



# SUSTAINABILITY IN BANKING

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# Outline

## **Sustainable Banking:**

A decision by banks to provide products and services only to customers who take into consideration the environmental and social impacts of their activities.

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- IFC at a Glance
- Risks, Challenges, and Opportunities
- IFC's approach
- National and International Best Practices

# IFC in a Nutshell

- **IFC Globally:**

- Private sector arm of the World Bank Group
- The world's largest global development institution focused on the private sector in developing countries
- Established in 1956
- FIs comprise 44% of IFC's Global investments by commitment
- Global committed balance for FY12: US\$ 45billion

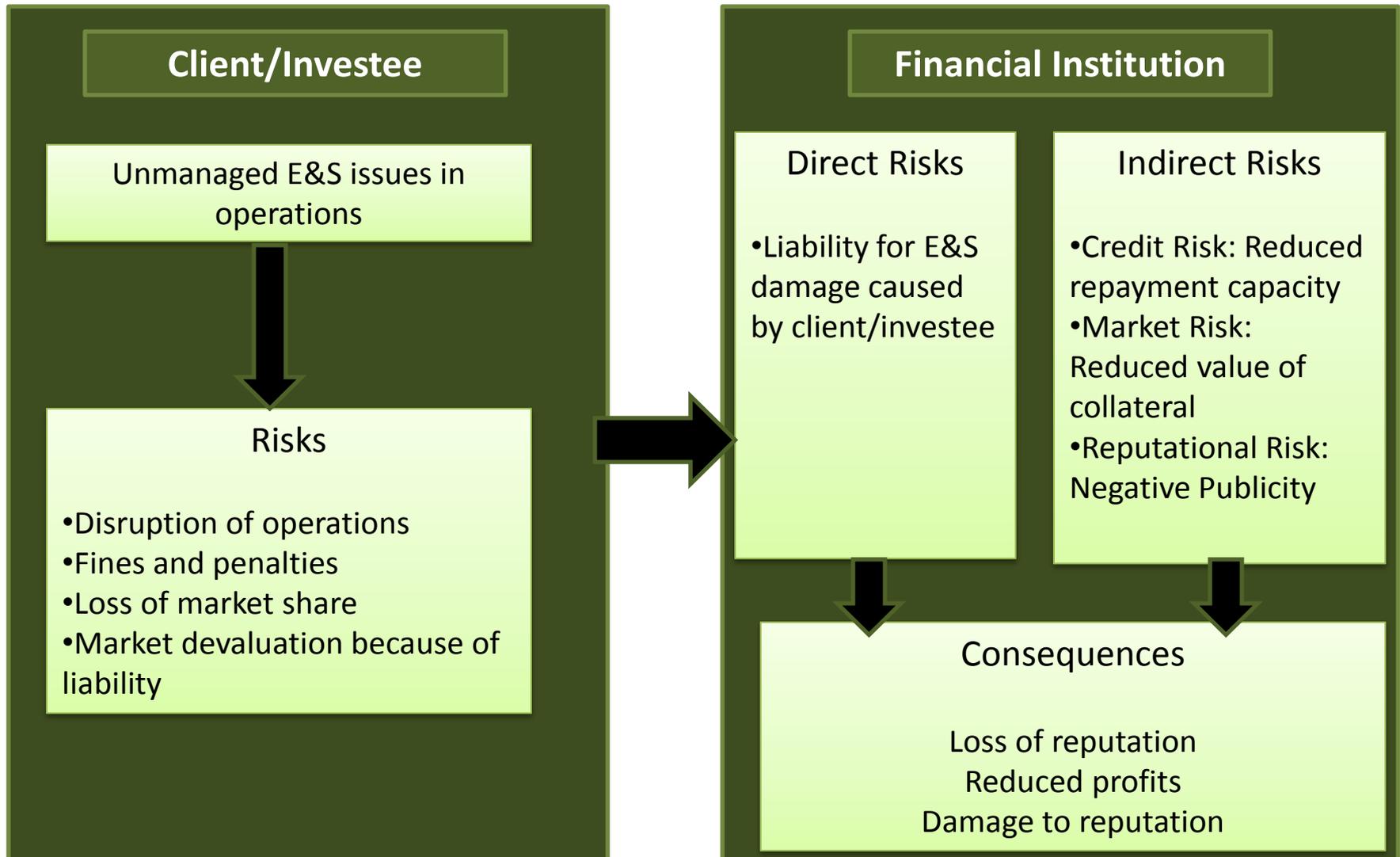
- **IFC Turkey:**

- In the market since 1967
- First operational center in Istanbul – 2010
- 5th largest exposure by commitment
- FIs comprise 50% of IFC's Turkey investments by commitments
- Number of FI clients: 14
- Turkey's committed balance for FY12: \$ 2.3billion

# Banks' First Impression of Sustainability

- **WHY?**
  - Any possibility that FIs have significant risk and impacts to the environment and society need to be managed?
- **CONCERN/PERCEPTION**
  - Lose market share!
- **WHAT?**
  - Risks
  - Challenges
  - Benefits
  - Opportunities
- **HOW?**
  - Implement
  - Turn Risks into Benefits!

# E&S Risks to Financial Institutions



# Challenges/Barriers

- Absence of enabling environment and market drivers
- Constraints on technical capacity

# E&S Benefits to Financial Institutions

- Reduced risk
- Improved access to international financing
- Improved brand value and reputation

# IFC Performance Standards



**PS1: Assessment and Management of E&S Risks and Impacts**



**PS2: Labor and Working Conditions**



**PS3: Resource Efficiency and Pollution Prevention**



**PS4: Community Health, Safety and Security**



**PS5: Land Acquisition and Involuntary Resettlement**



**PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources**

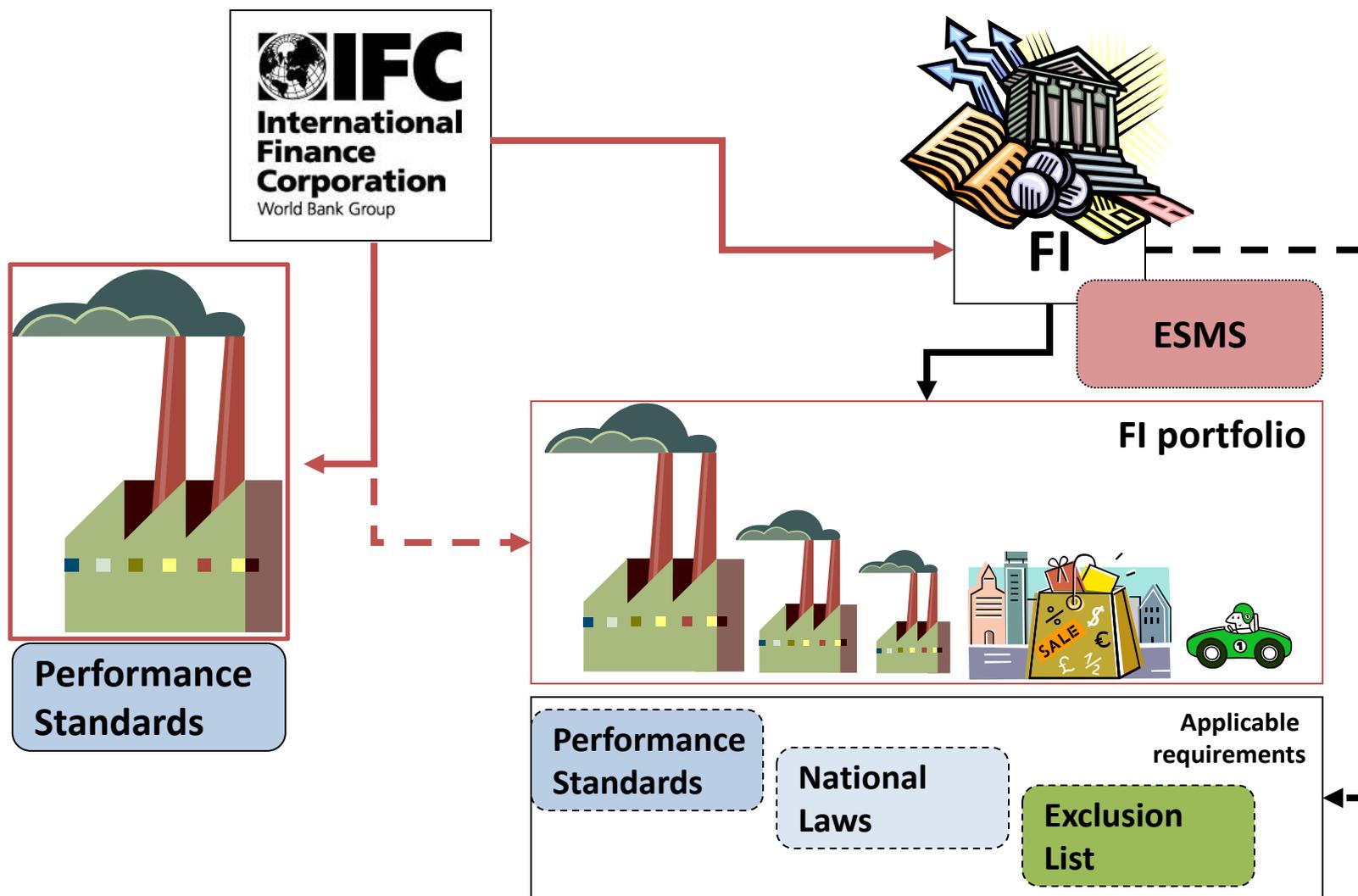


**PS7: Indigenous Peoples**



**PS8: Cultural Heritage**

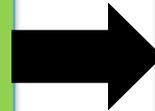
# IFC's E&S Approach to FI Investments



# IFC's Support to Opportunities

Providing financial products and/or advisory for FIs

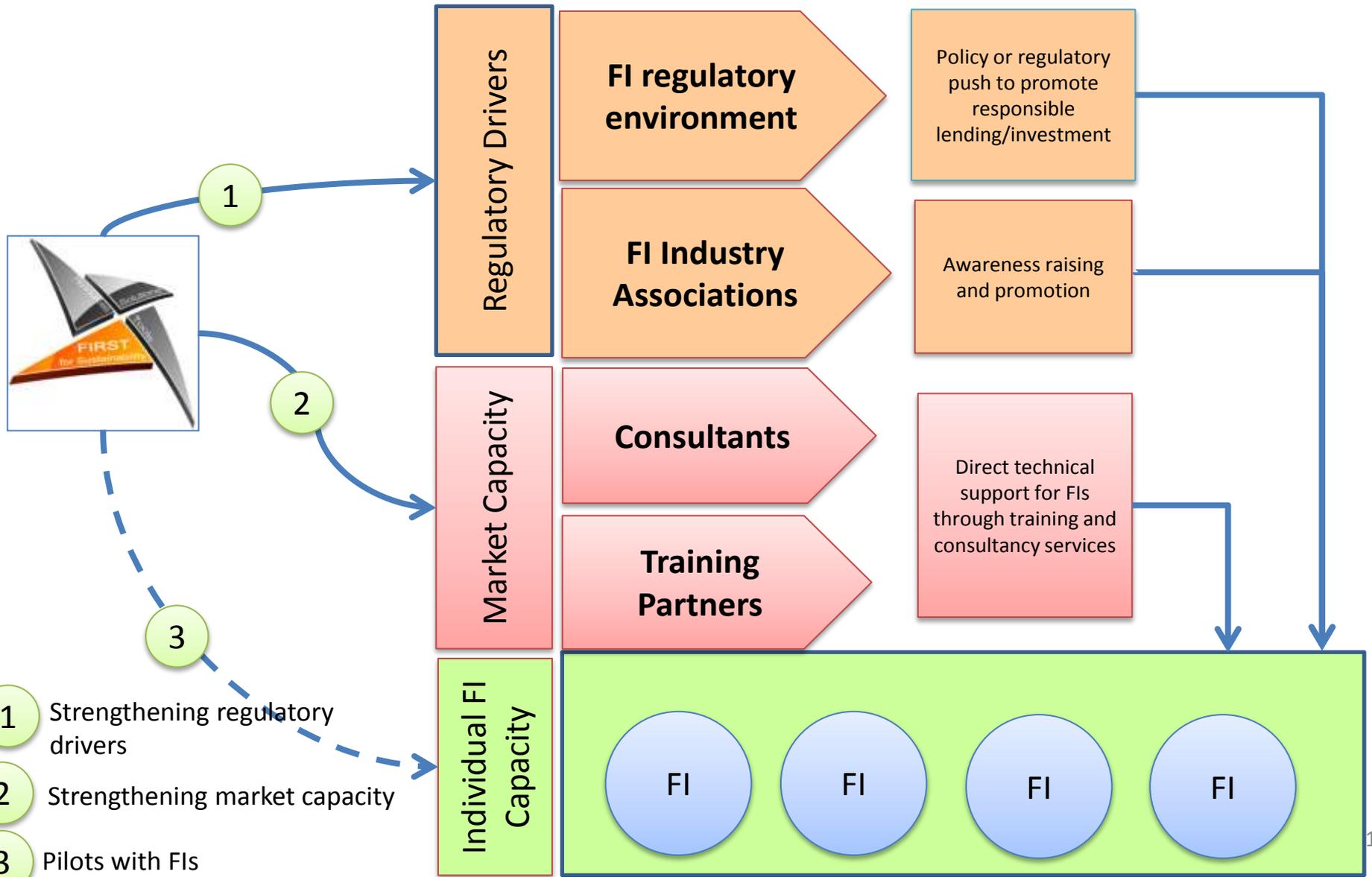
- Energy Efficiency
- Renewable Energy
- Resource Efficiency



**Innovative financing**

First mover advantage

# IFC's Multi-level Advisory Approach



# National Approaches

- **China:** Green Credit Policy & Guidelines, 2012
  - Benchmarked to the Equator Principles and IFC Performance Standards; Planning for implementation, capacity building and sector guidelines
- **Brazil:** Green Protocols I and II, Central Bank of Brazil Circulars and Resolutions on E&S risk management for the financial sector
- **Colombia:** Green Protocol, outlines a framework for action by the financial sector
- **Bangladesh:** Environmental Risk Management Guidelines, 2011
  - Developed by Bangladesh Bank (central bank) in collaboration with local banks, Bangladesh Association of Banks, Department of Environment
- **Nigeria:** Nigerian Sustainable Banking Principles, 2012
  - Developed by the Strategic Sustainability Working Group led by an independent advisor with representatives from the banking sector, Central Bank Nigeria and DFI partners

# National Approaches (Additional Examples)

- **Underway**

- **Indonesia:** Green Banking Policy in development by Bank Indonesia
- **Peru:** Peruvian banking regulator (SBS), developing Rules for the Prevention of Social and Environmental Risk for the financial sector
- **Vietnam:** State Bank of Vietnam (central bank) developing E&S Risk Management Guidelines for the financial sector

- **Under active consideration**

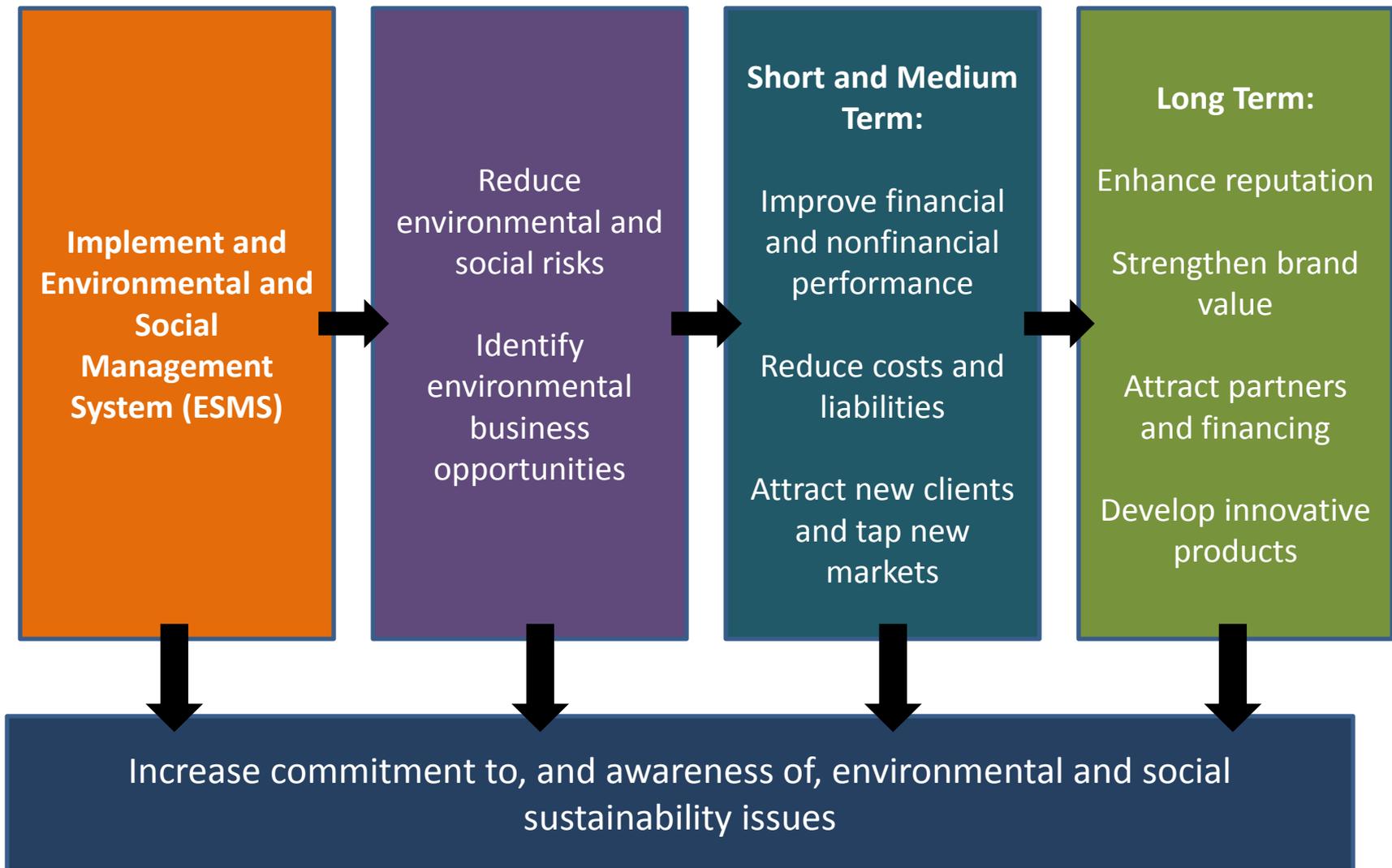
- Cote d'Ivoire, Ghana, Kenya, Mexico, Philippines, Thailand, and Senegal under consideration

# A Global Standard for the Private Sector

## The Equator Principles Financial Institutions



# Creating Long-Term Value Through Sustainability



# RESOURCES & TOOLS

Resource	Type	Contact/ Link/ For More Info
Community of Learning Annual Meeting (EPFIs, ECAs)	Annual conference	<a href="#">Community of Learning Annual Meeting</a>
Sustainability Days (connected to IFC-FT Sustainability Awards)	Annual forum	<a href="#">Sustainability Days</a>
Sustainability Framework website	Web resource	<a href="http://ifc.org/sustainability">http://ifc.org/sustainability</a>
FIRST for Sustainability (Financial Institution Resources, Solutions & Tools)	Web resource	<a href="http://firstforsustainability.org/">http://firstforsustainability.org/</a>
E&S Risk Management for Private Equity	Web resource	<a href="https://www.estoolkit.com/">https://www.estoolkit.com/</a>
STEP	E-learning tool	<a href="https://ifc.org/step/">https://ifc.org/step/</a>
E-Learning Course on Managing Environmental and Social Performance	E-learning tool	<a href="#">E-Learning Course on Managing E&amp;S Performance</a>
IFC Performance Standards-Turkish	Web resources	<a href="#">IFC Performance Standards</a>

**Thank you!**

**Questions?**

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