

ECAs and UN Sustainable Development Goals

The business case for reporting the contribution of ECAs to the UN SDGs

Agenda

Introduction

- I. Sustainable Development
- II. UN Sustainable Development Goals
- III. TOSSD
- IV. Potential Next Steps

I. Sustainable Development



Brundtland Definition (1987)

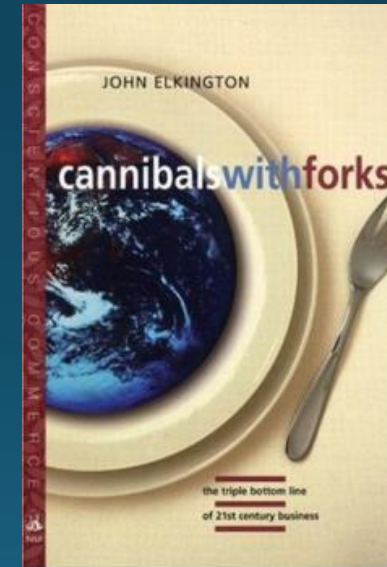
“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

Sustainability & the concept of triple P (1997)

People = Social

Planet = Environmental

Profit = Financial



What does this mean to an ECA ?

I. Sustainable Development

5 Key Strategic Themes:

1. Integrate sustainability criteria in key business processes

- | | | |
|------------------------|---|--------|
| a. Financial/ Economic | → | Profit |
| b. Environmental | → | Planet |
| c. Social/ Ethical | → | People |

2. Stakeholder engagement around Sustainability topics

- a. Employees
- b. Shareholders
- c. Clients (exporters, investors, banks)
- d. Strategic Business Partners (e.g. guardian authorities, suppliers, other ECAs / EXIMs Private insurers, MDBs, Bilateral DFIs, Berne Union, OECD)
- e. Society as a Whole (e.g. Other government Ministries, NGOs, Local Communities, Politicians)

3. Transparency & Accountability

4. Sustainability Issues & Opportunities / Threats

5. Today & Tomorrow



SDG reporting is an important part of an overall corporate strategy on Sustainable Development

I. Sustainable Development

Is Sustainable Development Something Completely New for ECAs?

NO



- OECD Common Approaches
- OECD anti-bribery guidelines
- OECD Sustainable lending policy
- OECD Climate Change Sector Understanding
- ECAs have refused to support certain transactions for ESG reasons
- ECA internal social management
- ECA internal environmental management
- ECA stakeholder dialogues with Clients, NGOs



But, there are new challenges and opportunities:

e.g. climate change, terrorism, migration, UN SDG issues

I. Sustainable Development

Key drivers for a corporate Sustainable Development Strategy

- The Business Case of Sustainable Development
- Reputation (Licence to Operate)
- Corporate Values & Business Principles
- Risk Management (Financial, Environmental & Social risks)
- Costs Savings
- Access to Capital
- Issues & NGO Criticism
- Transparency & Accountability
- Sustainability Rating Agencies
- Sustainable Development Issues & Opportunities / Threats
- Improve co-operation internally / externally (e.g. strategic partnerships)

I. Sustainable Development

The business case for Sustainable Development



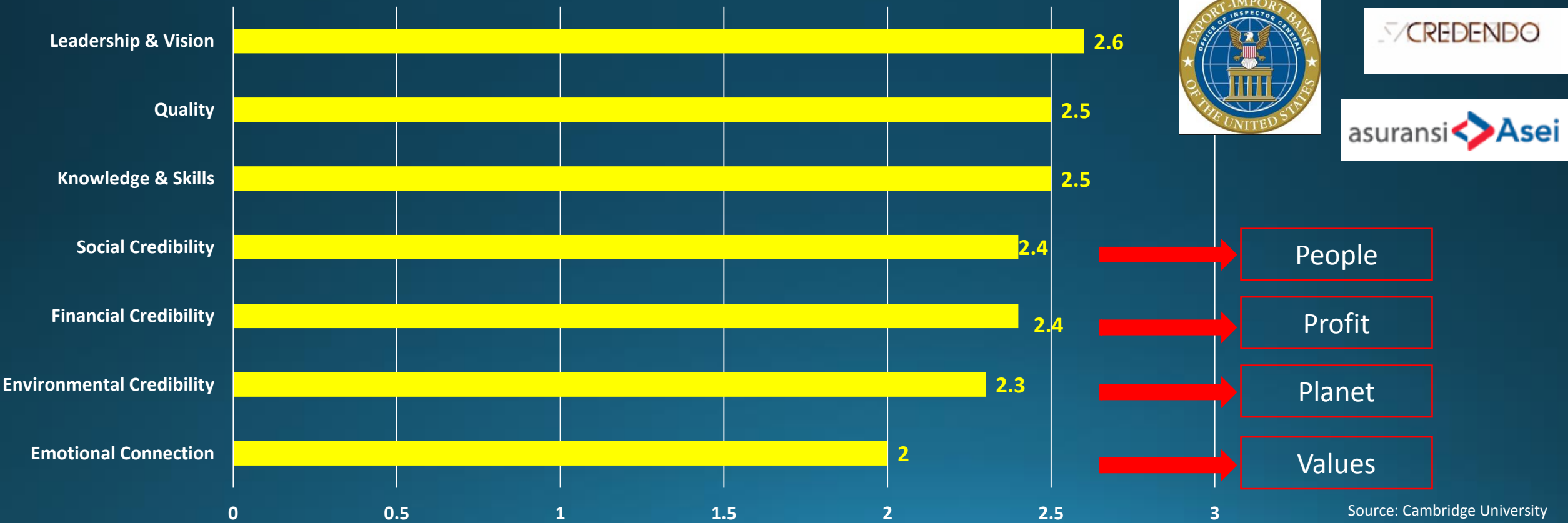
**Tangible Benefits
&
Intangible Benefits**

I. Sustainable Development

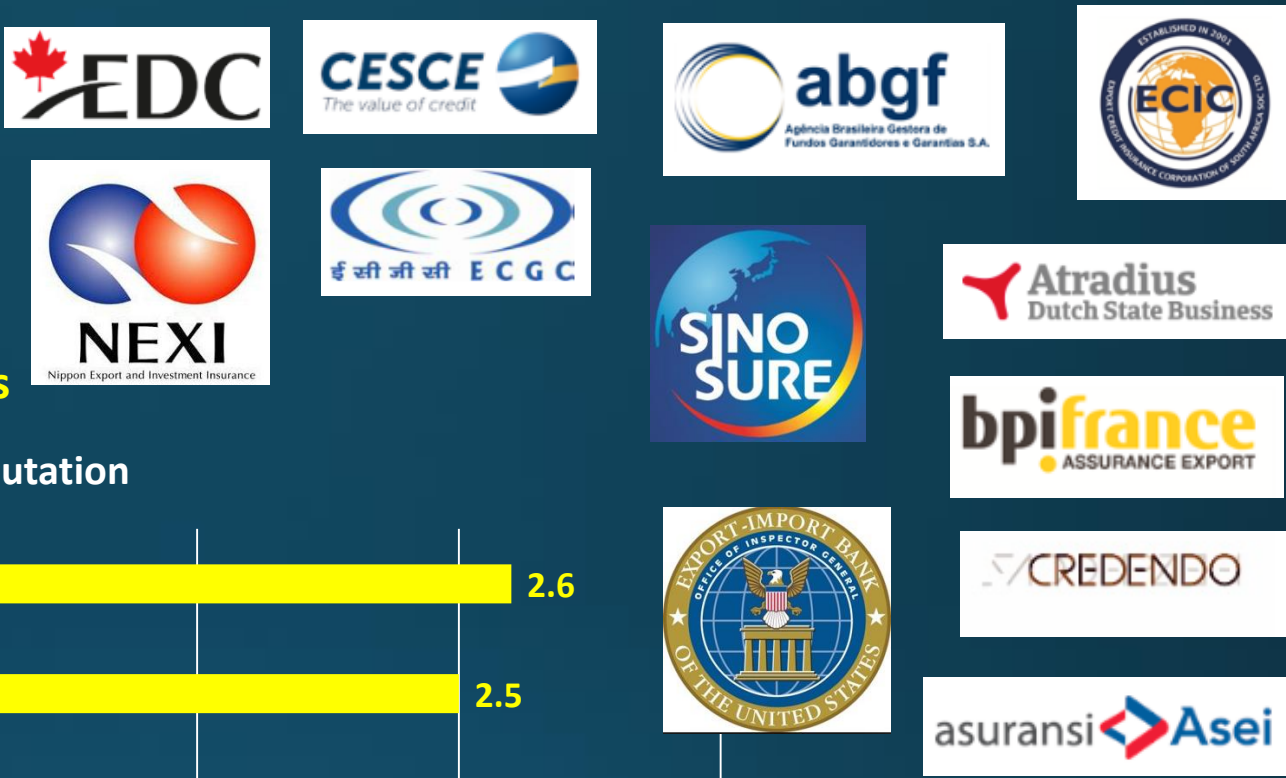
Enhanced reputation (= Licence to operate)

Survey among CEO's of Top Fortune 500 Companies

Seven key factors determining Reputation



Source: Cambridge University Global Study, April 2003



I. Sustainable Development

Trust is hard to gain, but easy to lose.



“

IT TAKES 20 YEARS TO BUILD A
REPUTATION AND FIVE
MINUTES TO RUIN IT. IF YOU
THINK ABOUT THAT, YOU'LL DO
THINGS DIFFERENTLY.

WARREN BUFFETT

You can't build a
reputation on what you
are going to do.

- Henry Ford

It takes many good deeds to build a good
reputation, and only one bad one to lose it.

(Benjamin Franklin)

THE WAY TO GAIN A GOOD
REPUTATION IS TO ENDEAVOR
TO BE WHAT YOU DESIRE
TO APPEAR.

Socrates

I. Sustainable Development

Issues & NGO Criticism



I. Sustainable Development

Reputational risks: How could an ugly NGO campaign look like.



Euler Hermes protects your illegal logging business.

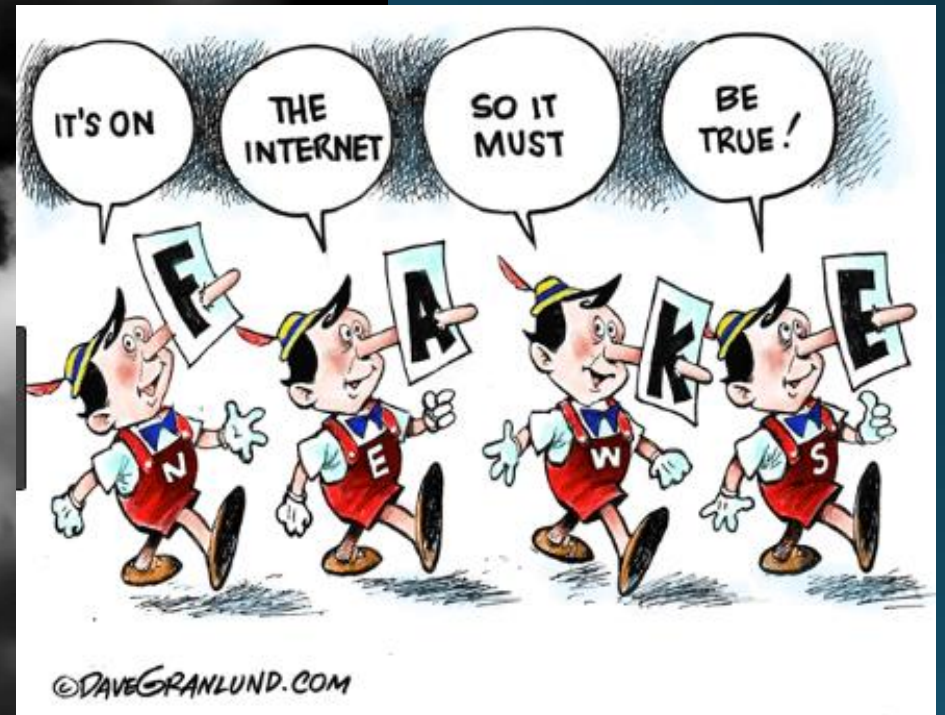


I. Sustainable Development

Reputational risks: How could an ugly NGO campaign look like.

bpifrance
ASSURANCE EXPORT

Your Partner in
Global Warming.



I. Sustainable Development

Reputational risks: How could an ugly NGO campaign look like.



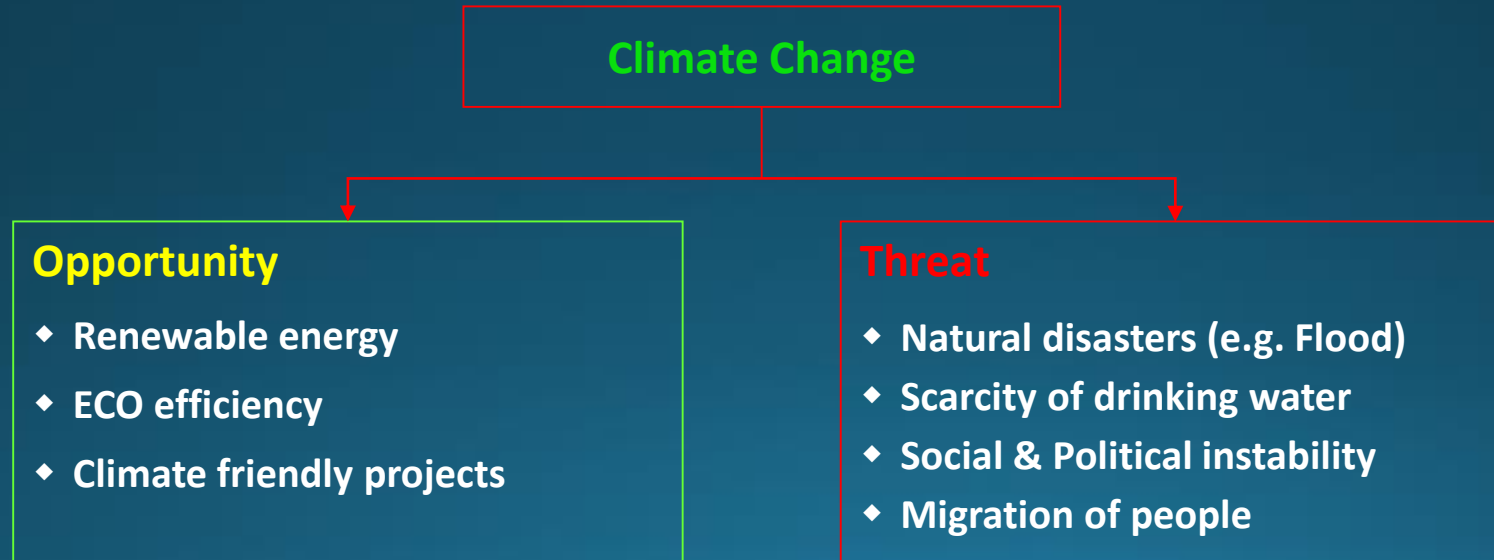
The “dirty hands” of Atradius.



I. Sustainable Development

SD Issues: Opportunities & Threats.

- What are the SD issues the World is facing ?
(e.g. UN Sustainable Development Goals)
- Is the Issue relevant to my business?
- What can I do to contribute positively to the SD issue
- Matching Core Competencies with SD issues



II. The UN Sustainable Development Goals



II. The UN Sustainable Development Goals



Main considerations for ECAs for reporting of UN SDG contribution

1. Many transactions supported by ECAs contribute to UN SDGs, but this completely unknown !!

A few examples from various ECAs:

- Lake Turkana windfarm project Kenya: Euro 620 million. Supported by EKF (2014)
- Gas turbines for Iraq: U\$ 220 million covered by UKEF (2018)
- Bac Lieu Off shore windfarm, Viet Nam: approx. U\$ 1,5 billion. Supported by USEXIM (2016)
- Dredging project Mauritania Nouadhibou port. Supported by Atradius (2017)

II. The UN Sustainable Development Goals



Main considerations for ECAs for reporting of UN SDG contribution

2. Showing the UN SDG contribution will assist in changing the relatively negative perception in the DFI community (e.g. OECD DAC) on the business of official ECAs. Mandates may be different, but both ECAs and DFIs have a developmental impact
3. SDG reporting assists in building the necessary bridges with the international DFI community and OECD DAC.
4. The UN SDGs are inspirational for staff, clients and other stakeholders. Reporting the SDG contributions will enhance staff satisfaction, client satisfaction and societal & political support for the official export credit business in the home country of the ECA.
5. UN SDG reporting will enhance the reputation / license to operate of ECA.
6. Many large multinationals (e.g. Philipps, General Electric, Siemens, Unilever) already report their contribution to the UN SDGs in the context of the overall sustainability strategy. This is also the case for many large reinsurance companies such as Swiss Re, Munich Re and Allianz. ECAs are in this respect clearly lagging behind.



II. The UN Sustainable Development Goals

Main considerations for ECAs for reporting of UN SDG contribution



“At Philips, we fully embrace sustainability because of the benefits for societies, and because we believe that it is a driver for economic growth. That’s why we have **sustainability incorporated in our company strategy.**”

As part of society, all of us – including companies – have an obligation to contribute to the positive state of the world. That is why we at **Philips have committed to support UN Sustainable Development Goals**, specifically SDG 3 to ensure healthy lives and promote well-being and SDG 12 to enable sustainable consumption and production patterns.”

Philips

PHILIPS

In the Iberdrola group we have embraced the United Nations' Sustainable Development Goals, which have been approved by the UN in September 2015, as part of our business strategy and our Sustainability Policy.

Iberdrola



II. The UN Sustainable Development Goals

Main considerations for ECAs for reporting of UN SDG contribution



“The UN Sustainable Development Goals (SDGs) challenge all of us to find ways to improve the lives of people today and in the future. As the SDGs were being developed, **GE** pulled together a global, cross-business team to evaluate what the SDGs meant to us and how we could further them. As one of the world’s leading infrastructure companies, we recognize our unique potential to help solve some of the most difficult sustainable development challenges. There are many opportunities for us to partner on the SDGs but five are particularly aligned to GE’s core mission of providing infrastructure for energy, water, transportation and health”.

General Electric



“In September 2015, more than 190 countries signed up to the **UN Global Goals for Sustainable Development** (Global Goals), which set out a vision for ending poverty, hunger, inequality and protecting the Earth’s natural resources by 2030. Delivery of the Global Goals by 2030 is highly ambitious, and no organisation, institution, government or business can achieve it alone. **The private sector, governments and civil society now need to find new ways of working together to drive the systemic change needed to achieve this vision.** Business had a vital role in shaping the Global Goals, and continues to do so in the delivery of the goals. Business is key to generating economic growth, job creation, investing in innovation and helping to unlock the investment needed to deliver the Global Goals. **It is in businesses self-interest to engage and create a more sustainable future.** There is no business case for enduring poverty. ”

Unilever



II. The UN Sustainable Development Goals

Main considerations for ECAs for reporting of UN SDG contribution



7. ECAs are currently all the time in a “defensive position” regarding various sustainability issues in their business that are raised by NGOs. Reporting the contribution to UN SDGS will contribute to a change of perception and puts the ECA in the driver seat regarding sustainability issues. In this way NGO criticism can be put in a broader perspective, nuanced and tempered.
8. New international reporting requirements are upcoming such as “Total Official Support for Sustainable Development” (TOSSD). This covers all forms of “Official Finance”, including ECA and DFI supported finance.
9. TOSSD reporting applies to all UN member countries and not only to OECD countries.
10. ECAs have already a lot of relevant information about transactions supported and reports their data to a.o. Guardian Authorities, OECD ECG, Berne Union. It is important to integrate SDG reporting in existing reporting frameworks to avoid duplication and unnecessary administration costs.
11. Berne Union could lead a SDG reporting initiative for the international ECA community / global credit insurance industry.

III. Total Official Support for Sustainable Development (TOSSD)



A few observations regarding TOSSD work in progress:

- Joint initiative of UN and OECD DAC and fully supported by G20
- Current working definition of TOSSD task force:

"TOSSD includes all officially-supported resource flows to promote sustainable development in developing countries and to support development enablers and/or address global challenges at regional or global levels."

- Main task: Develop reporting guidelines, implementation in 2019
- Relevance for ECAs / EXIMs:
 - Officially supported export loans / guarantees
 - Officially supported (untied) investment loans/ guarantees
 - OECD, non-OECD countries and developing countries

III. Total Official Support for Sustainable Development (TOSSD)



A few observations regarding TOSSD work in progress:

- TOSSD reporting will include Guarantees.
- Discussion: In TOSSD all or only certain officially supported export credits?
- TOSSD measures also mobilization of private capital (should be non-DFI capital to include ECA / EXIM capital, sovereign wealth funds etc..). Today two mobilization measurement systems exist (joint MDB and OECD DAC). Both systems still under development.
- TOSSD will likely include data regarding ST trade finance of MDB Trade Finance Programs, but not ECA trade finance programs.
- The ECA community is not represented in the current TOSSD Task force.

III. Total Official Support for Sustainable Development (TOSSD)

TOSSD INTERNATIONAL TASK FORCE MEMBERS AND SUBSTITUTES (as of 18 March 2018)

National Statistics Offices	Dr. Lisa Bersales, Co-Chair (Philippines) Mr. Jean-Pierre Cling (France) Mr. Babacar Ndir (Senegal) Mr. Hedi Saidi / Mr. Neil Jackson (UK)	Dr. Mauricio Perfetti del Corral (Colombia) Mr. Rafael Del Villar Alrich (Mexico) Mr. Pali Jobo Lehohla (South Africa) Mr. Mohamed Frigui (Tunisia)
OECD Development Assistance Committee (DAC)	Mr. Laurent Sarazin, Co-Chair (EU) Ms. Thea Christiansen (Denmark)/ Mr. Jérôme Le Roy (EU) Mr. Katsumi Itagaki (Japan)	Mr. Maher Mamhikoff (Canada) Ms. Sofie Habram (Sweden) Ms. Malgorzata Nedjam (France) Ms. Kimberly Smith / Ms. Michelle Hoyt (USA)
Partner Countries & Non-DAC Providers	Mr. Monowar Ahmed (Bangladesh) Ms. Magdalene Apenteng (Ghana) Ms. Felicia Carvalho (Timor Leste)	Ms. María del Pilar Garrido Gonzalo (Costa Rica) Dr. Pius O. Osunyikanmi / Dr. Yakubu A Dadu (Nigeria)
International Organisations	Ms. Amy Lewis (IADB) Amb. Musa Kulaklikaya / Mr. Atilla Karaman (SESRIC)	

IV. Potential Next Steps

- Form a coalition of leading sustainability ECAs and cooperate with one another.
- Define clear strategy and objectives about what you want to achieve.
- ECAs could consider the development of an overall SD strategy
- Learn from DFIs (e.g. IBRD, IFC, ADB, Bilateral DFIs) and leading SD corporates.
- Develop a TOSSD framework for ECAs and take into account existing reporting frameworks and reporting requirements / needs of other “official financiers” (e.g. MDBs and Bilateral DFIs).
- Consult stakeholders in the process towards a TOSSD framework for ECAs.
- Individual ECAs could conduct preliminary SDG research regarding their business portfolios.
- Start ASAP given current work in TOSSD taskforce and provide jointly input to the taskforce.



Contact Details:

Sustainable Finance & Insurance

Paul Mudde

Prins Mauritslaan 63

2582 LN The Hague

The Netherlands

Office: +31-(0)70-2164527

Cell: +31-(0)6-12973335

E-mail: paul.mudde@live.nl

Annex I. The UN Sustainable Development Goals



Goal 1. End poverty in all its forms everywhere

Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Goal 3. Ensure healthy lives and promote well-being for all at all ages

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Goal 5. Achieve gender equality and empower all women and girls

Goal 6. Ensure availability and sustainable management of water and sanitation for all

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Goal 10. Reduce inequality within and among countries

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable

Goal 12. Ensure sustainable consumption and production patterns

Goal 13. Take urgent action to combat climate change and its impacts*

Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development