United Nations Conference on Trade and Development

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Measuring impact: environmental and social risk transparency
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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 transferrence 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
Investor → Project → Market → Resources → Labour → SEMS

Environ mental and social impact
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 grassroot 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

CFC common fund for commodities
Thank you!

https://www.common-fund.org

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