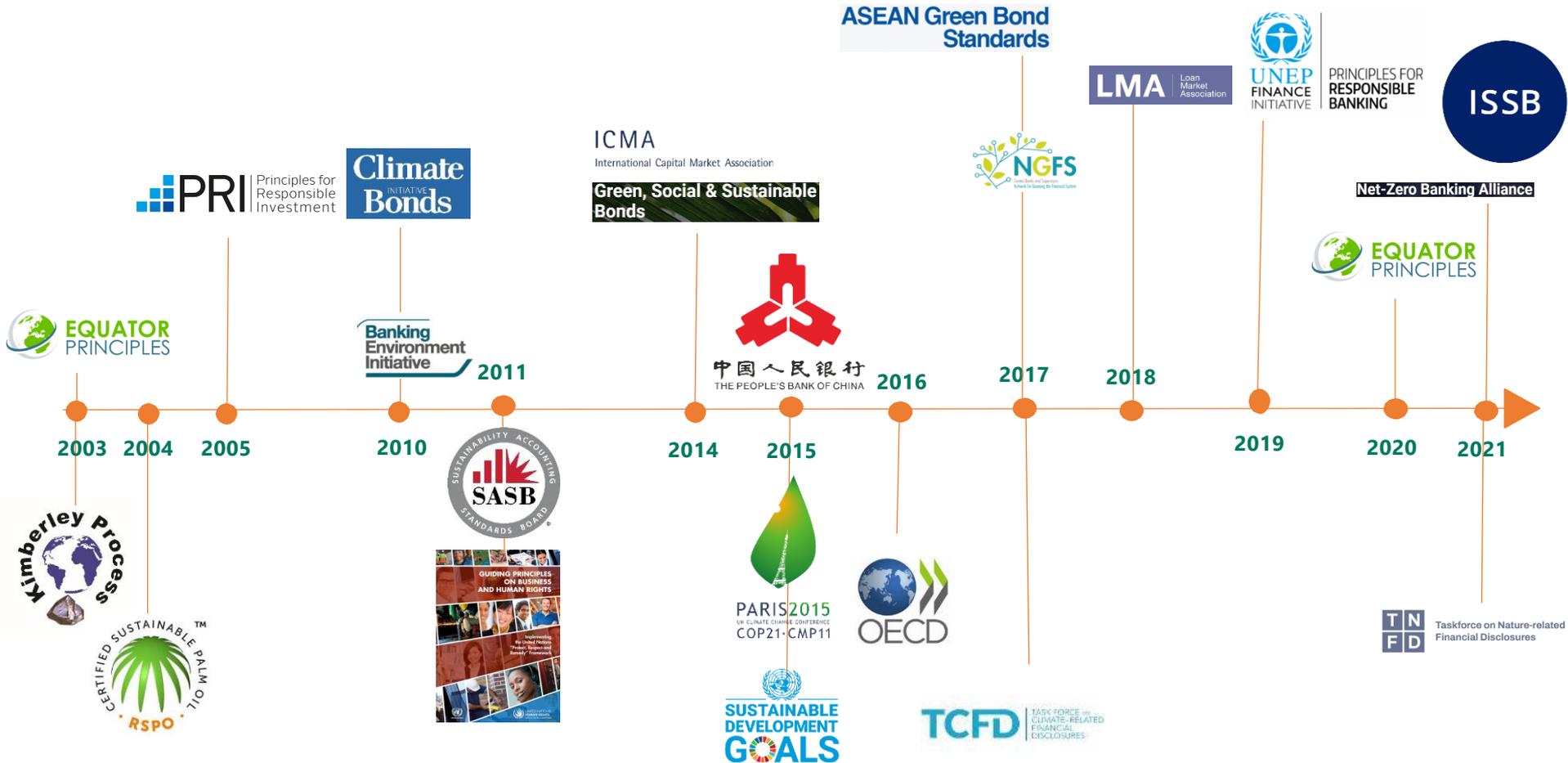


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12

The march of E&S industry initiatives



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Key trends in E&S risk management in banks

- Broadening coverage of different product types and advisory services
- Expanding definitions of:
 - Prohibited activities
 - 'Sensitive' sectors, activities, regions
- Balancing of environmental to social issues
- Building out E&S risk management
- Shifting from transactional to relationship
- Building on risk management to develop sustainable finance products and portfolios
- Enhancing integration, governance and involving different 1st and 2nd line desks

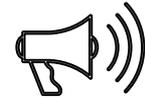
Example prohibited activities

- X Modern slavery and child labour
- X World heritage sites
- X Coal
- X Arctic
- X Illegal logging
- X Uncontrolled fire
- X Illegal wildlife trafficking, animal welfare and fur
- X Defence / controversial weapons
- X Ship recycling
- X Tobacco

Example sensitive sectors, activities, regions

- ? O&G – unconventional, upstream
- ? Power - large hydro, nuclear,
- ? Soft commodities - palm oil, soy, timber
- ? Internationally recognised / protected areas / critical habitats
- ? Indigenous peoples

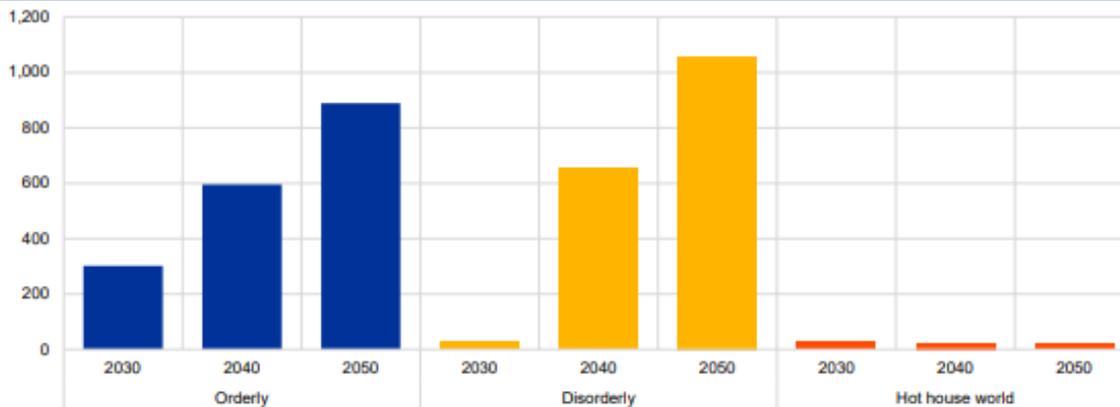
Key drivers of enhanced E&S risk management



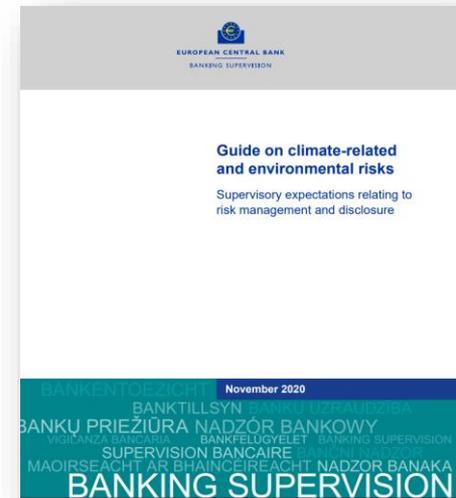
Regulatory Expectations	Growing Investor Demands	Customer Expectations	Human Capital	Societal Expectations
Enhance integration to risk management frameworks	Enhanced evidence of E&S risk management Growth from sustainable finance opportunities	More specific E&S criteria set as part of buying decisions in line with customer ESG strategies	Leveraging E&S risk management and wider ESG strategy to attract and retain talent	Contribution to shared value and societal goals Managing NGOs

ECB 2022 Climate Stress Test – Example Variable Input (three scenarios)

Carbon price (USD/TCO₂)



Sources: NGFS phase II and ECB calculations.



[ECB Guide on climate-related and environmental risks](#)

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E&S management strategies

Risk Adjusted Return

Investment and lending should consider E&S in the reasonable adjustment of risk when assessing returns



Investing and Lending Decision

Enhanced investments and lending decision-making



Environment

- Transition risk and opportunity
- Physical risk
- Net zero science-based targets
- Protecting natural areas / biodiversity
- Deforestation
- Biodiversity impacts & dependencies
- Air / water / ground pollution

Social

- Modern slavery / child labour
- Labour and working conditions
- Worker / community health & safety
- Minority / vulnerable groups
- Indigenous peoples
- Resettlement and livelihood restoration



Net-Zero Banking Alliance



Continuing to navigate the ESG landscape

Regulatory and other stakeholder requirements / expectations

Environmental, Social, Governance Topics

International markets

Local markets

Your clients

International markets

Local markets

Your bank

Thank you



Charles Gooderham

Partner

Corporate Sustainability and Climate Change

ERM, London, UK

Charles.gooderham@erm.com



ERM: shaping a sustainable future with the world's leading organizations



Imperatives

ERM is unmatched in its ability to operationalize sustainability across the business lifecycle and at all levels of an organization



Strategy to win in a more sustainable economy



Financing the transition towards a sustainable economy



Creating sustainable products and supply chains



Developing physical assets in a sustainable way



Integrating sustainability into daily operations

Global Offers

Informed by deep sector and technical expertise, ERM deploys proven, integrated approaches that meet our clients' most pressing sustainability needs and day-to-day EHS imperatives



Accelerating decarbonization



Transforming for sustainability



Leveraging Carbon Markets & Natural Climate Solutions



Advising transactions with a focus on ESG



Implementing ESG playbooks for private equity & financial institutions



Managing ESG risks & disclosures



Ensuring global product stewardship



Driving product sustainability & circular economy



Creating sustainable supply chains



Delivering ESG-aligned major capital projects



Maximizing asset value - limiting liabilities and unlocking regeneration opportunities



Building the renewable energy future



Embedding nature in decision making



Improving EHS risk management & performance



Securing social license & building social capital



Creating a safe and healthy workplace future

[ERM - Environmental Resources Management](#)

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PANEL SESSION:

E & S Trends, Risks & Opportunities in the Banking Sector

15 NOV 2022
10:00 AM - 11:00 AM



Vin O' Brien

Director
ICC UAE

MODERATOR

PANEL SPEAKERS



Vera Economou

ESG Group Competence Center Lead
Raiffeisen Bank Intl



Sharon Yuen

Chief Commercial Officer
STACS



Emre Umut

Director / Head of Treasury & Trade Solutions,
Citibank

Hojamurod Hojaev

Relationship Manager
International Islamic Trade
Finance Corporation



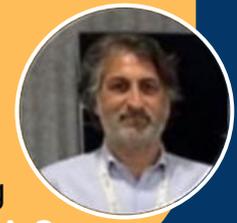
Inal Kishmariya

Analyst, FI,
Fitch Ratings



Erel Seren

Executive Director, Correspondent Banking
Standard Chartered Yatırım Bankası Türk A.Ş



Session 4:

E&S in Trade Finance & ADB TSCFP Safeguards

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Introduction to E&S risks in Trade Finance

Five broad components of the value chain where E&S risks can arise & accumulate during trade finance:

- ❑ raw material production/extraction
- ❑ manufacturing/processing
- ❑ transportation
- ❑ end use/user of the good
- ❑ disposal (end-of-life)



Key industry drivers of E&S Risk Management in Trade Finance

International Chamber of Commerce (ICC)

- ICC's Sustainable Trade Finance Customer Due Diligence Guidelines (Questionnaire) – 2019
- ICC's Standards for Sustainable Trade & Sustainable Trade Finance 2021

SWIFT and ICC Collaboration

- SWIFT's KYC Registry incorporates the ICC's Sustainable Trade Finance Customer Due Diligence Questionnaire – 2022

EBRD's Trade Finance Environmental and Social Procedures

- European Bank of Reconstruction and Development's Environmental and Social requirements for its Trade Finance Program – 2015

ADB's TSCFP E&S Guides and ESMS

- Safeguards Guides and ESMS Pilot since 2019



International Trade & UN Sustainable Development Goals

Environmental



Socio-economic



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Context of E&S risks in International Trade



Complexity of Global Supply Chains

Increased complexity adds to the sustainability risk of the product



Global Communications

Advances in IT enables stakeholder scrutiny throughout the supply chain

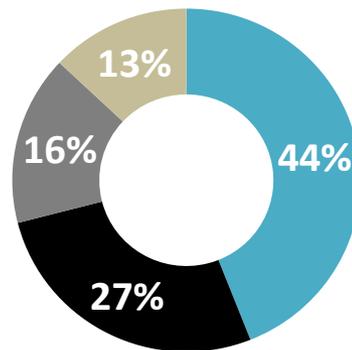


Corporate Reputation

Battered reputation has a detrimental effect in stock and enterprise value

World Export of Agricultural Products*, 2016

Percentage Share



- Processed agricultural products
- Semi-processed agricultural products
- Primary bulk products
- Horticulture

*excluding fishery
Source WTO estimates based on UN Comtrade

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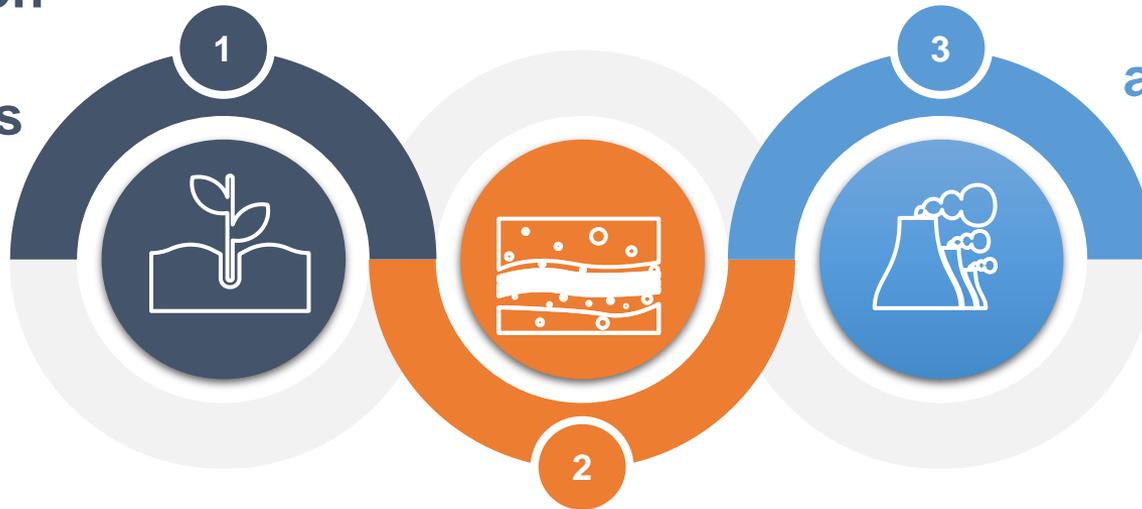
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Environmental risks at the production stage

Some examples of environmental impacts that may arise from crop production or mineral extraction

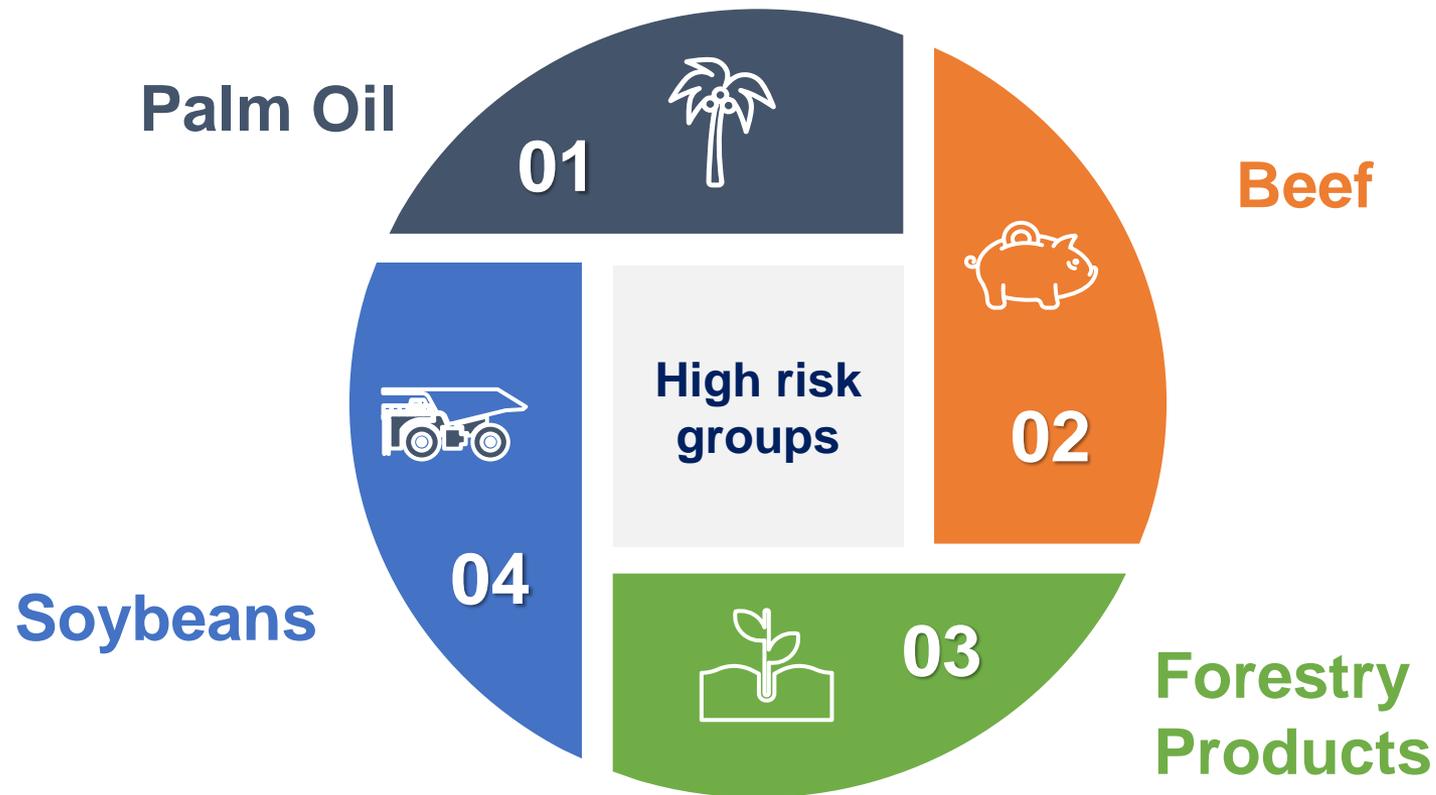
deforestation
&
habitat loss



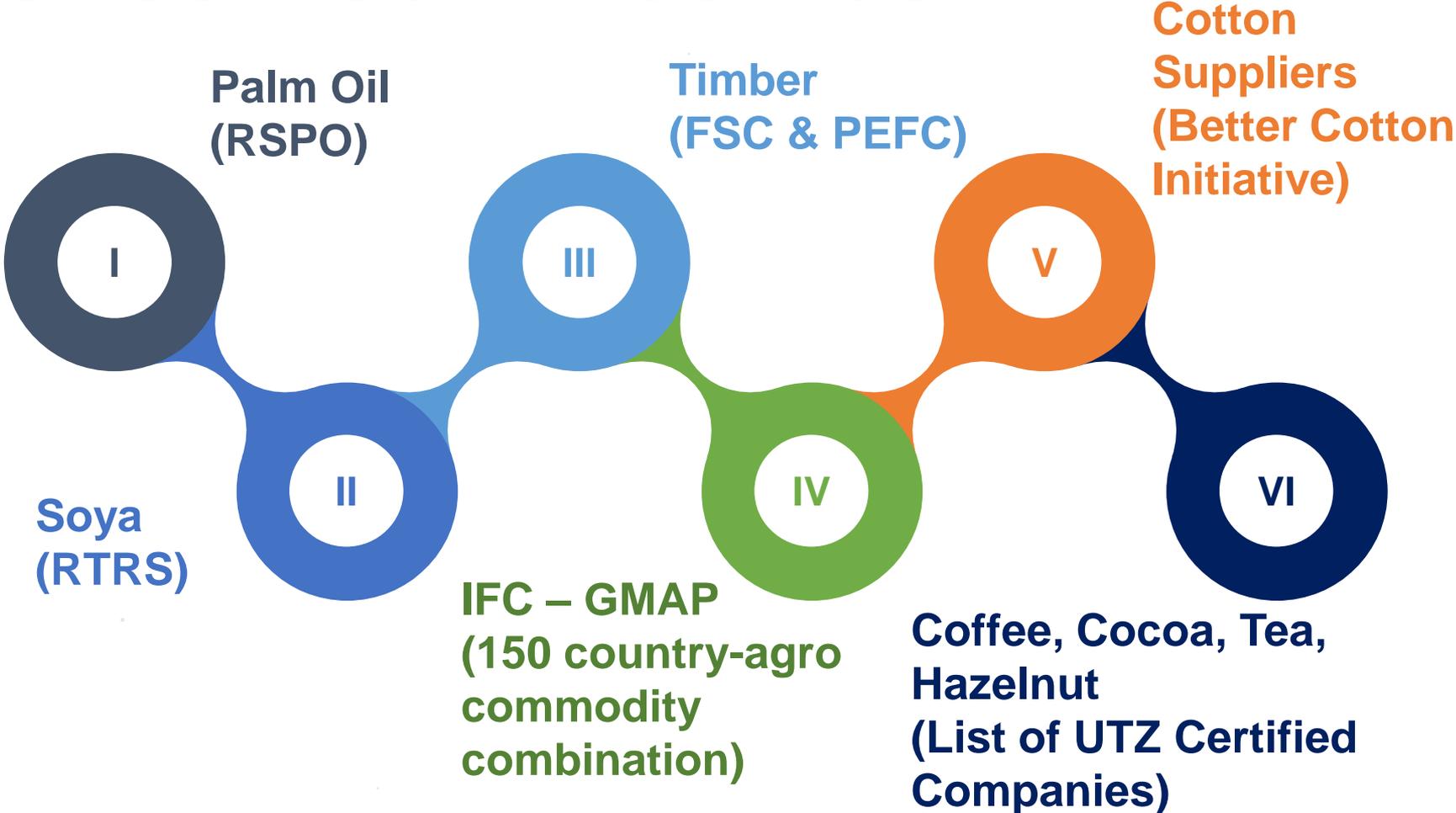
air pollution

Water
pollution or depletion

Deforestation and soft commodities



Sustainability certifications of soft commodities



Water resource consumption at production stage

- Some examples of the typical volume of water needed to produce a unit of everyday produce:

Commodity (Kg)	Volume of Water Required (litres)
Beef	16,000
Tobacco	2,925
Wine (litre)	870
Potatoes	287
1 cup of coffee	140

Water risks in the Fashion Industry

Water Consumption

To produce one cotton t-shirt takes 2,700 litres of water = three years' worth of drinking water



Fertilisers

In cotton production the use of fertilisers can cause eutrophication (enrichment of water with nitrogen) which impacts drinking water sources

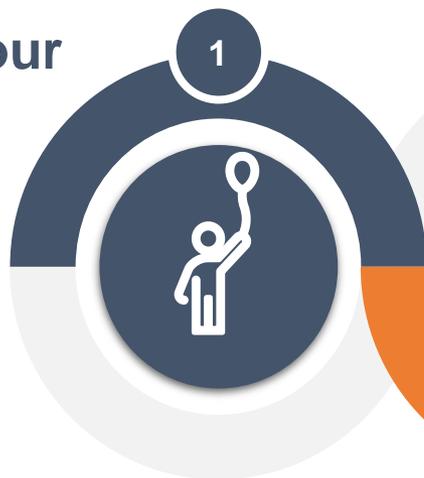
Water Depletion

Cotton production require intensive irrigation –that may deplete freshwater resources and create conflict among users particularly in water stressed regions.

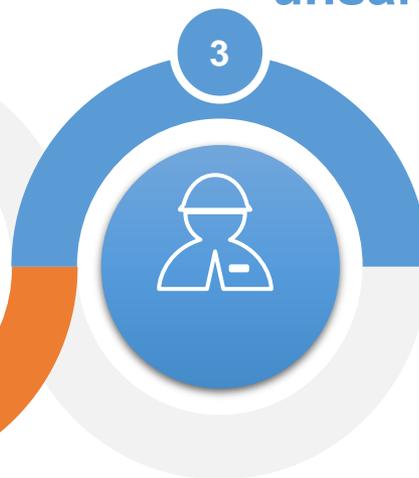
Social risks at the production stage

Some examples of social impacts that may arise from crop production or mineral extraction

Child & Forced Labour



Poor working conditions/ unsafe workplace



Community displacement & impact on indigenous people

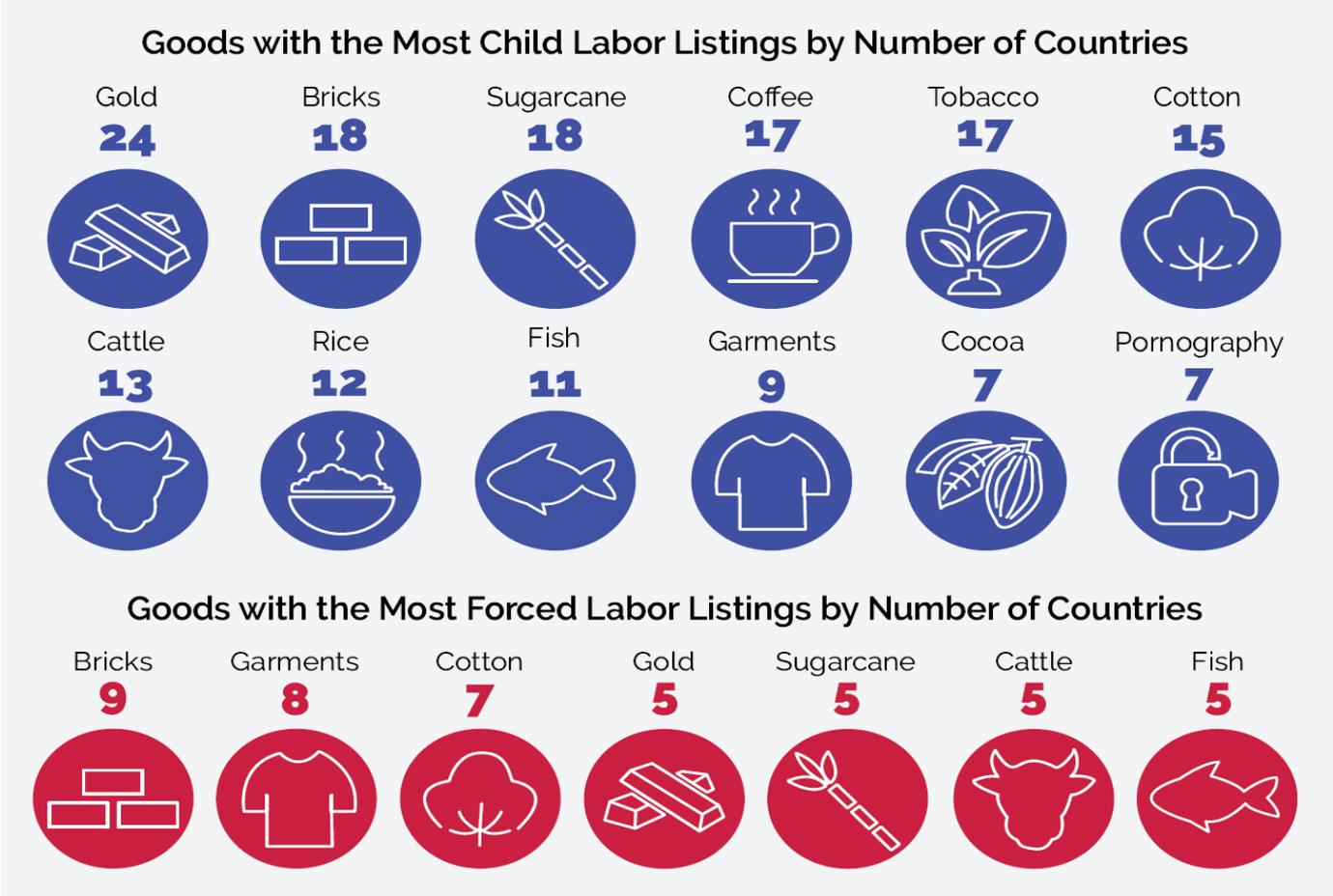
Example of Health and Safety Risks at Manufacturing Stage



**Raza Plaza Building Accident,
Bangladesh, 2013**

- Collapse of Building housing garment factories
- More than 1,000 people died and 2,500 workers were rescued
- Reputation damage extended through the supply chain
- Customers of the garment factories included Walmart, Benetton and Primark

Goods produced by Child and Forced Labour



Source: US Department of Labour, 2022

E&S management can protect and improve companies' competitiveness

- E&S Management during trade finance is imperative
- Firms that can demonstrate **sound E&S risk management**,:



Companies may enjoy competitive advantage in global supply chains



Companies may secure premium prices with sustainably minded customers

ADB TSCFP Safeguards

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ADB TSCFP Exclusion List

ADB TSCFP follows the ADB Prohibited Investment Activities List, Appendix 5 of ADB's [Safeguard Policy Statement](#) with a few additional items. The following do not qualify for TSCFP financing:

- Forced labour/ child labour
- Any products/ activities deemed illegal under host country laws or international conventions
- Trade in weapons and munitions
- Alcoholic beverages*
- Tobacco¹
- Gambling¹
- Radioactive materials²
- Unbonded asbestos fibers³
- Commercial logging in primary tropical moist forests/ old-growth forests
- Marine and coastal fishing practices which are harmful to vulnerable and protected species
- coal mining⁴, processing, storage, and transportation;
- coal-fired power and heat generation;
- coal to chemicals processes;
- extraction of peat;
- peat-fired power and heat generation;
- upstream oil exploration, drilling or extraction activities;
- natural gas exploration or drilling activities⁵;
- gold mining and ore processing activities;
- ship breaking activities.



Production or activities involving harmful or exploitative forms of forced labor or child labor

- Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.
- Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" (www.ilo.org).
- Countries are free to specify a minimum age for labour, with a minimum of 15 years. A declaration of 14 years is also possible when for a specified period of time. Laws may also permit light work for children aged 13–15 (not harming their health or school work). The minimum age of 18 years is specified for work which "is likely to jeopardise the health, safety or morals of young persons".



ADB TSCFP Specification

ADB implements specific checks and require evidence of good management on high-risk items:

- Ammoniacal nitrogen / ammonium nitrate
- Cashews (Madagascar)
- Diamonds
- Livestock (Australia)
- Livestock (EU)
- Palm oil derivatives
- Timber and wood products (Including paper and pulp)
- Tin, Tungsten, Tantalum and Gold
- Oil and oil-related products
- Urea



ADB TSCFP Supports for Partner Banks

- ESMS Development



- Stengthening child and forced labor risk



ADB TSCFP ESG Guidance Notes

Completed

- Palm Oil
- Energy Transition Safeguards
- Child and Forced Labor
- Category B Guidance



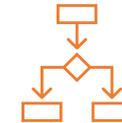
Energy Transition
Safeguard
Guidance Note



Palm Oil
Safeguard
Guidance Note



Child and Forced
Labour Safeguard
Guidance Note



Category B
Safeguard
Guidance Note

Under development

- Forest products
- Cotton



Forest Products
Safeguard
Guidance Note

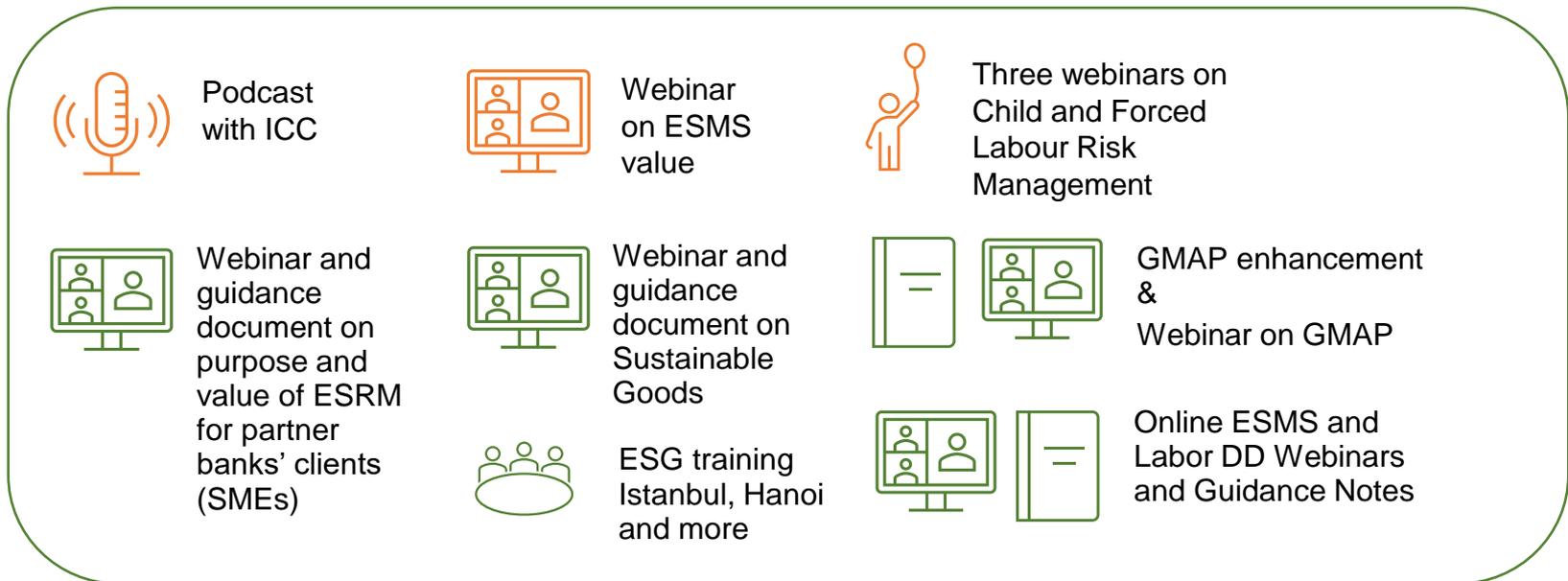


Cotton
Safeguard
Guidance Note



ADB TSCFP Knowledge Products

- GMAP enhancement and training
- Online training on sustainable trade finance
- ESG webinars and f2f training



Thank you

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Session 5:

Labour Risk Management in the Banking Industry

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Agenda

ILO Core Labor Standards, Concepts and Definitions

Why manage Labor Risks in the Banking industry

Labour Risk Due Diligence Best Practice

ADB Child and Forced Labour Pilot Project and Next Steps



The ILO Core Labour Standards

ILO Core Labour Standards: Internationally recognised basic rights and principles at work



ADB has a **Prohibited Investment Activity List (PIAL)** and as part of its **Social Protection Strategy**, adopts the Core Labour Standards in design and formation of its investment projects.

ILO definition of forced labour

ILO definition of forced labour: “All work or service which is exacted from any person under the menace of any penalty and for which the person has not offered himself or herself voluntarily”.

The definition consists of three elements:

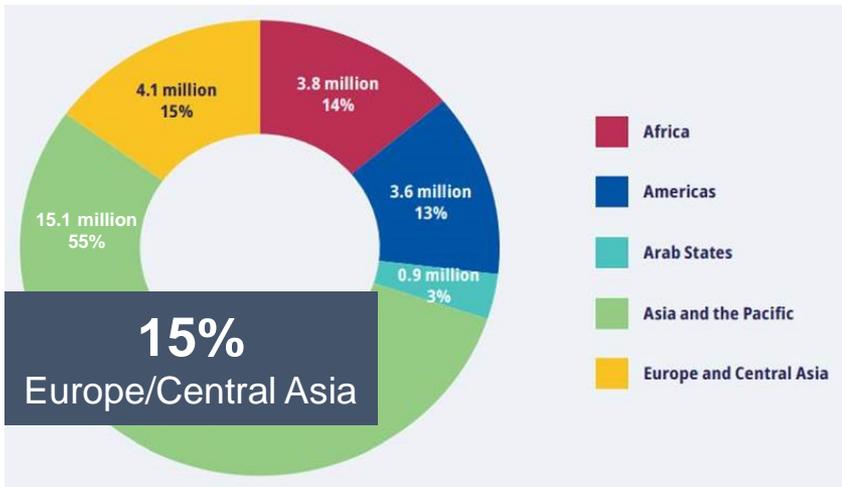
Work or service refers to all types of work occurring in any activity, industry or sector including in the informal economy

Menace of penalty refers to a wide range of penalties used to compel a person to work

Involuntariness refers to a person being unable to exercise his/her right to free and informed consent

[What is forced labour, modern slavery and human trafficking \(ilo.org\)](https://www.ilo.org/what-is-forced-labour-modern-slavery-and-human-trafficking)

Global statistics: forced labour



[ILO Global Estimates of Modern Slavery 2022](#)

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Examples of business involvement in forced labour



A food company contracts a local fishing business that hires migrant workers, **forces them to work for no pay** and **doesn't allow them to disembark** for two years.



A construction company hires a recruitment agency which **traps workers into debt bondage** by charging them recruitment fees.



An extractives company hires a local lorry driver who accepts a bribe from a human trafficker to **transport victims of human trafficking**.

ILO definition of child labour

ILO definition of child labour: “Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development”.

It refers to work that:

Is **mentally, physically, socially or morally harmful** to children

Interferes with their schooling by depriving them of the opportunity to attend school

Requires them to attempt to **combine school attendance** with excessively long and heavy work

[International Programme on the Elimination of Child Labour \(IPEC\) \(IPEC\) \(ilo.org\)](https://www.ilo.org/ipec/)

Global statistics: child labour



[ILO UNICEF Global Estimates Child Labour 2020](#)

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Examples of business involvement in child labour



A bank invests in a cobalt mine which employs workers from nearby villages with a notable proportion of **children under 14**.



A coffee company hires workers who **take their children out of school** to assist on their plantations in order to meet high demand.

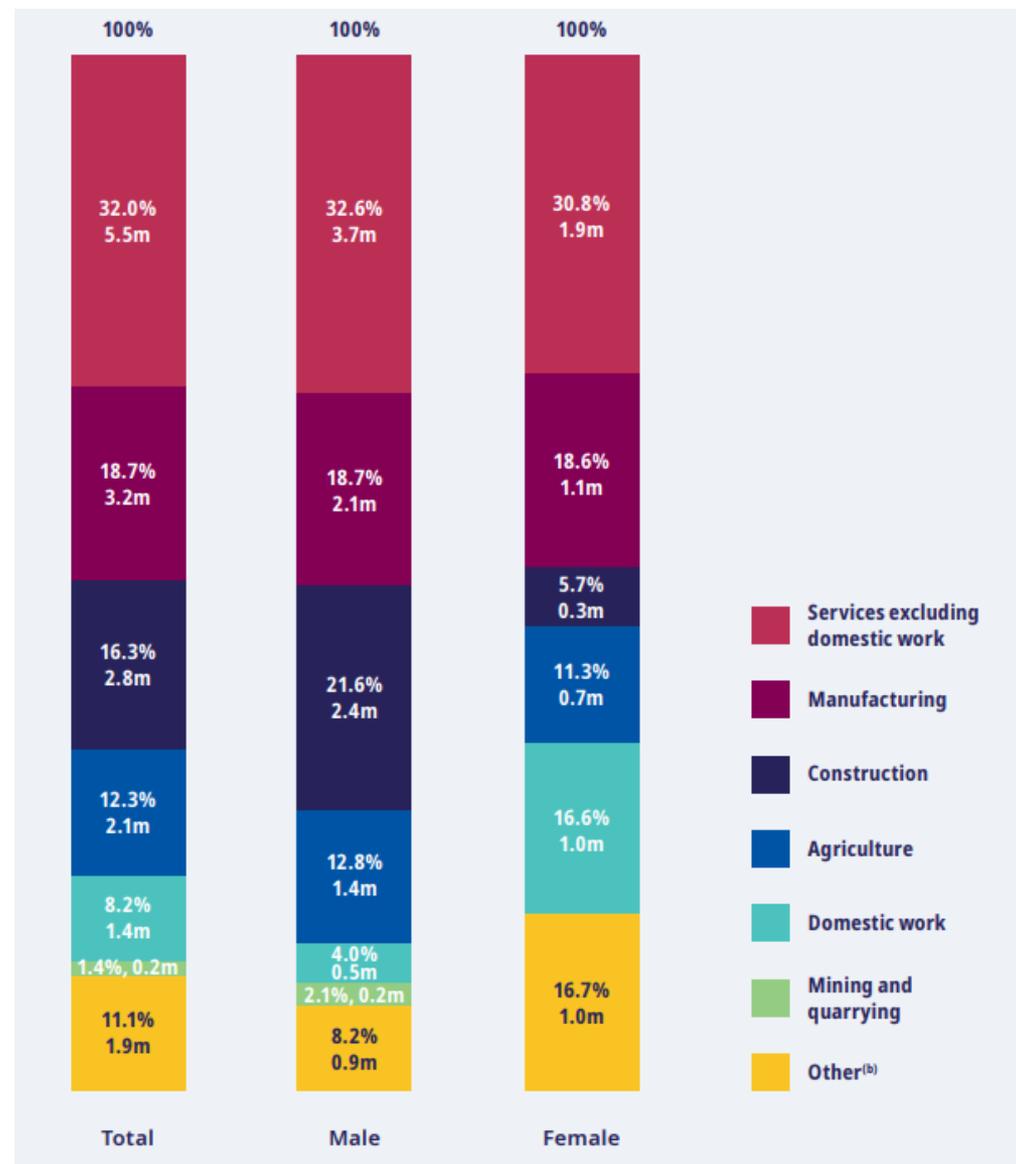


A factory employs workers who are 16 years of age. The work involves **exposure to chemicals** and other harmful substances.



Banks are exposed to labour risks through their client portfolios

This could pose financial, legal and reputational risks for banks



Three highest risk sectors

(Forced labour)



Services industry

- Trade, transport, hospitality, other
- Low-skilled labour, long hours, low wages, restrictions on movement, slavery, human trafficking



Extraction industry

- Extraction of raw materials (e.g. agriculture, forestry, mining, quarrying)

Manufacturing industry

- Transformation of raw materials into new products
- Low-skilled, low wages, subcontracting, hazardous work, withholding of ID



Construction industry

- Buildings, infrastructure, industrial facilities
- Migrant workers, recruitment agencies and fees, debt bondage, hazardous work, long working hours, accommodation

[ILO Global Estimates of Modern Slavery 2022](#)

Environmental and Social Sustainability in
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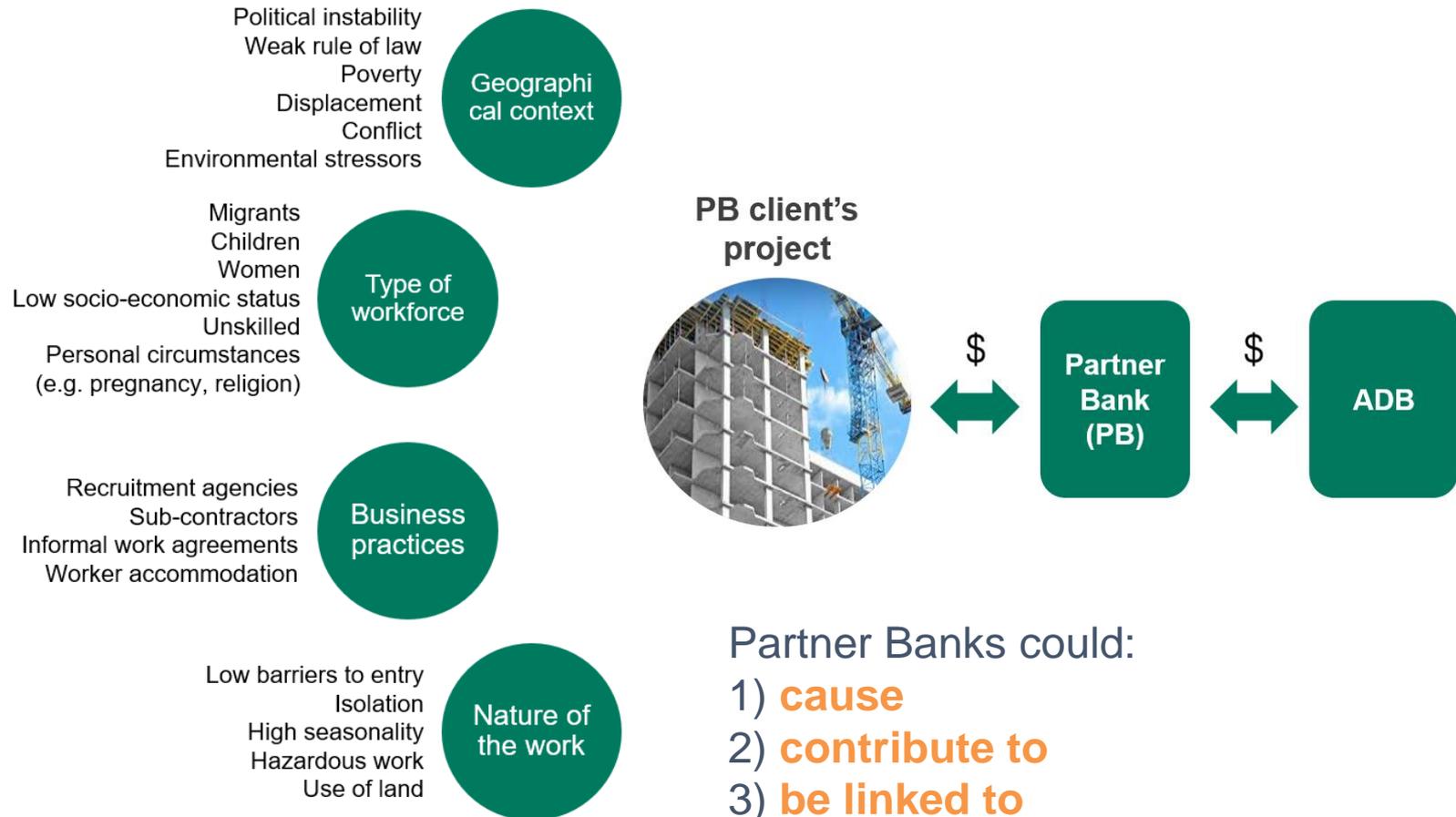
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Risk exposure through the value chain



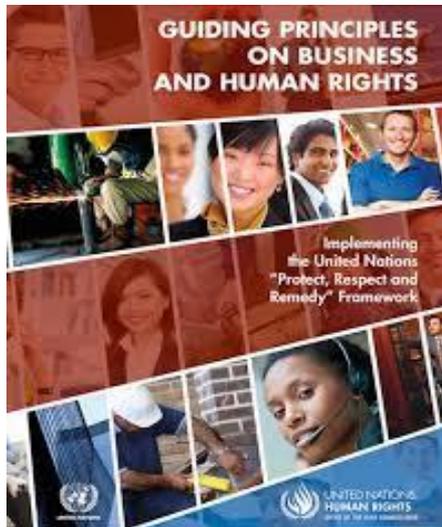
Partner Banks could:

- 1) **cause**
- 2) **contribute to**
- 3) **be linked to**

child and forced labour risks through their client relationships

International standards set the tone for managing labour risks

Since 2011, the UN Guiding Principles on Business and Human Rights ('UNGPs') have been the de facto global standard for business to manage human rights.

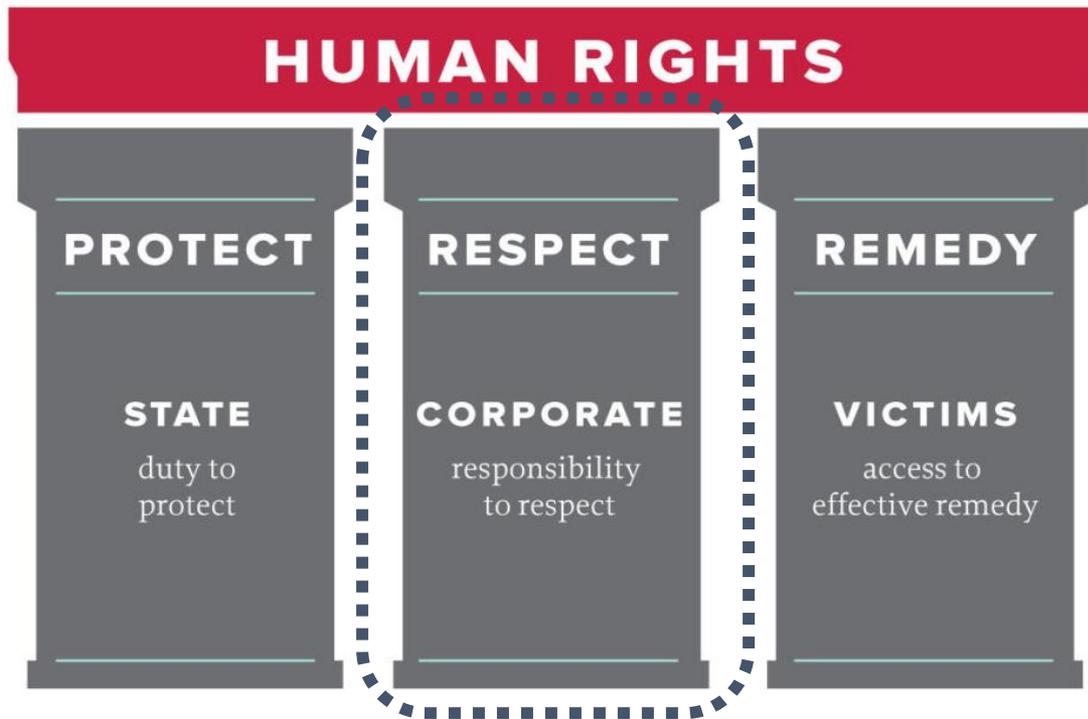


'Human rights' is a broad term which encompasses a range of rights for all persons to enjoy. **It includes rights related to child and forced labour**, namely:

- The right to freedom from slavery and forced labour;
- The right to free choice of employment and favourable conditions of work;
- The right to education.

Key principles for managing labour risks

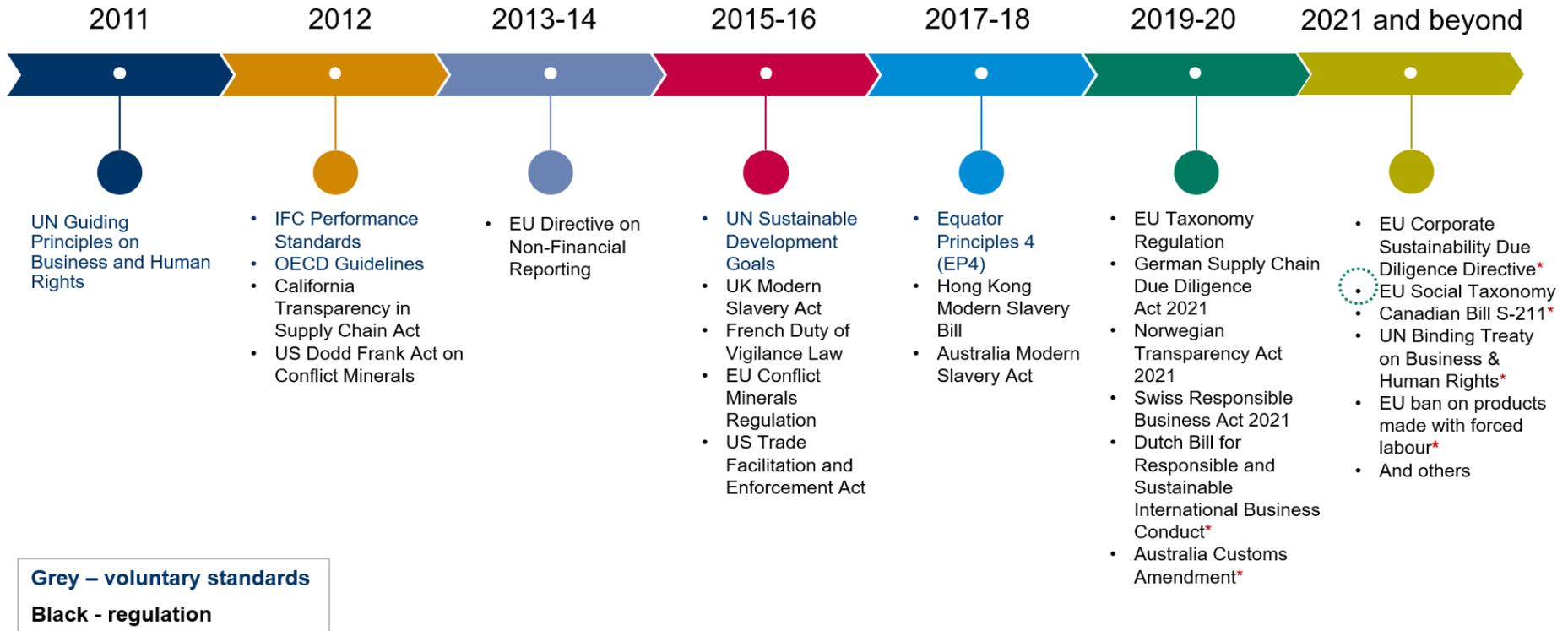
THREE PILLARS of the UN GUIDING PRINCIPLES



Avoid causing or contributing to adverse labour impacts through your own business activities

Prevent or mitigate adverse labour impacts within your wider value chain (e.g. through relationships with clients and suppliers)

Legislation is on the rise



(* Under development)

Environmental and Social Sustainability in Trade and Supply Chains Workshop

15-17 November 2022, Istanbul, Türkiye

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The finance sector is responding



PRINCIPLES FOR
**RESPONSIBLE
BANKING**

UNEP FI Principles for Responsible Banking

- Coalition of banks (300 signatory banks)
- Mission to accelerate a sustainable banking system by aligning lending and investment policies with the UN Sustainable Development Goals



**INVESTOR ALLIANCE
FOR HUMAN RIGHTS**

Investor Alliance for Human Rights

- Membership network of institutional investors (200 signatories across 19 countries representing US\$12 trillion in assets)
- Mission to standardize human rights principles in the finance sector



UN Principles for Responsible Investment

- Network of financial institutions (4,800 signatories across 80 countries representing US\$100 trillion in assets)
- Mission to achieve a more sustainable global financial system by embedding 8 key principles into investment decision-making



Labour risk due diligence



Environmental and Social Sustainability in
Trade and Supply Chains Workshop

15-17 November 2022, Istanbul, Türkiye

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ADB TSCFP's Child and Forced Labour Pilot Project

In early 2022, ADB launched a **Child and Forced Labour Pilot Project** as part of the Trade and Supply Chain Finance Program (TSCFP). **15 Partner Banks** are participating in the Pilot Project.

Objectives



Assess the Partner Banks' **existing practices** related to managing child and forced labour risks



Assess the Partner Banks' **existing governance and capacity** for managing child and forced labour risks



Explore opportunities for incorporating **improvement measures** to manage more complex risks



ADB TSCFP's Findings



- **Compliance** with national legislative systems
- **Dedicated exclusion lists** to prohibit financing of certain high-risk sectors
- **Integration of child and forced labour risk management** within banks' ESMS systems

- **Develop holistic processes** to identify, assess and mitigate child and forced labour risks
- **Set up processes** to continuously monitor child and forced labour risks
- **Develop formalized grievance mechanisms** and remediation measures
- **Provide capacity building** for all relevant employees on child and forced labour risks
- **Consider hiring** more resources to support the management of child and forced labour risks (and wider ESG risks)

Beyond TSCFP's Child and Forced Labour Pilot Project



ADB's Child and Forced Labour Pilot Project will be completed by the end of 2022.



The **Child and Forced Labour Questionnaire** will be part of the TSCFP annual due diligence process of Partner Banks from early 2023.



Information collected will be **reviewed by TSCFP** with the support of ADB safeguards specialists.



Bank-specific discussions will be held to agree on **further improving child and forced labour risk controls** of Partner Banks via TSCFP technical assistance support.

Thank you

Emily Bourlet

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**Environmental and Social Sustainability in
Trade and Supply Chains Workshop**

15-17 November 2022, Istanbul, Türkiye

INTERNAL. This information is accessible to ADB Management and staff. It may be shared outside ADB with appropriate permission.

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Session 6:

Introduction to Environmental and Social Management System (ESMS) in Trade Finance

Environmental and Social Sustainability in
Trade and Supply Chains Workshop

15-17 November 2022, Istanbul, Türkiye

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Agenda

Introduction to ESMS

Overview of the ESMS for Trade Finance

ADB's ESMS for Trade Finance Pilot Program

Tools



Introduction

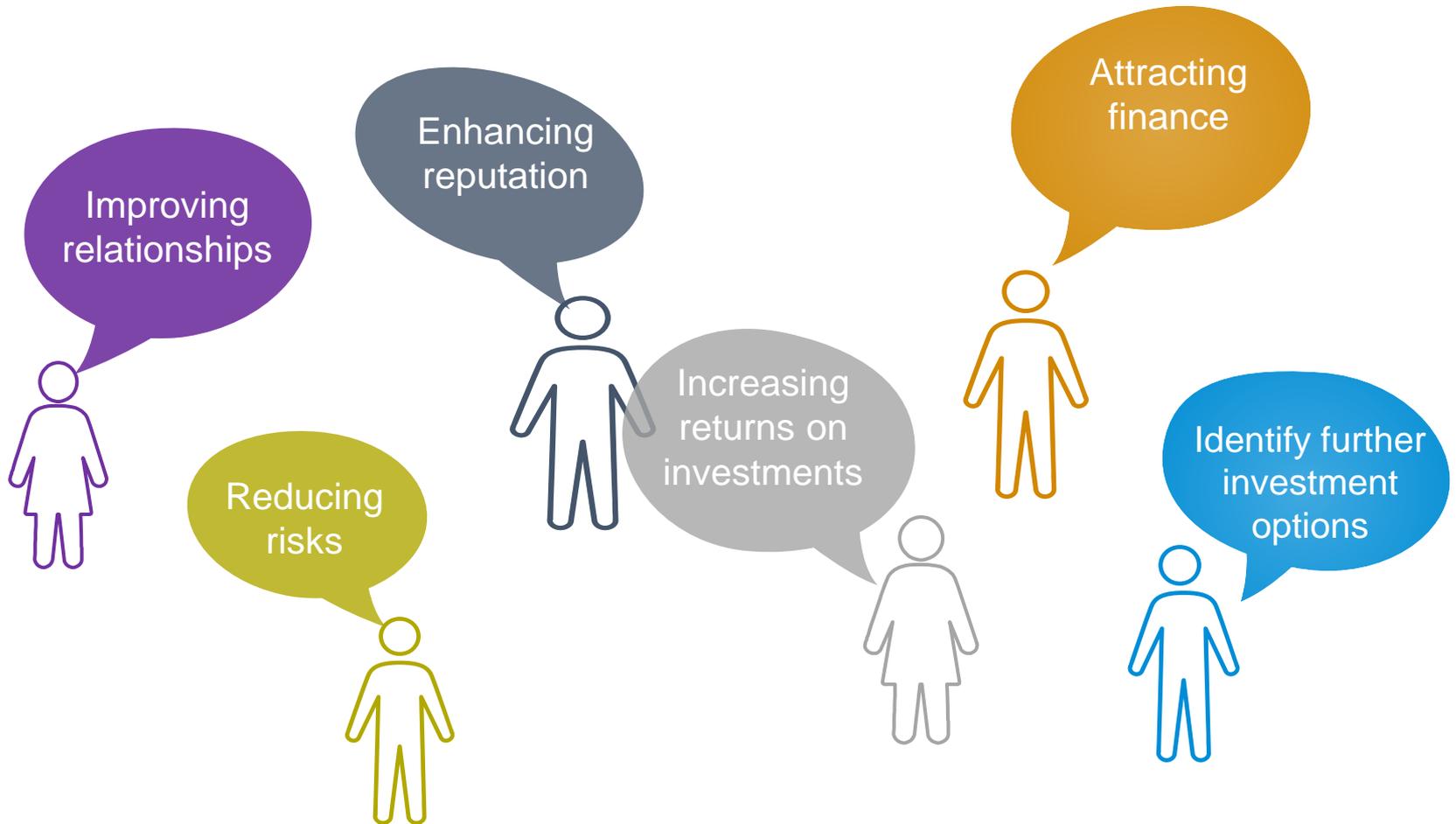
Environmental Social Management System (ESMS)

Does your Bank
have an ESMS?

- An ESMS is a **framework** that **integrates E&S risk management** into Financial Institution's (FI) business process.
- An ESMS is **a set of policies, procedures, processes** that are **implemented concurrently** with the existing FI's management process.
- The framework is written in a **standalone document or integrated** within financial institutions risk management system.



Benefits of an ESMS

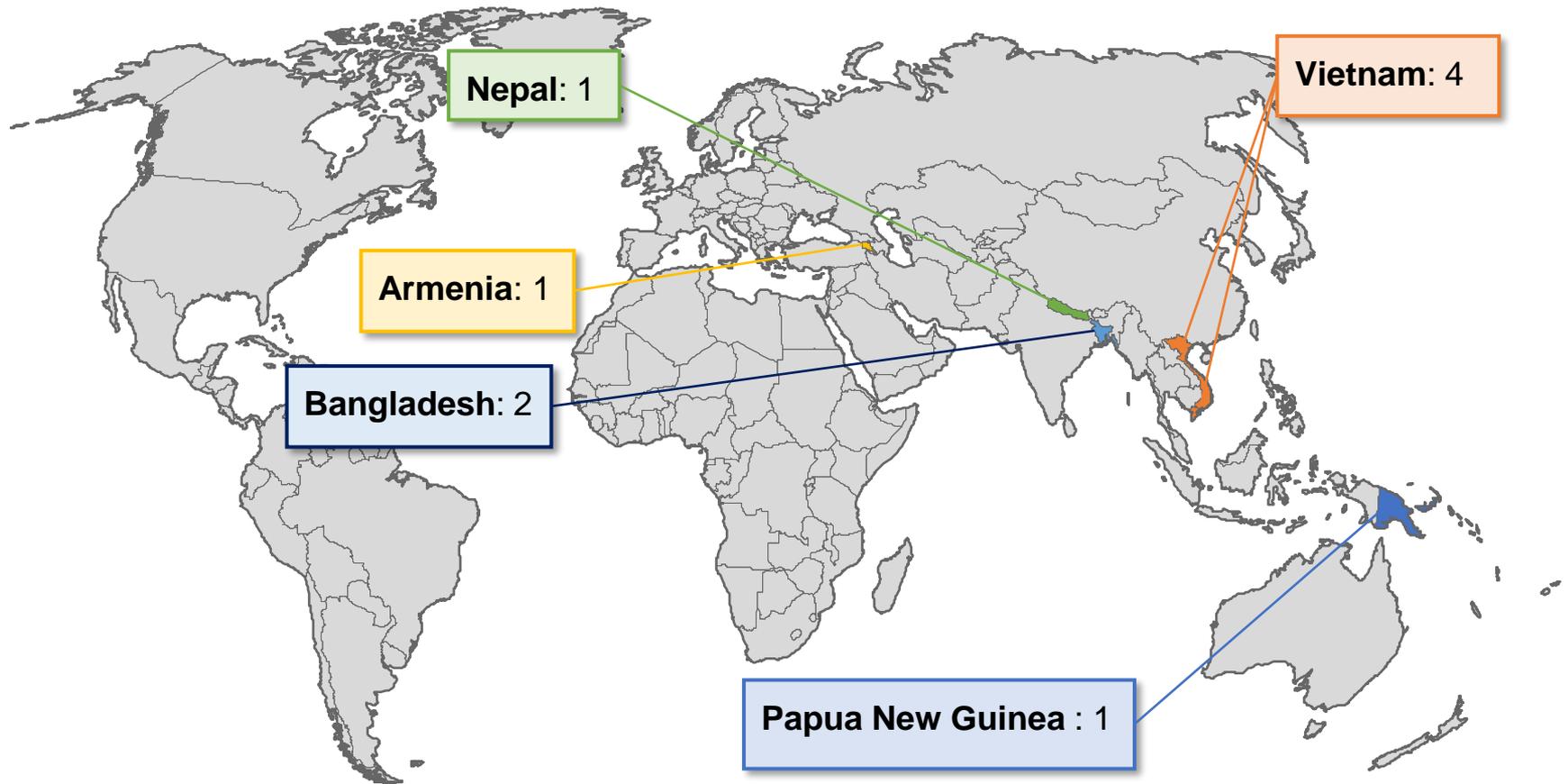


Key Elements of an ESMS



ADB's Pilot Program ESMS for Trade Finance

ADB is keen to support other partner banks in this process.



Environmental and Social Sustainability in
Trade and Supply Chains Workshop

15-17 November 2022, Istanbul, Türkiye

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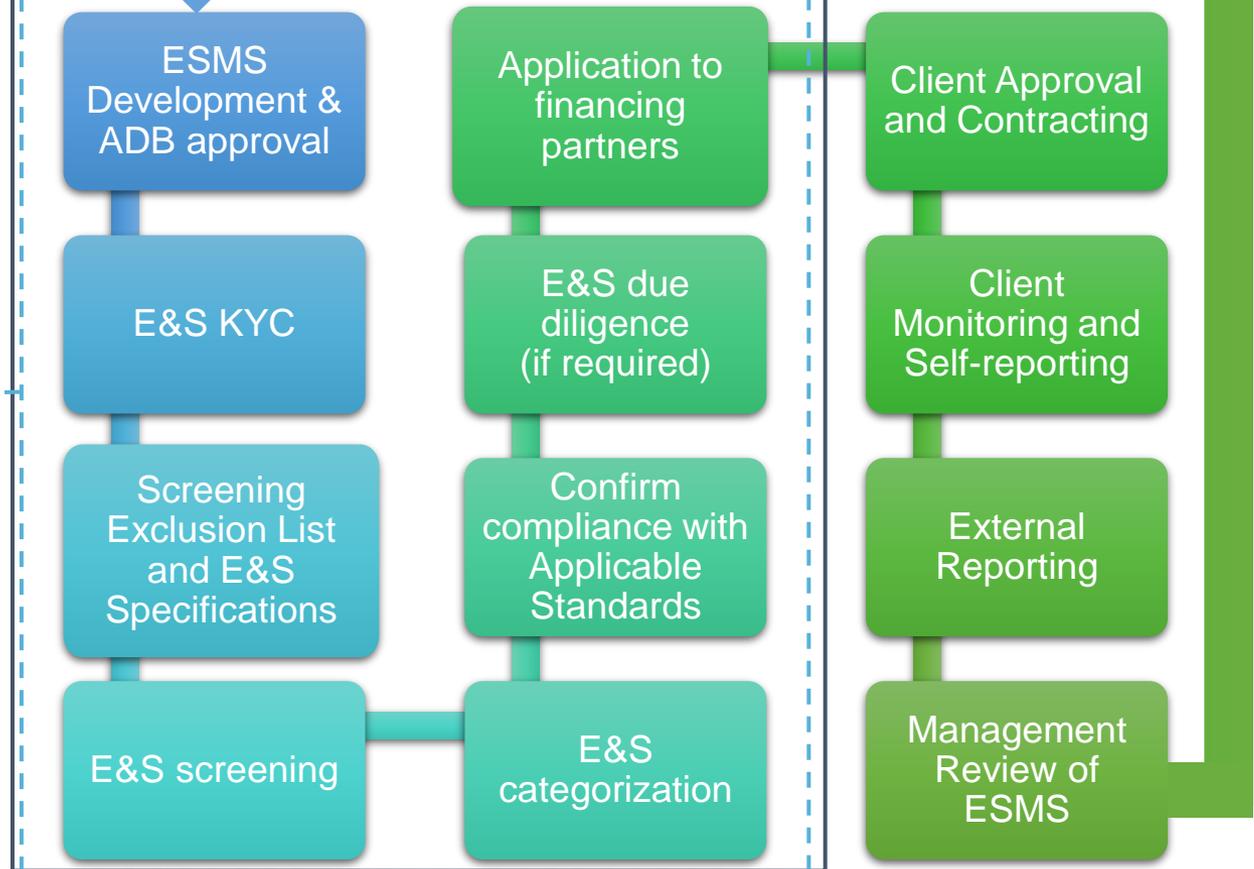
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ESMS for Trade Finance

During the **onboarding** and **annual review** of **Partner Bank's Client**

At the start of the trade finance application process



E&S risks associated with the whole value chain: (i) applicants; (ii) goods; (iii) supplier, (iv) manufacturer/producer of the goods; (v) and end-use and user of the goods

ESMS for Trade Finance Applicable Standards

- i) **Relevant national environmental and social laws and regulations**
- ii) **Relevant international treaties** ratified by the Partner Bank's Country Government
- iii) **International Labour Organisation (ILO) Core Conventions** as ratified by the Partner Bank's Country Government
- iv) **ADB's Safeguard Policy Statement (SPS, 2009)**, whose key components are included in the ESMS for Trade Finance Manual approved by ADB
- v) **TSCFP's Exclusion List**
- vi) **TSCFP's E&S specifications**



ESMS for Trade Finance

Know-Your-Client

An **important** process to:

(i) **Assess** the general **level of E&S risk management** within the partner bank client's organisation

(ii) **Identify** the **potential E&S risks** associated with the client's business, including potential risks in the trade activities

(iii) **Allow** for a **more streamlined E&S screening** and **E&S due diligence** processes (if applicable) as the client's E&S information will be requested at the start of the trade finance application process

KYC Tool

- ✓ Business Overview
- ✓ Sustainability Commitments
- ✓ Sustainability Capacity
- ✓ Sustainability Track Records
- ✓ Supply Chain
- ✓ Commodities
- ✓ Others

ESMS for Trade Finance

Trade Finance application check

- **The trade Finance application should be check against TSCFP's Exclusion List and TSCFP's E&S Specifications List by the Partner Bank**
 - **TSCFP Exclusion List follows the ADB's Prohibited Investment Activities List (PIAL) with a few additional items**
 - **TSCFP also does not support applications that are excluded as per the ADB's Energy Policy 2021, which will be presented in more detail in session 7 of this workshop**
 - **TSCFP also checks E&S risks for certain goods (per TSCFP E&S Specification)**



ESMS for Trade Finance

E&S Screening Process

- The RM shall complete the E&S Screening checklist
- The outcomes of the screening process will **inform** the **categorization** of Trade Finance transactions as:
 - Category A (high risk)
 - Category B (medium risk)
 - Category C (low risk)

Screening Tool

- ✓ Risk scoring
- ✓ External factor review
- ✓ High risk activities
- ✓ ADB TSCFP E&S specification list
- ✓ Potential impacts to the environment and communities

ESMS for Trade Finance Categorisation

C

- Activities which typically have **little or no adverse E&S impact**
- **Involuntary resettlement is not involved**
- **Indigenous People impact is not expected**

B

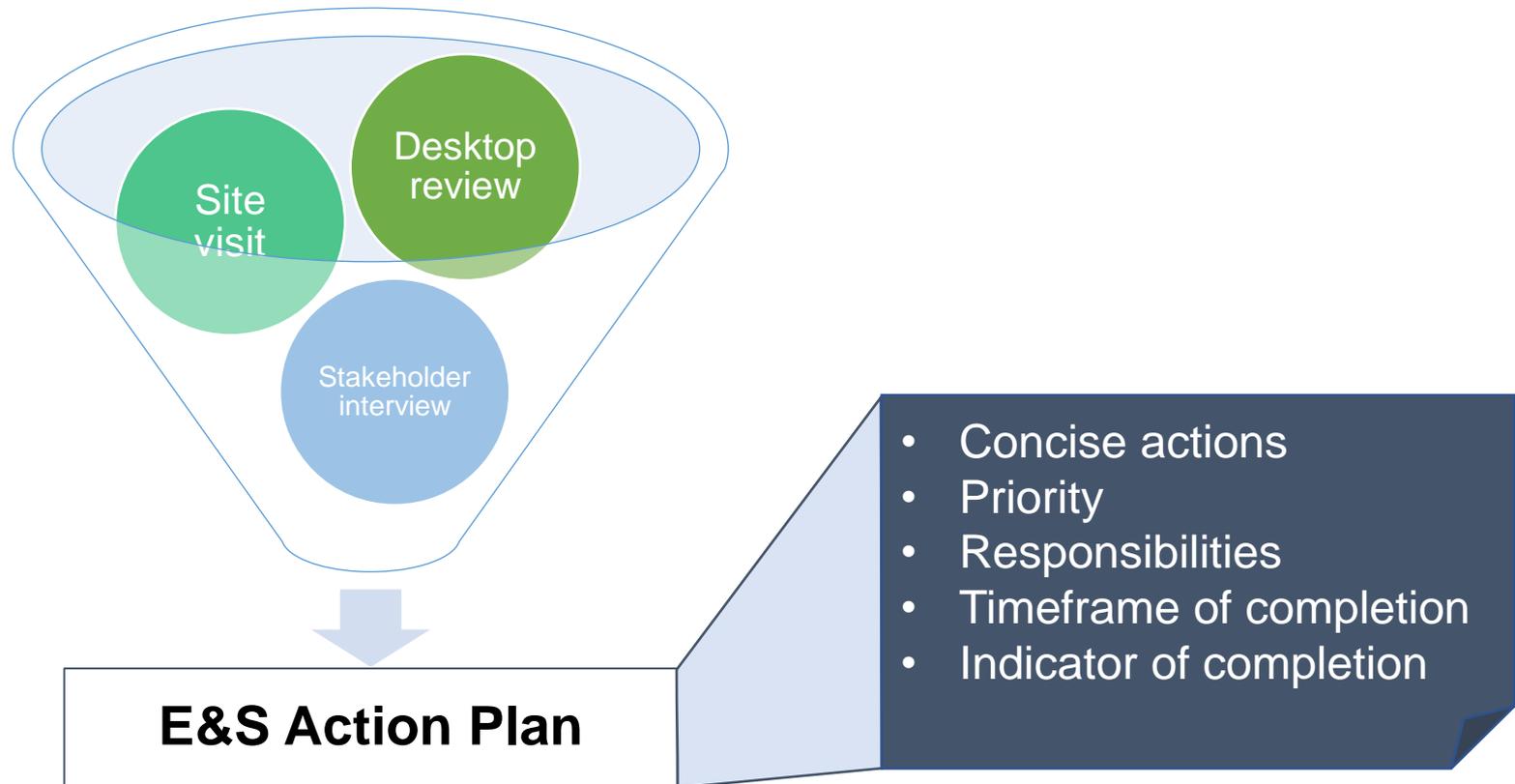
- Activities for which potential **E&S impacts are less adverse** than those of Category A projects
- The impacts are **site-specific, mostly reversible** and can be readily **predicted, prevented and/or mitigated**
- **Involuntary resettlement impacts are not deemed significant**
- **Indigenous people impacts are limited**

A

- Activities which have the potential to cause **significant adverse E&S impacts** that are **irreversible, diverse and unprecedented**
- The impacts may affect areas larger than the sites or facilities subject to physical works where the goods are to be used
- **Involuntary resettlement is considered significant**
- **Indigenous People impacts are significant**

E&S Due Diligence

Key aspects



ESMS for Trade Finance

Requirements for each category

C Low Risk

No further E&S Due Diligence required

B Medium Risk

Further E&S due diligence as per the ESMS and provide the ESDD report if requested by ADB, if:

- involves the trade in equipment or machinery
- value >USD5 million

Otherwise, no further ESDD is required and they are to be subject to the same conditions as Category C (low risk) applications

A High Risk

By exception, TSCFP can **only** support Category A as well as Category B trade finance applications that involve impacts on indigenous peoples if the application is to support goods or equipment to be used in projects **previously financed by ADB**

Industry Tools Available for Reference

KYC

- SWIFT KYC registry
- KYC-Chain
- KYC-related project: CLIP

Screening

- ADB E&S Specification List
- GMAP
- Projected Planet
- US Department of Labor
- ILO (International Labor Organization)

ESDD

- Desktop review
- Site visit
- Stakeholder engagement
- External factors analysis

Training

- ADB sponsored ESG online trainings
- TSCFP recorded webinars available on the website
- International Chamber of Commerce (ICC) online trainings

Key Takeaways

Benefits of partnering with ADB in implementing ESMS for Trade Finance

- Help you manage E&S risks in a systematic way
- Allow you to seek ADB funding for Category B (medium risk) applications
- Help better aligning with international E&S risk management standards and controls

ADB ESMS for Trade Finance Program

- ADB is keen to support partner banks to develop and implement ESMS for your trade finance operations



Q&A

Thank you

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Environmental and Social Sustainability in
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Enhancing trust in Green Finance

in partnership with the Monetary Authority of
Singapore's (MAS) Project Greenprint

DIGITAL ESG REGISTRY IN PARTNERSHIP WITH MAS PROJECT GREENPRINT

THE STRAITS TIMES

Saturday Jan 22, 2022



By Wong Pel Ting
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Singapore ESG registry to verify firms' green efforts

MAS-backed digital platform to help investors identify businesses working on sustainability

By Wong Pel Ting
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SINGAPORE – A digital platform to help investors identify businesses working on sustainability is set to be launched by the Monetary Authority of Singapore (MAS) on Saturday.

The MAS-backed digital platform, known as the Greenprint ESG Registry, will allow investors to track the sustainability efforts of companies listed on the Singapore Exchange (SGX).

The registry will be a voluntary platform where companies can voluntarily disclose their ESG data. The data will be verified by the MAS and will be available to investors on the SGX website.

The MAS said the registry will be a "first-of-its-kind" platform in the region. It will be a digital platform where companies can voluntarily disclose their ESG data. The data will be verified by the MAS and will be available to investors on the SGX website.

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THE BUSINESS TIMES

Friday Jan 21, 2022

BT f t w i
businesstimes.com.sg

ESG CHALLENGE

Fintech Stacs wants to make ESG tracking easier for SMEs

Startup says it can help small companies access green loans, as well as help lenders monitor their progress

By Wong Pel Ting
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wongpelting1@gmail.com

SINGAPORE – Small and medium-sized enterprises (SMEs) companies have been keen to get more financing from banks, but they have often found it difficult to track their ESG data. A fintech startup, Stacs, says it can help small companies access green loans, as well as help lenders monitor their progress.

Stacs is a fintech startup that provides a platform for SMEs to track their ESG data. The platform is designed to be user-friendly and easy to use. It allows SMEs to input their ESG data and generate reports that can be shared with lenders.

The platform is designed to be user-friendly and easy to use. It allows SMEs to input their ESG data and generate reports that can be shared with lenders.



Dr Darian McBain says it is looking at developing an ESG-based platform for the sector. PHOTO: IRENE LIM

Stacs is a fintech startup that provides a platform for SMEs to track their ESG data. The platform is designed to be user-friendly and easy to use. It allows SMEs to input their ESG data and generate reports that can be shared with lenders.

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THE BUSINESS TIMES

BT f t w i
businesstimes.com.sg

Thursday May 19, 2022



ESG registry launched to support green finance

By Wong Pel Ting
wongpelting@sp.com.sg

A SINGAPORE-based environmental, social and governance (ESG) registry is now in place to make it easier for financial institutions to access companies' sustainability data from multiple certification bodies and verified sources.

Fintech company Hashtacs (Stacs), which is behind the registry that today hosts 168,100 certificates, covering 60,552 companies and 110,500 assets, officially launched the blockchain-based platform called ESGpedia on Wednesday (May 18).

ESGpedia powers Greenprint ESG Registry, one of the four digital utility platforms housed under Project Greenprint, which the Monetary Authority of Singapore (MAS) is developing in partnership with the industry.

Commenting on the launch, MAS' chief sustainability officer Darian McBain said that data housed in the registry will, in time, form a "central pillar" that underpins the financial sector's effective mobilisation of capital towards sustainable projects.

It also supports the accurate tracking and quantification of

emission reductions, abatement levels and other sustainability key performance indicators linked with the sustainable finance, he added.

Stacs' managing director Benjamin Soh, meanwhile, said the registry will bridge the "profound disconnect" between the ESG data financial institutions and companies need and what is available to them.

"We are excited to be working on use cases with leading global partners in different industries and sectors, whether as data providers or users, to strengthen trust in ESG data, to truly enable effective sustainable finance on an international scale," Soh added.

In working towards the launch, Stacs had partnered banks including DBS, OCBC, UOB, Citi, UBS and Standard Chartered and other financial institutions like CSOP Asset Management, Fidelity International and Singlife with Aviva.

Stacs also worked with a range of corporates, including urban planning company Surbana Jurong, professional services firm PwC Singapore, and natural rubber trading platform HeveaConnect.

"The launch of the blockchain-based ESGpedia platform establishes a robust base for powering the Greenprint ESG Registry, combining STACS' work on aggregating high quality ESG data from multiple certification bodies and verified sources, with the ability for financial institutions, corporates, and regulators to access this trusted data via a single source in accordance with their needs."

*Dr Darian McBain
Chief Sustainability Officer at
MAS*

THE PROBLEM: THE LACK OF TRUSTABLE ESG DATA



Fragmented Information

ESG data is in **disparate** and mostly **non-digital** systems across different sectors



Lack of forward-looking and real-time data

Data available tends to be **historical** since disclosure by corporates usually occurs only **once every year or two**.



Difficulty in getting Sustainability Services

Industry certification is **expensive and slow to attain** due to **highly manual** processes and the lack of technology

OUTCOME: DYSFUNCTIONAL MARKET WITH MISMATCHED NEEDS

ESGPEDIA

ONE-STOP PLATFORM TO MANAGE YOUR SUSTAINABILITY JOURNEY

**Digitalized
ESG Certificates
from Certification Bodies**

e.g., LEED, BREEAM, ISCC, RSPO,
ISO, VERRA, Gold Standard, etc.

**Industry-Recognized
Self-Disclosed
Corporate ESG Data**

e.g., CDP, ERQ, LowCarbonSG,
etc.

**Ongoing ESG Data
from Independent
Sources**

e.g., Technology Partners like IoT,
Satellite, Drones, AI, etc.

ESGpedia



Data Harmonization



Data Consent



Portfolio Monitoring



Supplier Sustainability Monitoring

Users

Small & Medium Enterprises

**Large
Corporates**

**Financial
Institutions**

SUPPORTING DIVERSE NEEDS OF DIFFERENT PERSONAS



net zero



Small & Medium Enterprises

-  **Lowered barrier** to sustainability journey with digital, easy-to-submit ESG disclosure
-  **Increased visibility** of ESG efforts for clients, esp. those with requirements on supplier monitoring

Large Corporates

-  **Enhanced supply chain traceability** to support supplier incentive programs
-  **Increased visibility** of ESG efforts to clients, investors

Financial Institutions

-  **Increased confidence** in ESG financing, supply chain programs and transition pathways
-  **Scale sustainability financing** to decarbonize portfolios

THE ESGPEDIA ECOSYSTEM

Industry Support (MAS Greenprint)



Live Platform empowering your Net Zero Strategy

Increasing sector coverage....



...with a growing list of use cases

- Financial Portfolio Monitoring
- Supplier Sustainability Monitoring
- Sustainability-linked financial products
- End-to-end Carbon Credits

Ever-growing ecosystem of partners



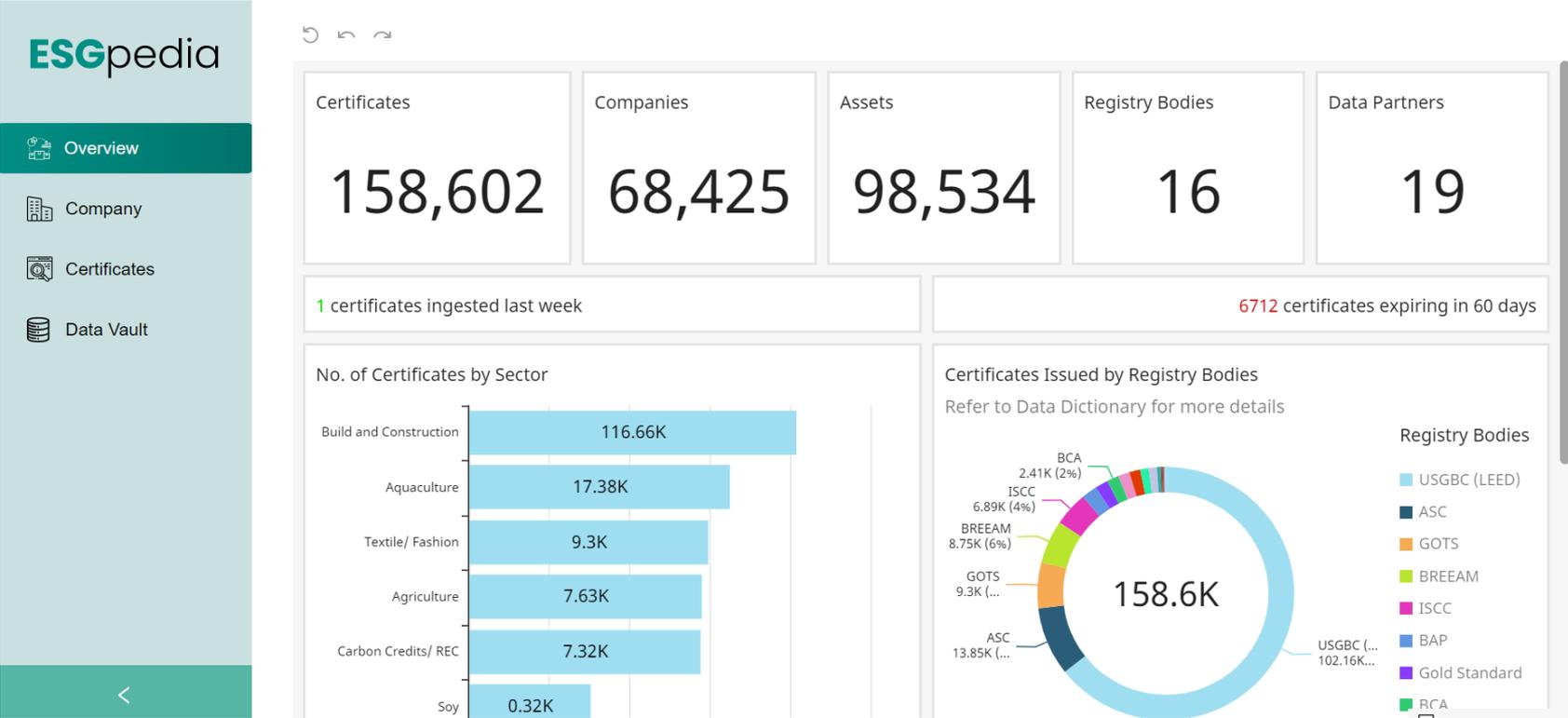
Financial Institution Partners



Corporates & Non-Financial Institutions Partners



DEMO – ESGPEDIA



Click [here](#) for a demo video of ESGpedia.

ESGpedia

THE DIFFERENCE

BY THE INDUSTRY, FOR THE INDUSTRY

01



Transparency driven by differentiated technology

- Aggregate, digitalise and harmonise data
- Acquisition of data through primary sources

02



Industry-Recognised Partners

- Working with globally recognised bodies
- Co-development with industry leaders

03



Meeting diverse needs across sectors

- Covers a wide range of industries
- Supports micro, small & medium enterprises to large corporates

HIGHLIGHTS OF INDUSTRY USE CASES

Key Use Cases...



Achieving Key Outcomes...

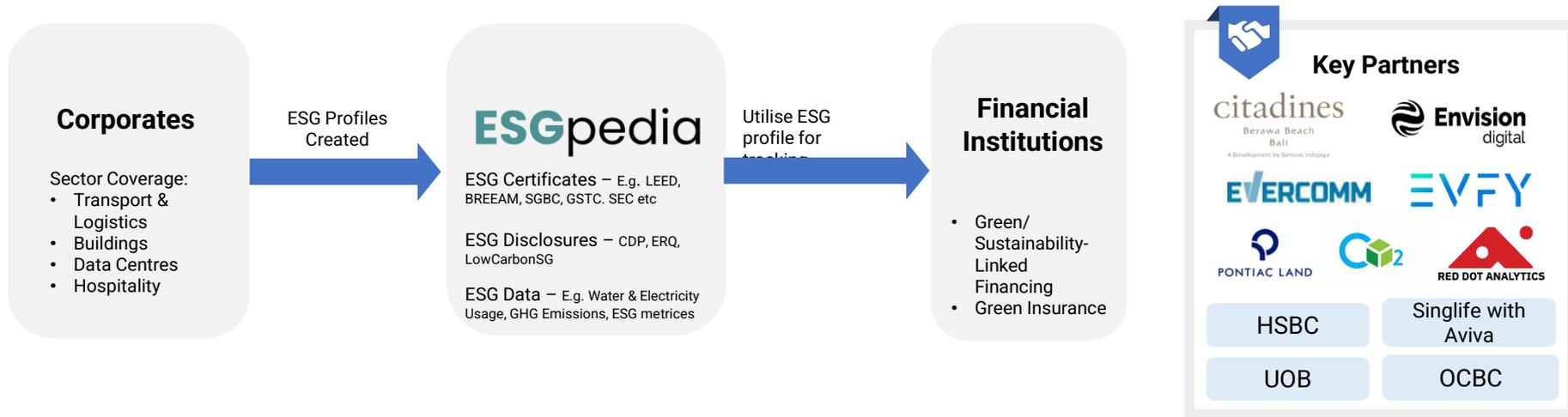
“ ESGpedia has allowed us to go beyond negative screening of suppliers to **positively incentivising** those with **good ESG credentials**. ”

“ ESGpedia helps **streamline the monitoring** of the ESG metrics of our green portfolio, allowing for **greater sustainability engagement** with our investees. ”

“ The clear record of all carbon credit transactions down to the **fractionalised level** drives **greater transparency and inclusivity** in the carbon credits space. ”



SUSTAINABILITY-LINKED FINANCIAL PRODUCTS



BENEFITS

ENHANCED VISIBILITY

- Corporates gain **deeper insights** of their sustainability journey, to **improve current ESG practices**

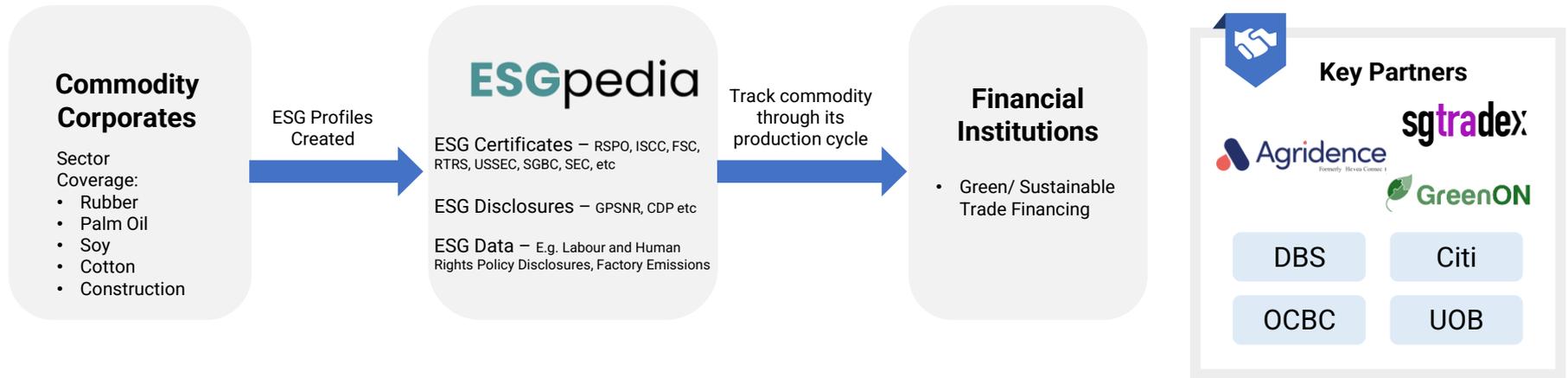
STREAMLINING GREEN FINANCING

- **Streamlined verification** of green credentials during disbursement of sustainable financing

ENHANCED RISK MANAGEMENT

- **Active management of ESG risks** with **ongoing oversight** of ESG metrics

GREEN TRADE FINANCE



BENEFITS

END-TO-END VISIBILITY

- **Sustainability monitoring** of certifications of suppliers along the entire supply chain, with **visibility on scope 3 emissions**

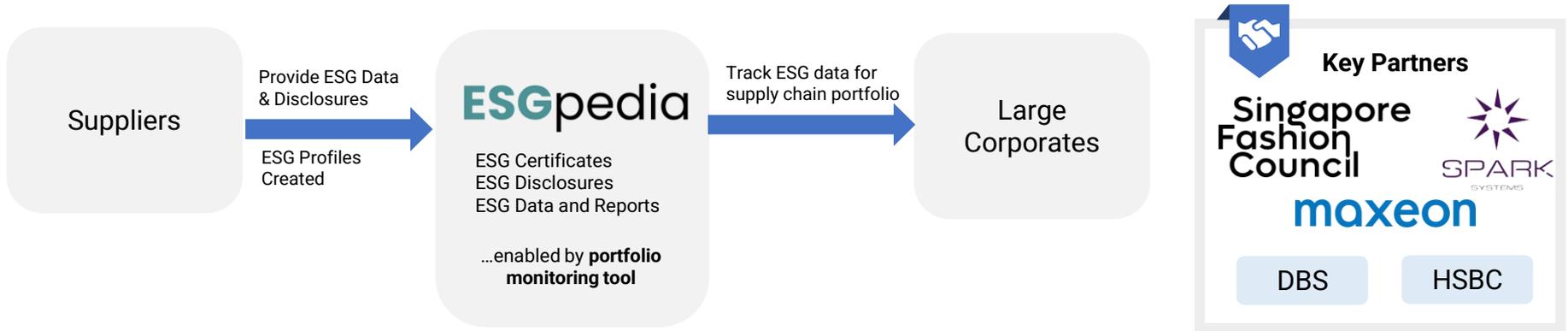
SUSTAINABLE TRADE FINANCING

- **Streamlined verification** of green credentials during disbursement of sustainable financing

SUPPLIER MONITORING

- Facilitates **supplier sustainability monitoring** by large corporates

SUPPLIER SUSTAINABILITY MONITORING



BENEFITS

GREATER TRANSPARENCY

- Provides large corporates with greater monitoring on their **supply chain**, and thus, **scope 3 emissions**

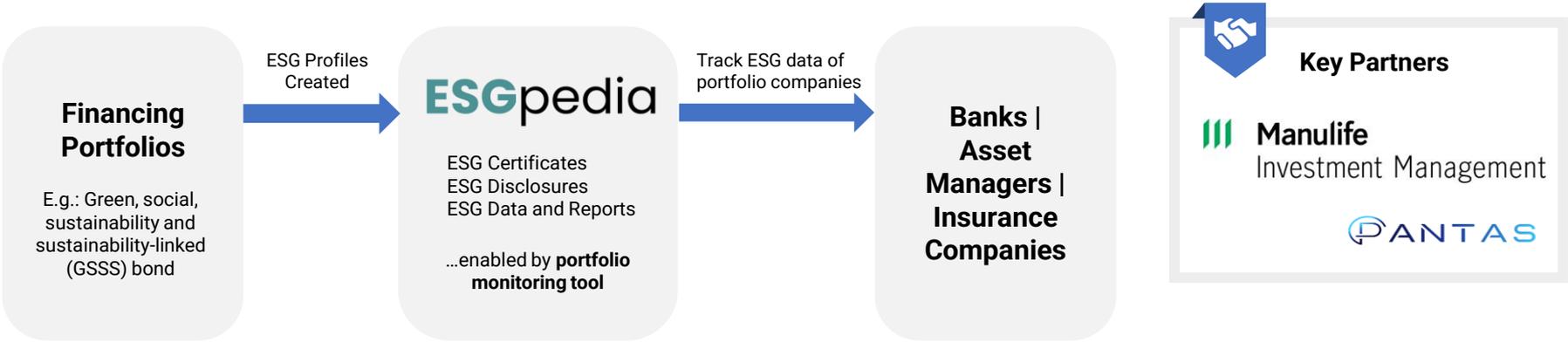
SUSTAINABLE FINANCING

- Facilitates **sustainable supply chain financing** through greater transparency, enhancing suppliers' access to financing

MAINTAINS EXPORT COMPETITIVENESS

- Ensures export **competitiveness** of ASEAN suppliers in **foreign markets** which mandates ESG credentials

GSSS BOND PORTFOLIO MONITORING



BENEFITS

ENHANCED VISIBILITY

- **Streamlined monitoring** of investee companies, facilitating **real-time visibility** of sustainability performance

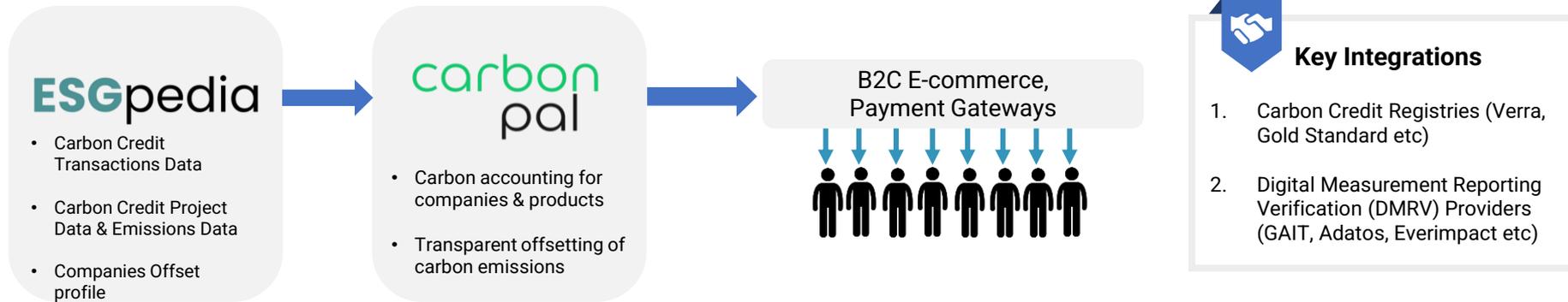
GREATER STEWARDSHIP ENGAGEMENT

- Drive **greater engagement** with investees to ensure continued commitment to sustainability

ENHANCED RISK MANAGEMENT

- **Active management of risks** and supports ESG requirements

CARBON CREDITS FRACTIONALISATION



BENEFITS

ENHANCED VISIBILITY

- Accurate **carbon accounting** to provide clearer transition pathway to Net Zero, with **Decarbonisation and Offsets**

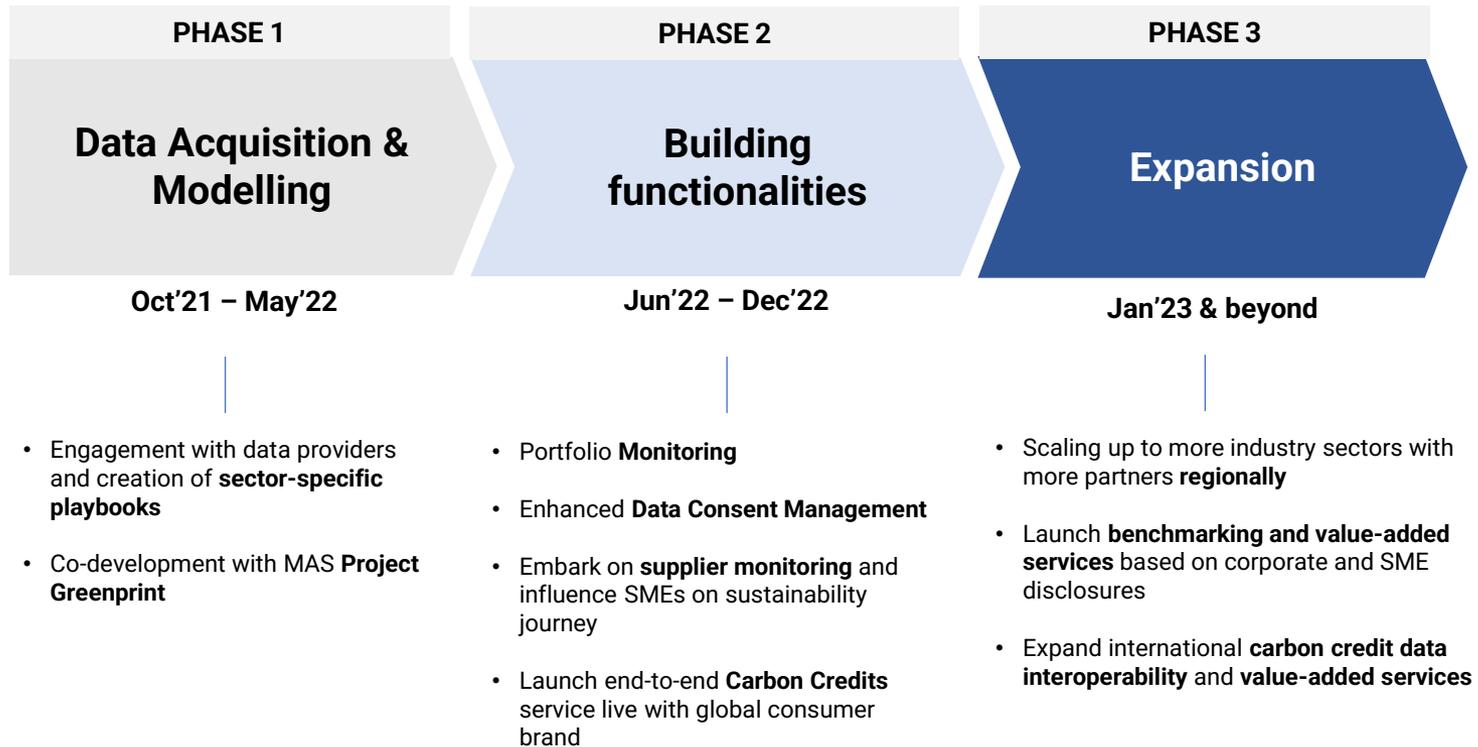
RETIREMENT TRANSPARENCY

- **Transparency** with retirement transactions recorded on a line-by-line basis

INCLUSIVITY

- Fractionalized carbon credits **serve smaller buyers in the market, creating inclusivity** for sustainability

OUR JOURNEY THUS FAR & WHAT'S NEXT...





WEBSITE:
www.stacs.io

CONTACT:
info@stacs.io

Session 7:

Climate Risk Management in the Banking Industry

Speakers:

Charles Gooderham, Partner, ERM

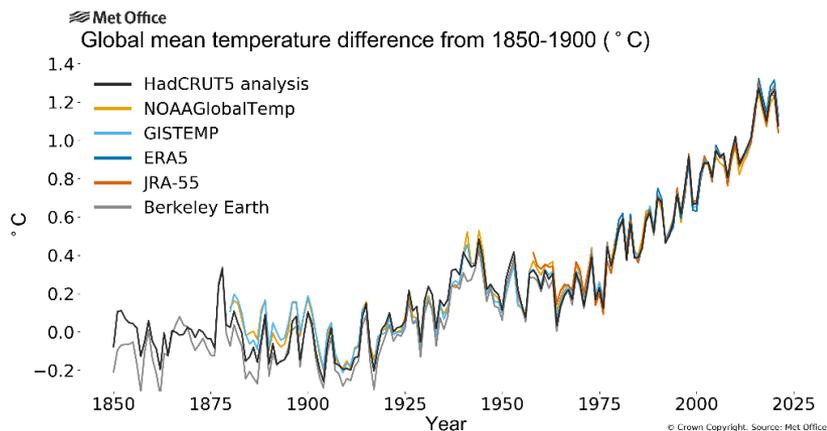
Can Sutken, Relationship Manager, ADB TSCFP



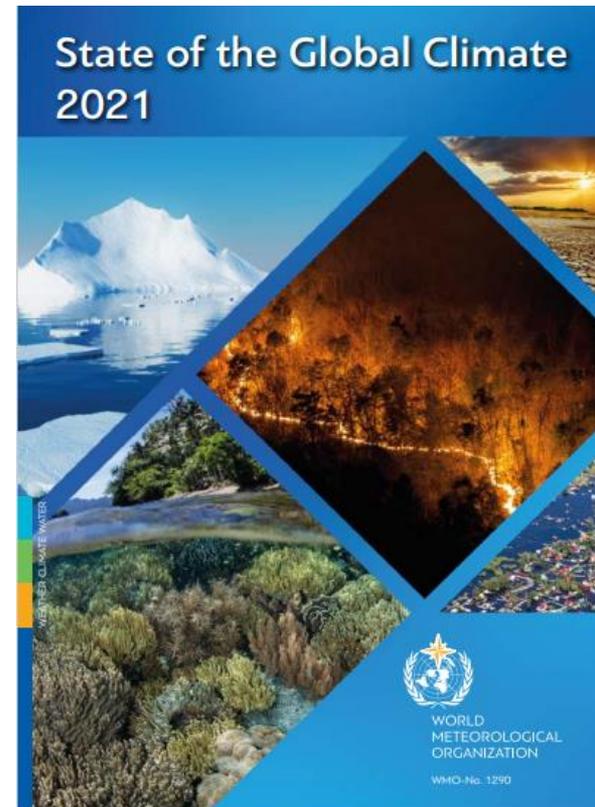
Extreme weather events are 'the new norm'

Report for 2021 highlights a world that is "changing before our eyes."

Past 7 years were the warmest on record, sea level at new high



Global annual mean temperature difference from preindustrial conditions (1850–1900) for six global temperature data sets



[WMO State of The Global Climate 2021](#)

Environmental and Social Sustainability in
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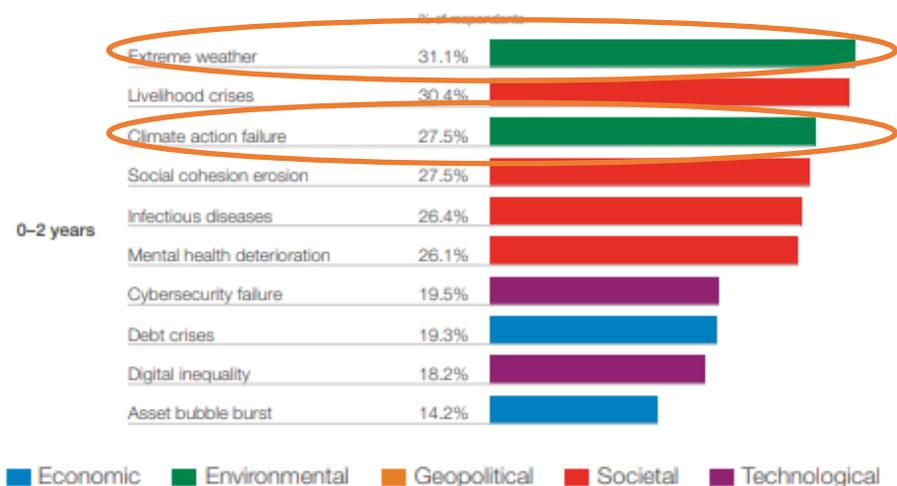
Australian Government
Department of Foreign Affairs and Trade



Climate change recognized as most significant macro risk

WEF Global Risks Report, 2022

'When will risks become a critical threat to the world?'



- Two climate related risk considered 'top three' in the short and medium term
- 'Climate action failure' moves to 'top risk' in medium (5-10 year) timeframe
- Climate action failure / extreme weather linked to other identified risks:

Environmental

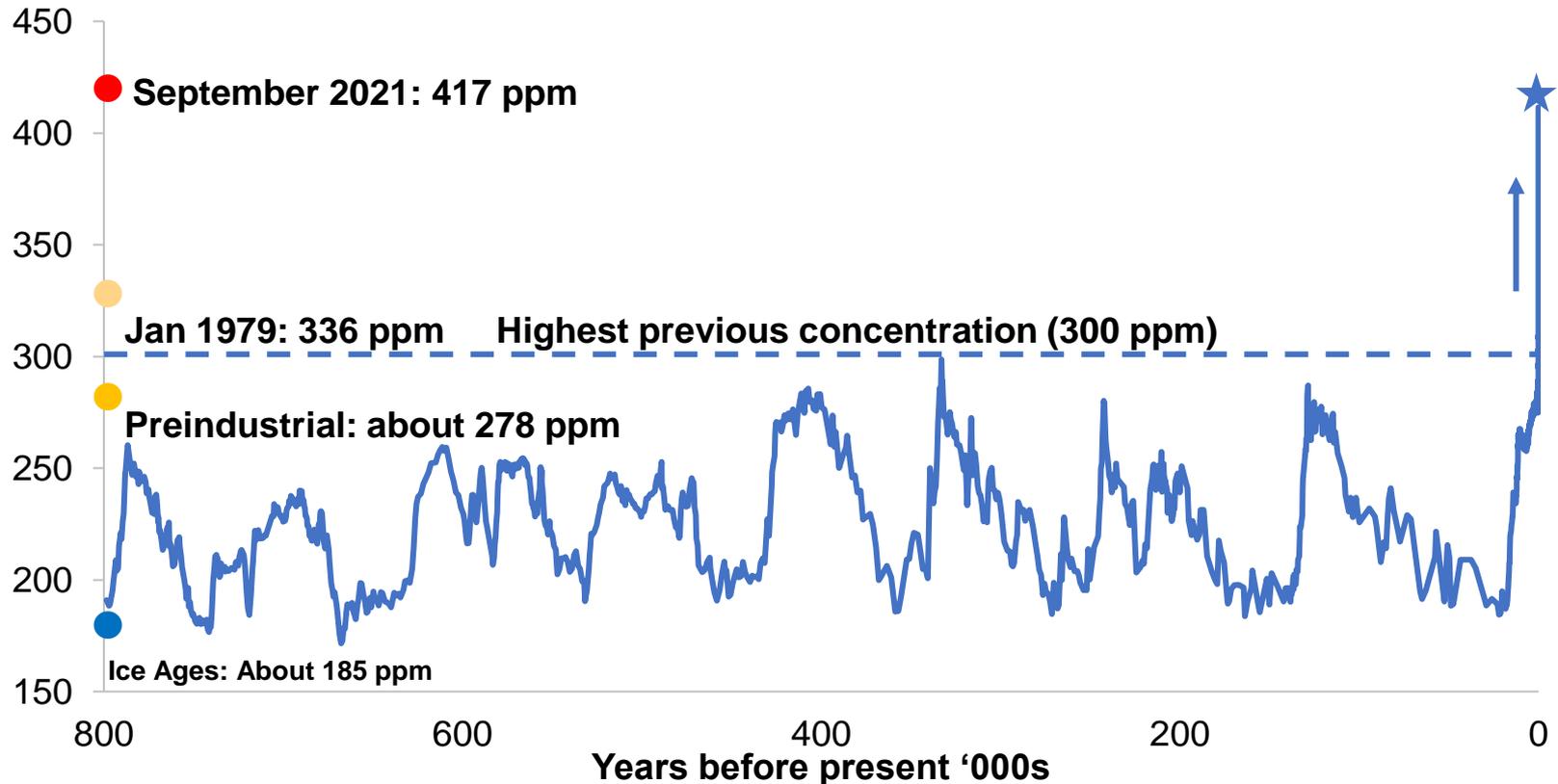
- Biodiversity loss
- Natural resource crises
- Human environmental damage
- Geophysical disasters

Social

- Involuntary migration
- Livelihood crisis
- Public infrastructure failure

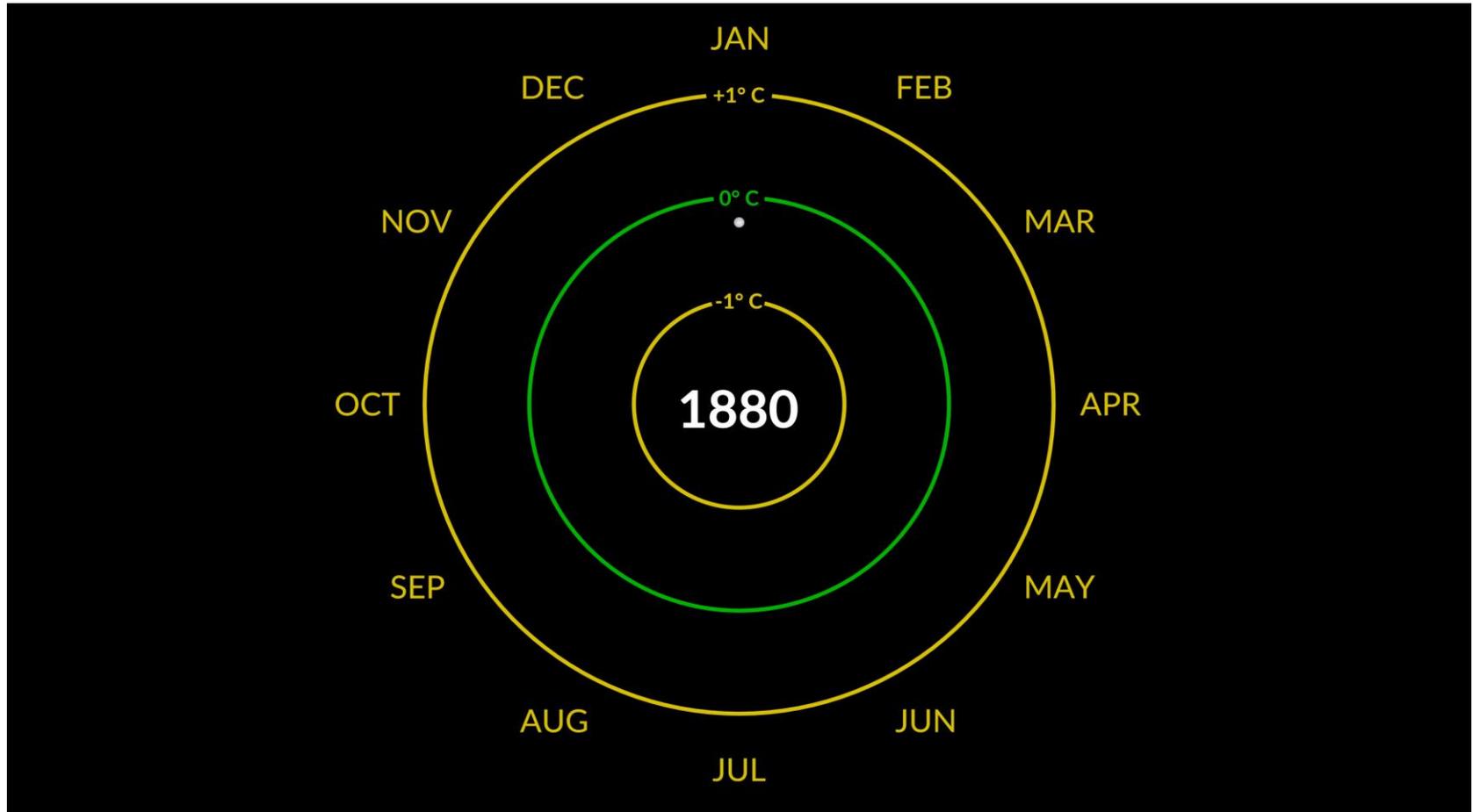
The growth in greenhouse gases

Carbon dioxide concentrations are much higher than at any point over the last 800,000 years



Average global temperatures

1880 - 2021



Environmental and Social Sustainability in
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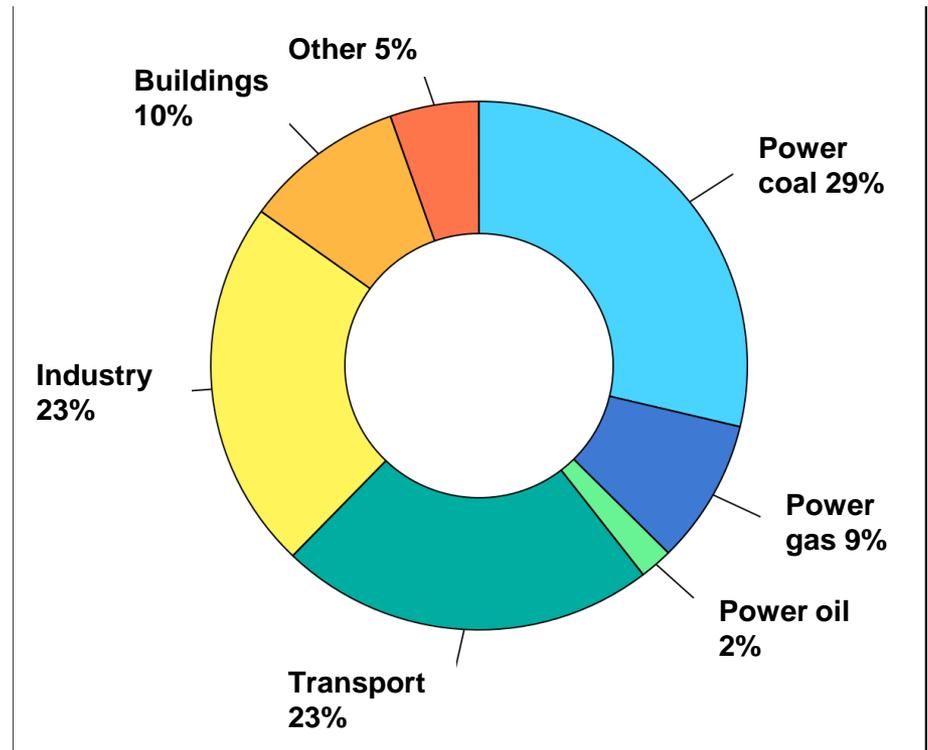
Source: [NASA](#)



Energy is the primary source of GHG emissions

- Energy accounts for ~75% of global GHG emissions
- Industrial emissions (cement, chemicals), waste management and agriculture, forestry and land use make up the other 25%

Global energy-related carbon dioxide emissions by sector

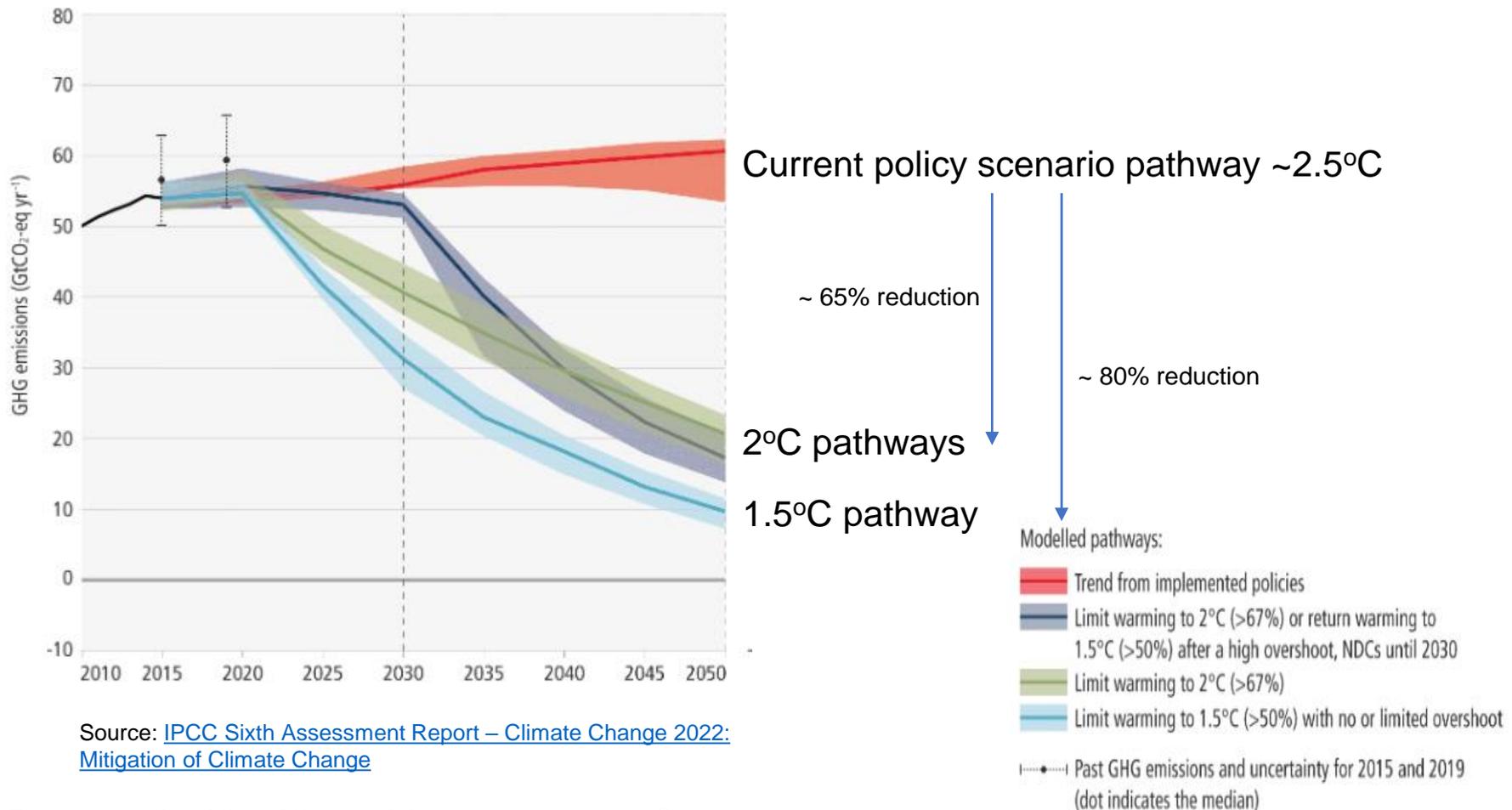


Source: [International Energy Agency](#)

The scale of the challenge

A new industrial revolution is required to fundamentally reduce the carbon intensity of the economy

Global GHG emissions pathways



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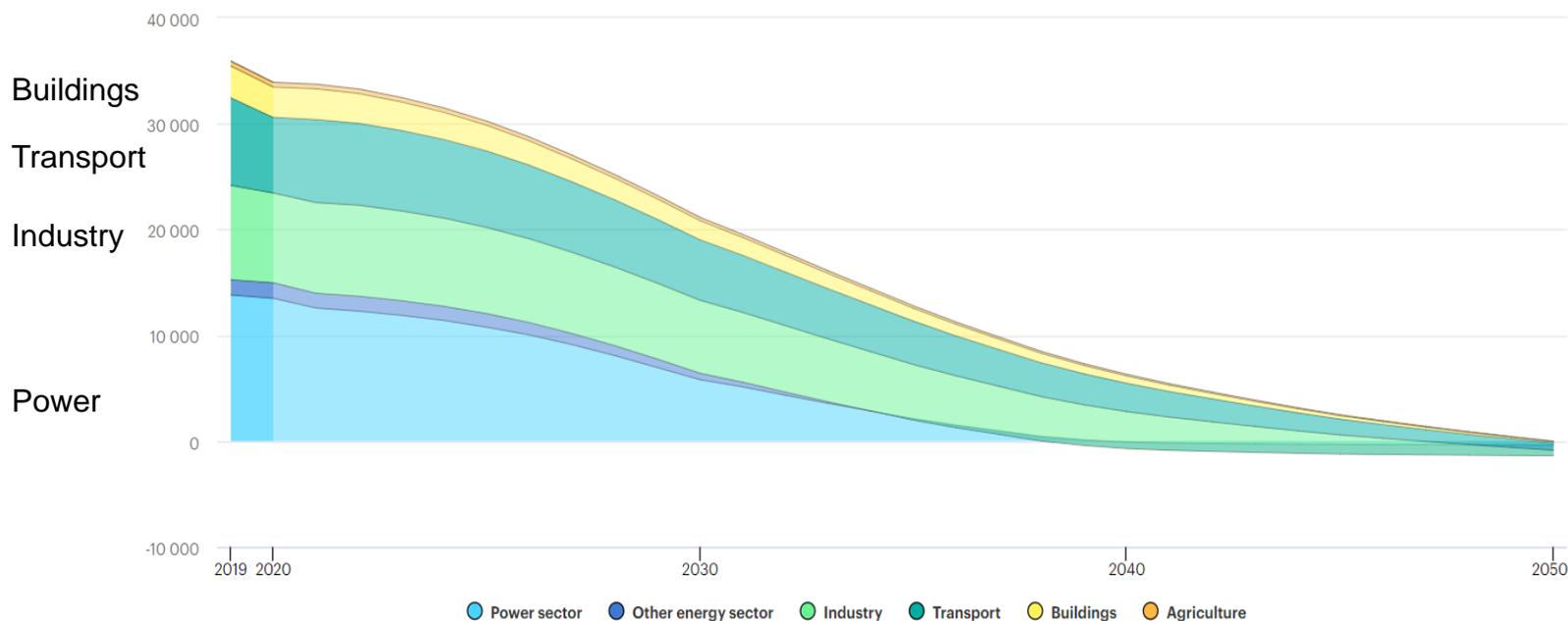


Australian Government
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Decarbonisation of key sectors

CO₂ emissions by sector under a net zero scenario to 2050



Source: [International Energy Agency Net Zero by 2050: A Roadmap for the Global Energy Sector](#)

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Environmental and Social Sustainability in
Trade and Supply Chains Workshop

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Paris Agreement and ongoing efforts

Goal – limit global warming to well below 2 degrees Celsius, preferably to 1.5 degrees Celsius, compared to pre-industrial levels

196 countries

187 countries

Not

On track



unanimously adopted the 'Paris Agreement'

(98% of global GDP) have national plans ('NDCs') to reduce GHG emissions by 2025 or 2030

for 2°C – targets will be 'ratcheted up' at 5 yearly intervals, starting in 2020 (delayed to 2021 due to COVID)

First five year progress review and ambition ratchet

Ambition will continue to grow with a significant focus on finance

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15-17 November 2022, Istanbul, Türkiye

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TSFP 107
TRADE & SUPPLY CHAIN FINANCE PROGRAM

Task Force on Climate-Related Financial Disclosures



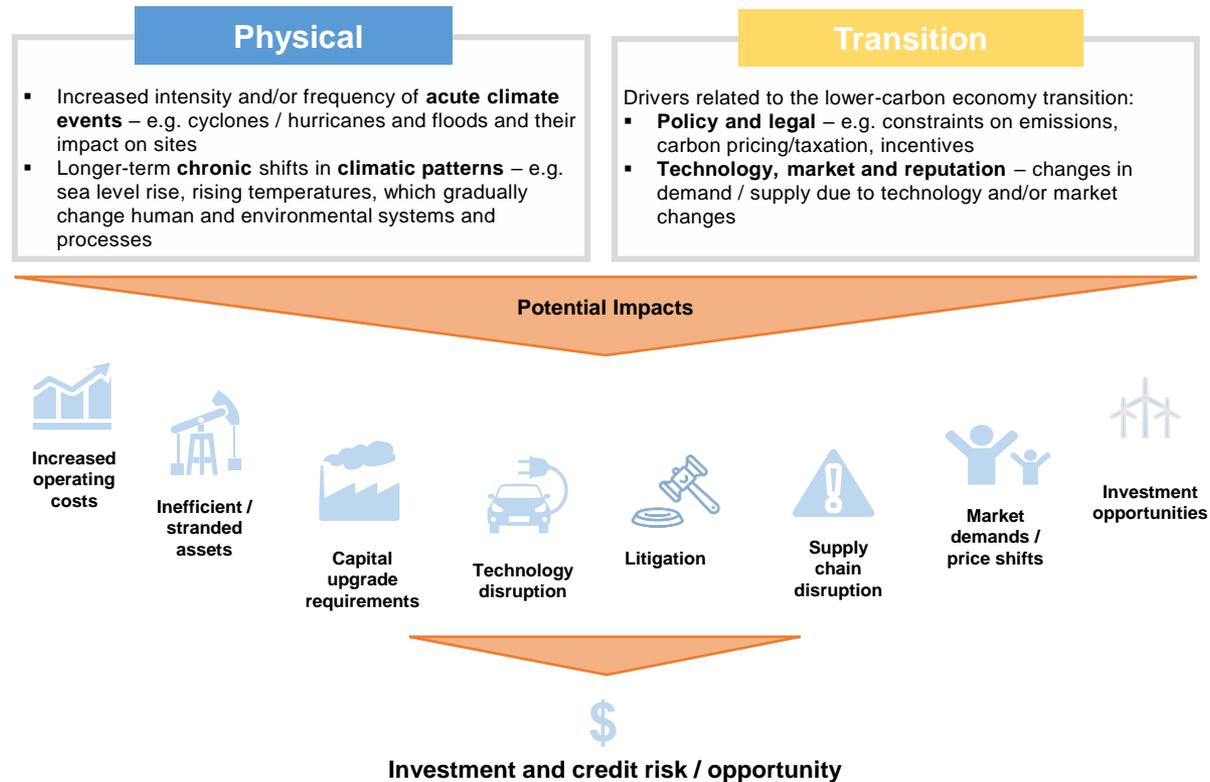
Key drivers

↓

Impact to 'real economy'

↓

Impact to investors / lenders



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Increasing TCFD-based regulatory requirements

June 2021: Switzerland's Financial Market Supervisory Authority amended disclosure rules for banks and insurers to include climate-related financial risks, based on TCFD



April 2021: The European Commission issued a proposal calling for the development of sustainability reporting standards that take into account existing frameworks including the TCFD

June 2021: The Tokyo Stock Exchange issued a revised Corporate Governance Code, which now indicates certain companies should enhance disclosure based on TCFD recommendations

October 2021: The Canadian Securities Administrators proposed to make climate change disclosures mandatory for public companies, largely consistent with the TCFD recommendations



2020-2021: Several UK regulators issued rules and proposals for TCFD-aligned disclosure

December 2020: The Hong Kong Monetary Authority issued draft guidance indicating authorized institutions should make TCFD-aligned disclosures



Top 5 Countries by Number of Supporters

Japan	527
United Kingdom	384
United States	345
Australia	125
France	117



September 2021: Central Bank of Brazil issued TCFD-aligned disclosure rules for regulated institutions

August 2021: Singapore Exchange Regulation proposed a road map for mandatory TCFD-aligned disclosure



April 2021: Australian Prudential Regulatory Authority publishes TCFD-aligned draft guidance on managing climate risks



April 2021: New Zealand introduced a bill that would require mandatory TCFD-aligned disclosure for large listed issuers and financial institutions.



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Key climate-related challenges for banks



Enhanced governance and capacity



Data / information procurement, management and analysis



Integration in to risk frameworks

Across risk types – credit, operational, market, liquidity risk

Adjusting risk appetite

Undertaking scenario analysis and stress testing

Building in to internal cost of capital assessment processes



Evolving business models and strategies



Responding to regulatory expectations



TSCFP Ending Support for Oil Imports in All but two DMCs by July 2023



TSCFP Commitment on Fossil Fuels

No support for transactions involving:

- (i) mining of thermal coal;
- (ii) electric power generation from coal;
- (iii) extraction of heat and electricity from peat;
- (iv) coal in any form;
- (v) upstream oil activity.

Withdraw from oil import transactions starting 1st July 2023 in all DMCs (exception: Pakistan and Sri Lanka until 2030).

Review support for natural gas imports in 2025: gas considered “transition fuel,” supports transition to lower carbon footprint.

Longer phase-out period for Pakistan and Sri Lanka: highly dependent on oil imports to sustain the economy and achieve SDGs; aligned with national commitments of both countries; aligned with Multilateral Development Bank Just Transition High-Level Principles; ADB’s 2021 Energy Policy, and Paris Agreements.





Alignment with Paris Agreement Goals

- **Not supporting:**
 - universally unaligned goods/services;
 - that involve coal in any form;
 - that modernize, upgrade or renovate coal facilities;
 - that involve components or equipment for oil exploration, drilling or extraction;
 - related to fossil fuels in all DMCs from 1 July 2023, except Pak and SL.¹

Visibility of Goods and Carbon Lock-on each Transaction

- ESG categorization: the program is approved for category C (likely to have minimal or no adverse ESG impacts);²
- TSCFP has full visibility on the underlying goods financed by the program;
- TSCFP does not support transactions that present a high risk of non-alignment;
- Very low possibility of TSCFP supporting carbon lock-in.

Promotion of Sustainability

- 268 green deals valued at \$317 million in 2021; promoting low carbon transition technology, including through new Green Equipment Facility (2/3-year transactions);
- Implementing ESMS in partner banks;
- Delivering capacity building to banks on ESG: 345 bankers in 11 countries trained since 2021;
- Covering higher percentage of transactions' value in supply chain finance for goods that enable a low carbon energy transition;
- Will design and implement with SDCC Paris transition related TA for partner banks;

¹ Exceptions: Pakistan and Sri Lanka support will be terminated by 2030.

² TSCFP has also been approved for category B – only if banks developed ADB ESMS.





TSCFP: making global trade and supply chains inclusive, **GREEN**, resilient, transparent, and socially responsible.



Low Carbon Transition Goods

Climate Smart Agriculture

- Aquaculture Stewardship Council: farmed seafood, shrimp
- Certified crops (RTRS, Bonsucro, BCI, RSB, Global GAP)
- Fairtrade Small-Scale Producer: perennial and annual crops
- Medium voltage power distribution networks
- Rainforest Alliance (perennial crops)
- Roundtable on Sustainable Biomaterials: biomaterials, biofuels, and biomass
- Smart metering for water pumping
- Solar-powered irrigation systems

Energy Efficient Goods

- Biomass cookstove models
- Collectors and discs for cooking and heating applications
- Energy efficient light bulbs, CFLs, LED lights, windows and doors
- Fluorescent tubes
- Heat exchangers
- Household appliances (with US Energy Star label or EU Energy label of A and above)
- Hybrid vehicles, electric bicycles
- Insulation materials (for boilers & pipes or for building envelope)
- LPG buses, Solar cookers, Steel for recycling, Thermostats

Renewable Energy

- Cross-border interconnections and long-distance high-voltage lines
- Parts and equipment for any renewable technology
- Biomass & Biogas
- Ethanol
- Geothermal (Compressors, heat exchangers, heat pumps)
- Hydro Power (e.g., absorbers, hydraulic pumps, oscillating water columns, etc.)
- Solar Power (e.g., solar inverters, solar cells, glass tubes, panels, converters for PV plants, etc)
- Wind Power (e.g., wind power poles, blades, control systems, wind turbines, power transformers, etc.)

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Group exercise – brainstorming climate risk and opportunity

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Group Exercise – Objective and Instructions

Objective:

- Identify potential transition and physical drivers that may be relevant to example client business that you might be supporting
- Consider how these may create risk/opportunity to your client's business and hence to your bank

Instructions:

- Please form groups around the room. Select a spokesperson to feedback to the group.
- Select one of the example client businesses (slide 17) and discuss (for 15 minutes) the questions on the following slide 16 – using the supporting information on slides 18-20 (hard copies also available)
- Record your thoughts and be ready to provide some feedback



Group Exercise – Objective and Instructions

Questions to consider:

1. What do you see as the main potential transition and physical risks that might be relevant to the company you have selected - thinking about factors that are impacting the broader value chain / industry as well as the specific company?
2. What are the opportunities which might be most relevant to the company?
3. How might these translate in to risk/opportunity for the bank?



Group exercise – example client businesses

Example Client 1 (Pharmaceutical)

- A pharmaceutical company that produces drugs for malaria and is conducting further research into immune response therapies. Most of the company's manufacturing capabilities are based in China, with a research lab in Georgia and distribution of the drugs globally. The company has a distributed supply chain that spans multiple continents.

Example Client 2 (Oil and gas)

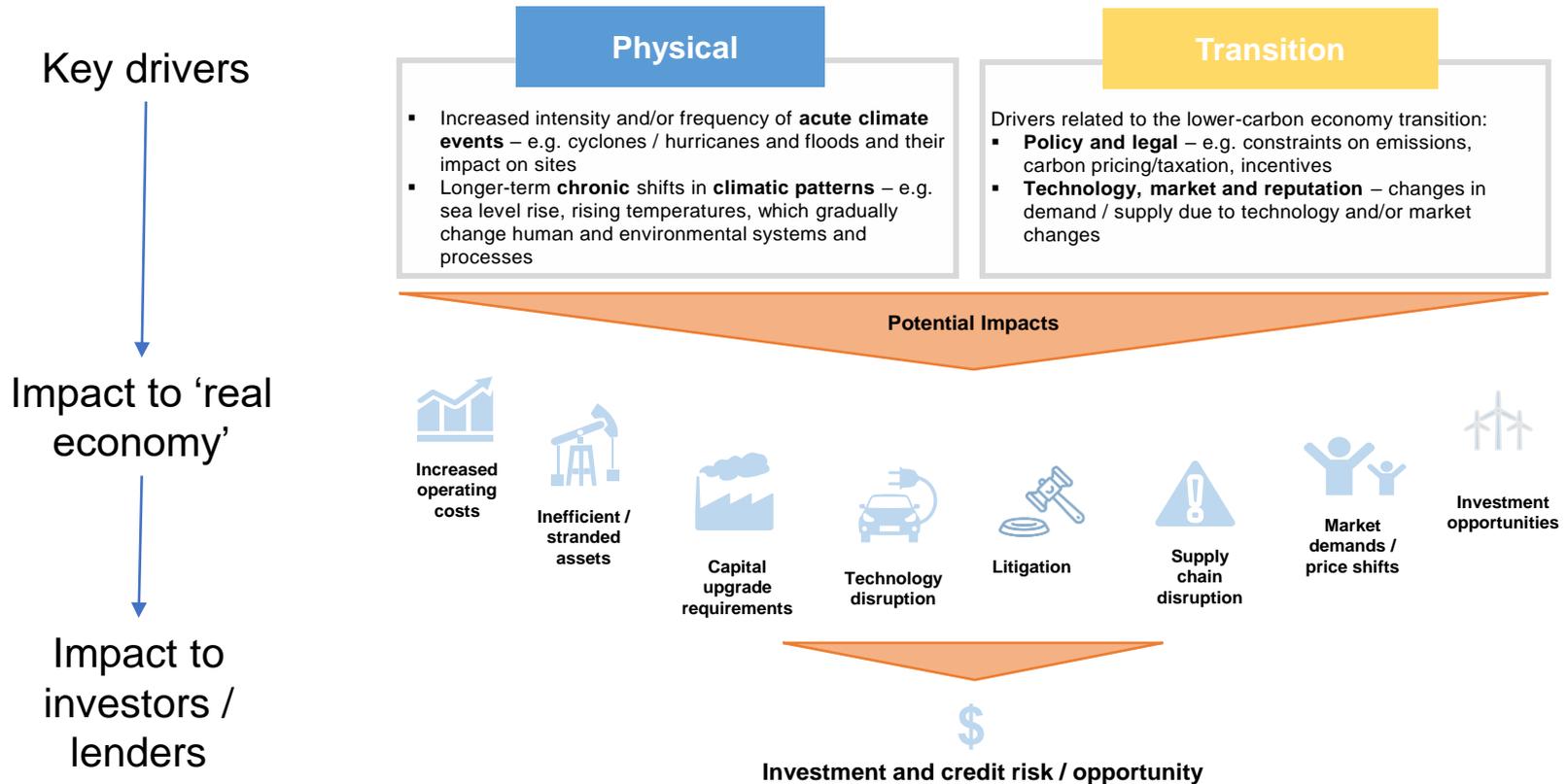
- An oilfield equipment / services company that provides equipment, construction, logistics and maintenance services to the oil and gas sector. The company owns a fleet of vessels, a manufacturing and service factory located as part of a port complex, and has a client base across various countries.

Example Client 2 (Auto manufacture)

- A turbocharger manufacturer with a focus on the passenger and commercial vehicle markets. Most of the company's sales come from partnerships with major internal combustion engine vehicle manufacturers for new vehicles, but a growing area of the business is after-market sales. The bulk of the company's manufacturing capabilities are located in areas that have recently suffered heat waves.



Task Force on Climate-Related Financial Disclosures



Group exercise – supporting materials

Outline taxonomy of risk / opportunity areas

Type	Climate-Related Risks	Type	Climate-Related Opportunities	
Transition Risks	Policy and Legal	Resource Efficiency	– Use of more efficient modes of transport	
	– Increased pricing of GHG emissions		– Use of more efficient production and distribution processes	
	– Enhanced emissions-reporting obligations	– Use of recycling		
	– Mandates on and regulation of existing products and services	– Move to more efficient buildings		
	– Exposure to litigation	– Reduced water usage and consumption		
Transition Risks	Technology	Energy Source	– Use of lower-emission sources of energy	
	– Substitution of existing products and services with lower emissions options		– Use of supportive policy incentives	
	– Unsuccessful investment in new technologies	– Use of new technologies		
	– Costs to transition to lower emissions technology	– Participation in carbon market		
	Markets	Reputation	Products and Services	– Shift towards decentralized energy generation
– Changing customer behavior				– Develop and/or expand low emission goods and services
– Uncertainty in market signals				– Development of climate adaptation and insurance risk solutions
– Increased cost of raw materials	– Shifts in consumer preferences	– Development of new products or services through R&D and innovation		
Physical Risks	Acute	Markets	– Ability to diversify business activities	
			– Increased severity of extreme weather events such as cyclones and floods	– Shift in consumer preferences
	Chronic	Resilience	– Access to new markets	
			– Rising mean temperatures	– Use of public-sector incentives
			– Rising sea levels	– Access to new assets and locations needing insurance coverage
			– Participation in renewable energy programs and adoption of energy-efficiency measures	
			– Resource substitutes/diversification	



Group exercise – supporting materials

Physical hazard types and examples of value chain impacts

Physical climate change hazard types:

- Flooding / storm surge
- Increased storm intensity, cyclones
- Droughts / greater variability of water supplies
- Heat waves / wildfires
- Sea level rise
- Landslides / ground instability



Value chain elements impacted?

- Supply chains
- In / out logistics
- Operational sites / plant / machinery
- Workers
- Demand for goods / services
- Etc.

Risk to worker safety from heat



Supply chain disruptions from landslides / flooding



Operational impacts from drought



Thank you

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