

# United Nations Conference on Trade and Development

## **Multi-Year Expert Meeting on Commodities and Development**

8-9 February 2021, Geneva

### **Measuring impact : environmental and social risk transparency**

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

# Measuring impact : environmental and social risk transparency

Multi-Year Expert Meeting on Commodities

9 February 2021  
14:00 to 16:00 hrs

# Impact of commodities

- Commodity investors typically focus on highest short-term returns, social and environmental costs are frequently ignored
- Commodity dependence drives short-term investment horizon in CDDCs
- Production and harvesting methods generate a range of significant environmental pressures, including
  - Land and water use
  - polluted water and air
  - soil degradation
  - degraded ecosystems and
  - reduced biodiversity
- Transport of traded commodities adds to these pressures

# Challenges of impact measurement

- Global supply chains, ever-growing exchanges of intermediate goods, increases the complexity of addressing trade's negative environmental effects
- Environmental pressures linked to commodities are felt within own borders
- Increasing consumption drives pressure on commodities
- Internationally trade is driving transference of pressures from the EU and other major importing regions to poorer parts of the world

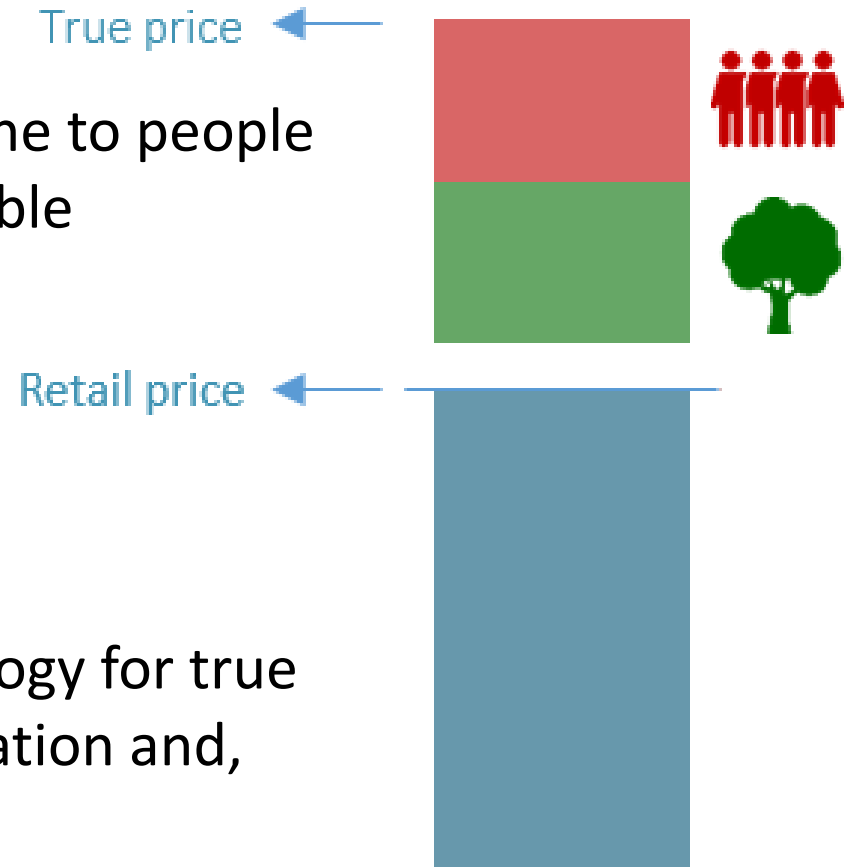
**ESG impact of commodity sector not visible to consumer**

# Impact finance and transparent sustainability

- SDG agenda understood by financiers, “the new normal”
- Objective need for credible indicators capturing the full value chain “from field to fork”
  - UN PRI
  - ESG metrics, mitigating risks in public markets
  - Triple Bottom Line and Impact Adjusted accounting initiatives
  - IRIS metrics and GRI
- Goal: align investments with long term sustainability

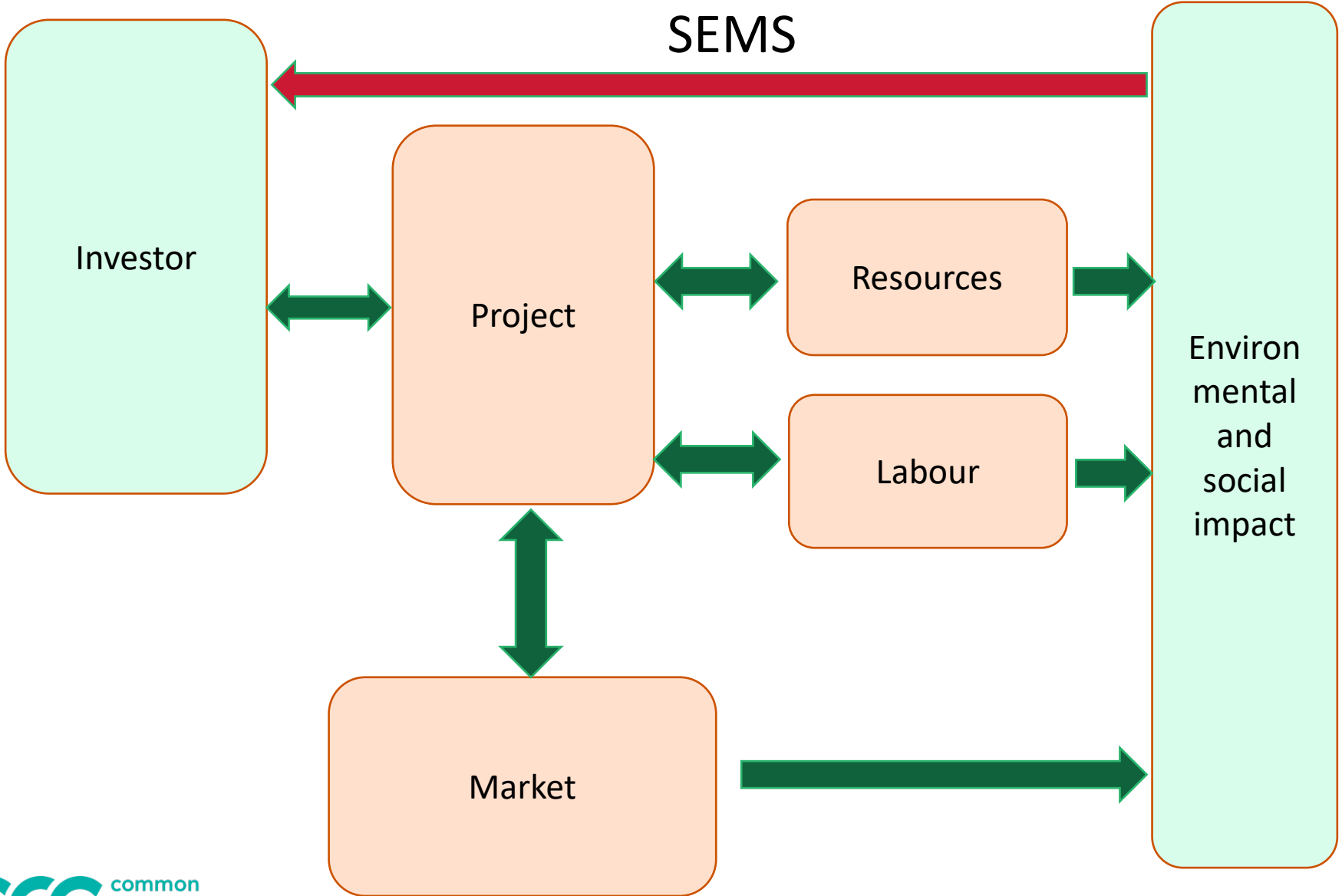
# True price concept

- At true price, no damage is done to people or to nature: it is fully sustainable
- Covers
  - human rights,
  - labour rights,
  - business responsibilities,
  - environmental rights
- Aims at harmonised methodology for true pricing - transparency, remediation and, level playing field
- Sustainable and inclusive economy



# SEMS

- Realise full potential of sustainability inclusion
- Mitigate social and environmental risks
- Implemented explicitly to:
  - Avoid, minimize, and compensate adverse impacts
  - Seize beneficial impact opportunities
  - Ensure stakeholder engagement across GVC
- Integrated with:
  - Risk management
  - Human resources
  - Credit function
- Transparent and integral view of financial and non-financial impact of the project



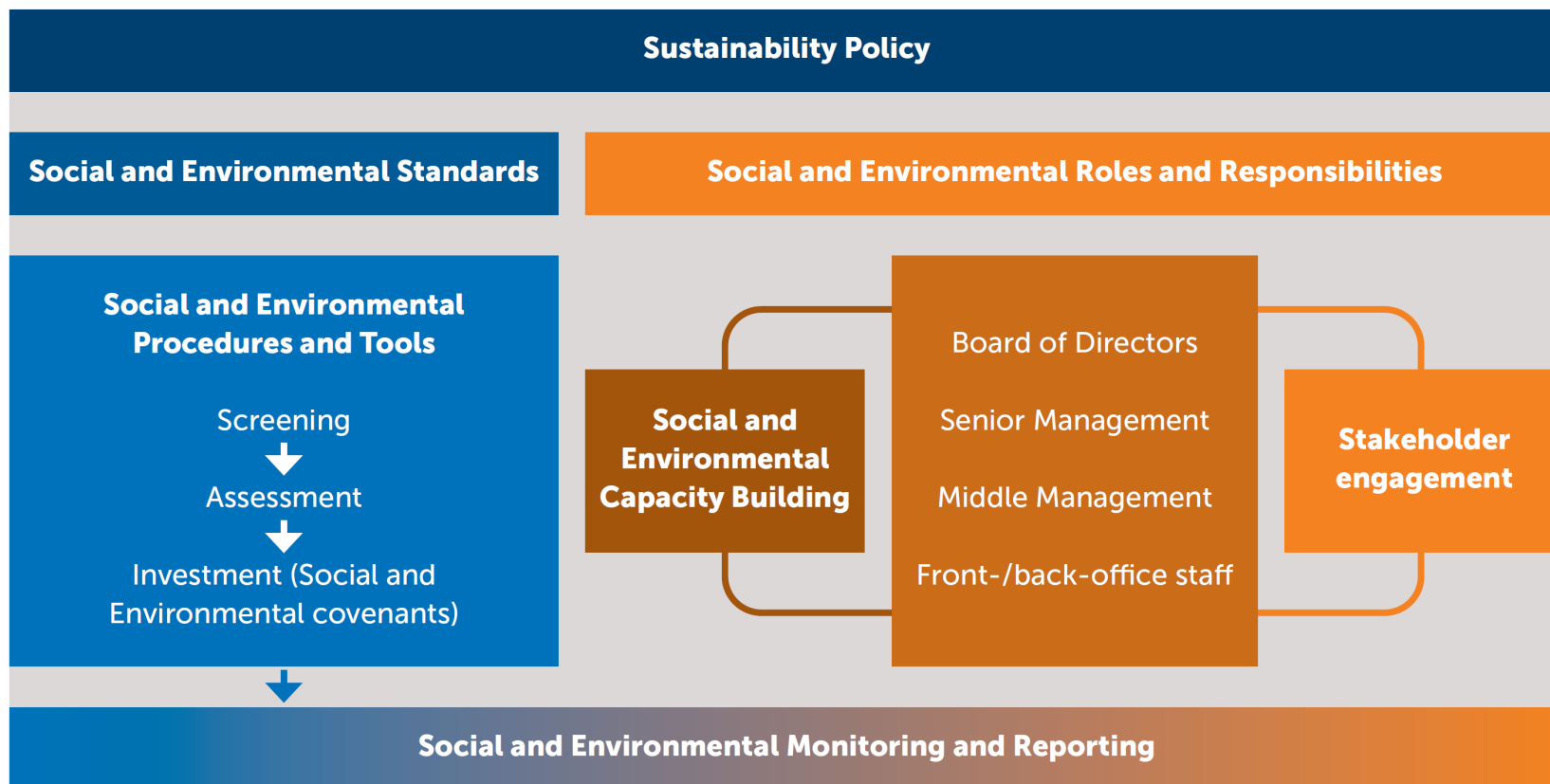


# Components of SEMS

1. Sustainability Policy
2. Social and Environmental Standards
3. Social and Environmental Procedures
4. Social and Environmental Roles and Responsibilities
5. Social and Environmental Capacity Building
6. Social and Environmental Monitoring and Reporting

**Secure transparent representation of ESG through the project cycle**

# Easy? Not quite



# Mobilisation: CIIF

- SEMS a part of robust impact strategy
- Use transparent impact reporting to enable entry by impact financiers
- Leverage grassroots project origination capacity
- Integrate different approaches under common portfolio methodology
- Set the trend for solving the puzzle of true price of commodities
- Realize commodity sector contribution to SDGs

# Thank you !

<https://www.common-fund.org>

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