



Environmental and Social Risk Management of Garanti Bank

UNEP-FI TRAINING ESRA WORKSHOP

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- **Garanti's E & S Risk Management Tools**
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Brief History in E & S Risk Management



2010

- ✓ **Sustainability Committee**, including direct and impact teams was formed
- ✓ Garanti started to **efforts** for establishing E&S Risk Management System



2011

- ✓ «**E&S Assessment of the Projects during Credit Appraisal**» project was started. During the project;
 - ✓ An independent consultant company was hired and worked **during 1.5 years, by weekly workshops and training programs.**
 - ✓ **E&S risks** were investigated in detail, with the **participation of the PF & Credit Teams** working on each specific sector.
- ✓ **E&S Credit Policies** were determined. The policies are valid for all loans without monetary limit.
- ✓ **E&S Impact Assessment System** was developed, including risk rating model was developed and was started to be implemented.



Brief History in E & S Risk Management (cont.)



2012

- ✓ Garanti established **Sustainability Team**, within Project Finance and Acquisition Department, in 2012.
- ✓ Garanti designated an **ESIA Supervisor within the Sustainability Team**.
- ✓ Garanti started to implement **E & S Impact Assessment System**.



2013

- ✓ Garanti **has fully commissioned the E & S Impact Assessment System** as it was committed to UN Global Compact
- ✓ ...and **continuing improvement**



Garanti's E & S Risk Management Tools



Garanti has developed

Policies, procedures and guidance staff

ESIA Process, E&S Credit Policies, ESIA Manual, Sectoral Principles

E&S risk assessment tool

Garanti Bank's ESIA Model (inc. Sector Specific Rating Charts)

Internal management capacity

Senior Management awareness and support, Sustainability team, ESMS supervision

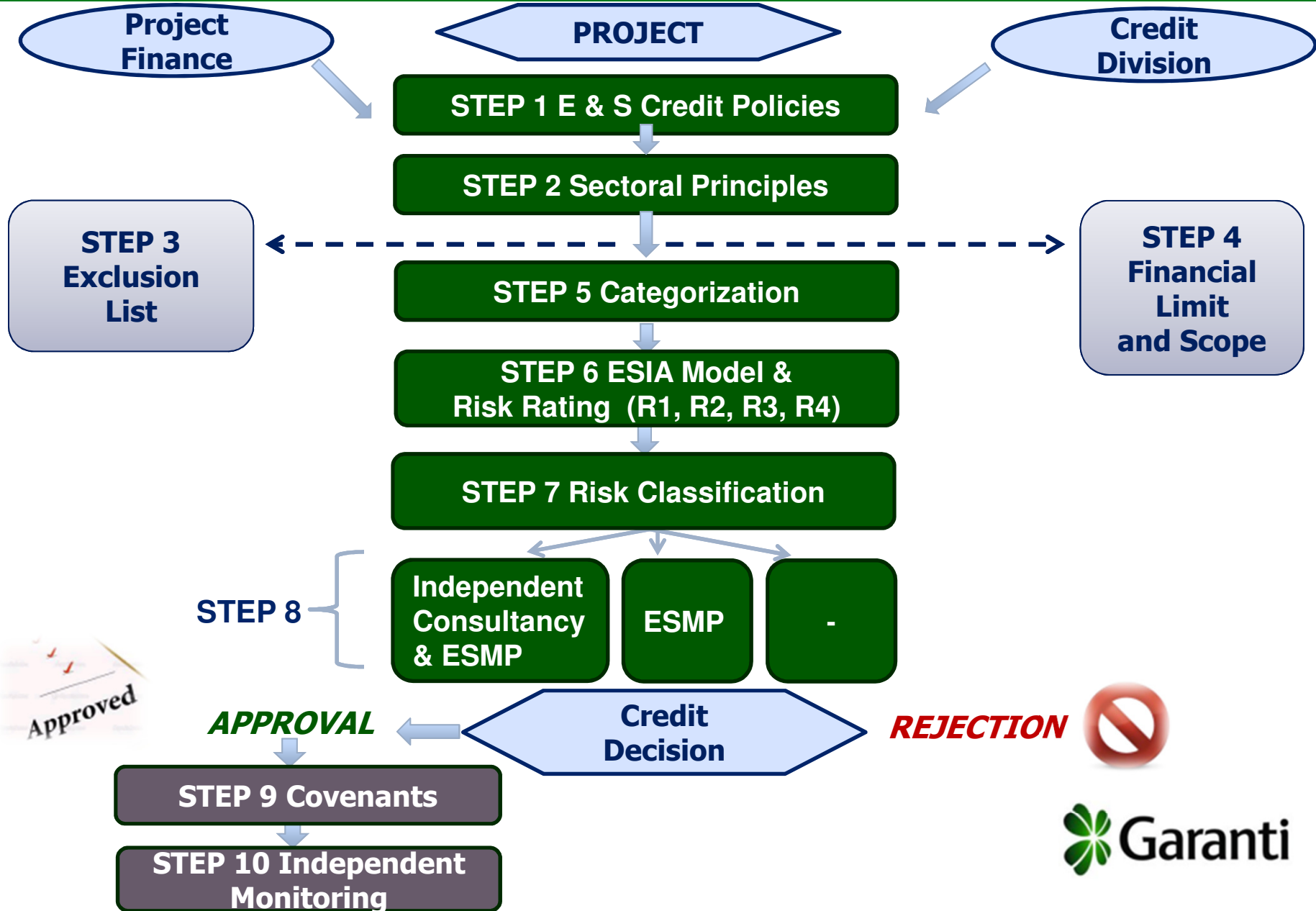
Communication of the needs to internal stakeholders and clients

all PF team and credits team trained

...and Garanti **ensured that** E & S procedures and processes formed **an INTEGRAL part of its operational process.**



Garanti's ESIA Process -10 Steps



STEP 1: E & S Credit Policies



Garanti finances activities with **maximum social and environmental benefits.**

Garanti **subjects new projects** with an investment value of more than US\$ 20 million to the **ESIA Model of** the Bank. Credit decisions are based on the risk rating calculated in accordance to the model.

Garanti ensures

- ✓ the projects to **meet the social and environmental requirements** determined by the Bank's policies, laws and regulations,
- ✓ **the additional measures** to be taken and required environmental actions by the project owner.
- ✓ **scheduled actions** are taken and projects have effective environmental management.

Garanti supports

- ✓ the protection and management of **natural biodiversity.**
- ✓ increased **energy efficiency and** transition to **low carbon economy.**



Garanti aims to contribute the increasing awareness by ensuring all of the stakeholders, especially shareholders, personnel and customers to learn E & S Credit

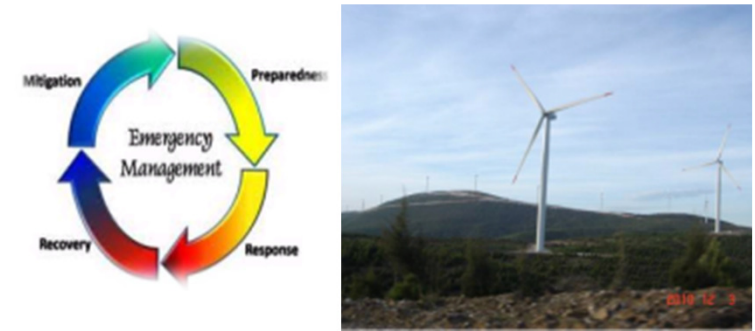
Policies



STEP 2: Sectoral Principles



-  **Energy:** Energy efficiency (BATs), fish passages & makeup water, emission reduction, bird monitoring, re-injection
-  **Cement, glass, ceramic:** Rehabilitation for the quarries
-  **Manufacturing:** Waste management, emission reduction
-  **Textile:** Avoidance of hazardous materials in the manufacturing
-  **Metallurgy, machinery, petrochemicals.** Emissions and discharge control, management
-  **Mining:** ARD, rehabilitation plan, water resources management
-  **Infrastructure / transportation:** Alternatives, ancillary facilities
-  **Oil and gas:** Emergency response plan
-  **Waste:** Emission control for incinerators, leakage control for the compost plants
-  **Food:** Avoidance of hazardous materials, odor and noise control and aeration
-  **Paper and pulp:** Resource and energy efficiency, reuse & recycle
-  **Tourism & healthcare:** Wastewater, medical waste management



STEP 3 : Exclusion List



Garanti **does not finance** activities/projects on;



Production and trade of banned **asbestos fibers and radioactive materials**



Related with the manufacturing of **mass destruction weapons and land mines**



Employment of **child labor** and engage in the acts that **violate human rights**



Forestry operations not managed in accordance with sustainability principles



Excessive fishing



Production, storage, transportation and trade of large amounts of **dangerous chemicals,**



Prohibited and restricted by national legislation & international convention that Turkey becomes a party of such as **Ramsar, UNESCO, CITES, etc.**



STEP 4: Financial Limit & Scope



Garanti applies ESIA Model for **all greenfield projects** with an investment amount

> 20 mio USD



- EXCEPT**
- ✓ Acquisition and privatization credits
 - ✓ Construction & contraction credits, excluding housing projects
 - ✓ Advisory services
 - ✓ Short term or long term credits not consisting any greenfield project
 - ✓ Ongoing projects (in operation)
 - ✓ Re-financing credits demanded for previously utilized for projects



STEP 5: Categorization



- If Project is listed in
 - **EIA Regulation Annex-I**
 - **EIA Regulation Annex-V sensitive areas, or close to these areas.** or;
- If there is a known **significant public or NGO objection**

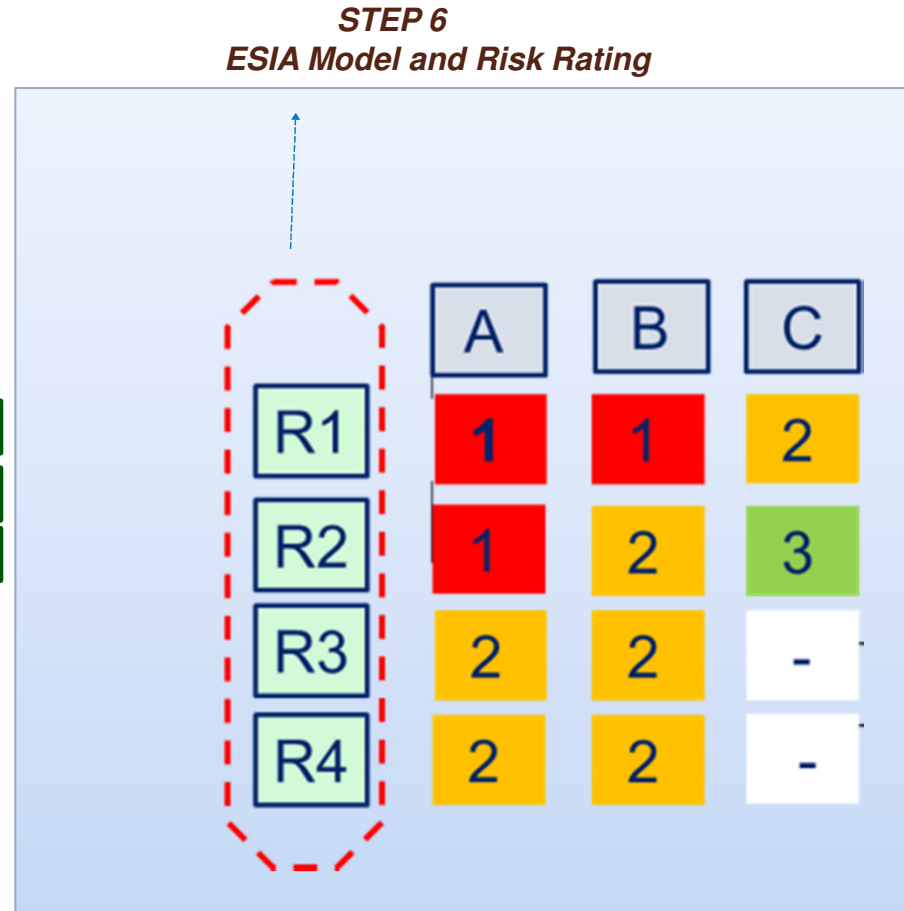
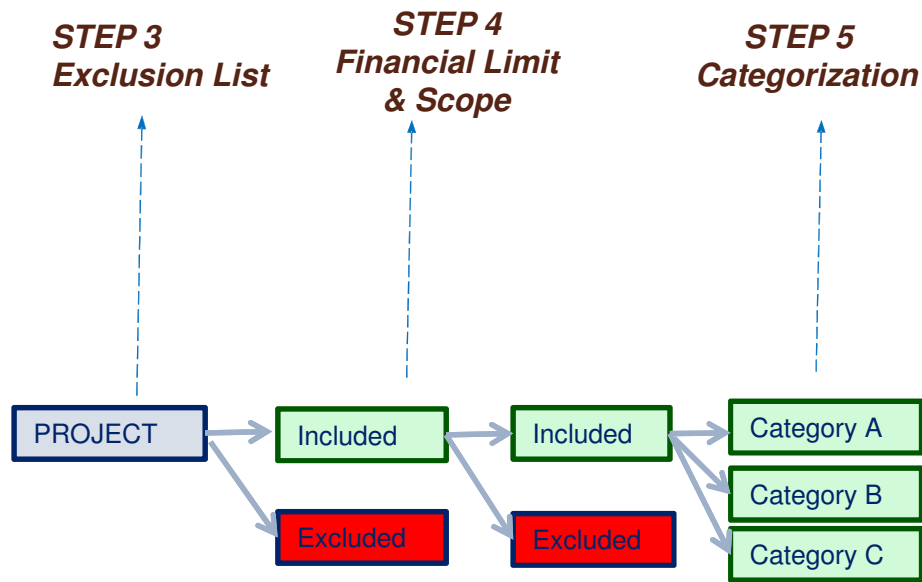


- If project is listed in **EIA Regulation Annex-II**
- If there is public or **NGO interest or objection potential**
- **If exempted from EIA Regulation but has high risk potential**



- If project is **not listed in Annex-I or Annex-II list** of EIA Regulation and
- If there is **no or limited public or NGO interest or objection potential**

STEP 6-7: ESIA Model & Risk Classification



STEP 7
Risk Classification by Risk Matrix



STEP 6: ESIA Model



Total 36-41 questions on;

1. Physical Impacts

- Land use and use of natural resources
- Geology and topography
- Natural disasters
- Soils
- Hydrogeology and groundwater
- Hydrology and surface water
- Marine
- Air
- Noise and vibration

2. Biological Impacts

- Vegetation and flora
- Fauna and habitats
- Aquatic ecology

3. Social Impacts

- Socio-economical
- Human health
- Transportation and traffic

4. Cumulative Impacts

5. Public Consultation

6. E & S Management Plan



STEP 6: ESIA Model (cont.)



ENVIRONMENTAL RISK ASSESSMENT MODEL			R3
1. Physical characteristics of project area and impacts during construction, operation and decommissioning phases of the project			
Landuse and natural sources	1	R3	R3
	2	R3	
	3	R3	
	4	R3	
	5	R3	
	6	R3	
	7	R3	
	8	R3	
Geology and topography	9	R2	R2
Natural disasters	10	R1	R1
Soils	11	R3	R1
	12	R2	
	13	R1	
Hydrogeology and groundwater	14	R2	R2
Hydrology and surface water	15	R2	R2
	16	R2	
Sea	17	R3	R4
	18	R4	
Air	19	R4	R3
	20	R3	
Noise and vibration	21	R4	R3
	22	R2	
	23	R3	
	24	R4	
	25	R2	
2. Biological characteristics of project area and impacts during construction, operation and decommissioning phases of the project			
Vegetative cover and flora	26	R2	R2
Fauna and habitats	27	R3	R3
Aquatic ecology	28	R2	R2
	29	R2	
3. Social characteristics of project area and impacts during construction, operation and decommissioning phases of the project			
Socio-economic characteristics	30	R3	R3
	31	R3	
	32	R3	
Human health	33	R2	R2
	34	2R	
Transportation and traffic	35	R3	R3
4. Assessment of cumulative impacts and alternatives			
	36	R3	R3
	37	R3	
5. Public consultation and reactions of public			
	38	R3	R3
	39	R3	
	40	R3	
6. Environmental and social management plan for construction and operation phases			
	41	R1	R1



Review Questions like..



- Is the project carried out in areas that are **protected** by national or international legislation?
- Are the **cumulative impacts** of other power plants that are already in operation taken into account during the assessment of impacts?
- Is the planned **minimum makeup flow** of the hydropower plant project sufficient?
- Are there any economic, social or physical losses associated with the **expropriation or resettlement** in the project?
- Are environmental and social factors, in addition to technical and economic criteria, taken into account in the master plan or during the **evaluation of alternatives** in the feasibility study?



Garanti GARANTI BANKASI ÇEVRESEL ETİK DEĞERLER ENERJİ HİZMETLERİ

ÇEVRESEL RİSK KRİTERİ RAPORU

Proje Adı (ya da diğer bir isim)	
Proje Yeri	
Proje Yeri (İl, İlçe, Köy, Mahalle)	
Yatırım Bedeli	
Sorular	Evet / Hayır
Soru 1: İlgili alanlar koruma alanı mıdır?	Evet / Hayır
Soru 2: Alanın sınırları nedir?	Evet / Hayır
Soru 3: Alanın sınırları nedir?	Evet / Hayır
Soru 4: Alanın sınırları nedir?	Evet / Hayır
Kategori değerlendirme soruları	Evet / Hayır
Kategori değerlendirme soruları 1	Evet / Hayır
Kategori değerlendirme soruları 2	Evet / Hayır
Kategori değerlendirme soruları 3	Evet / Hayır
Değerlendirme sonucu	A / B / C

<p>Proje Adı: _____</p> <p>Tarih: _____</p> <p>Giriş Yapan Kullanıcı: _____</p> <p>Onaylayan Kullanıcı: _____</p> <p>Kategori: _____</p>				
No	Soru	Etik Değerlendirme Kriterleri		Kriter Risk Derecesi
		Etkinin Derecesi	Etkinin Önceliği / Niteliği	
1	Proje, uluslararası veya ulusal önemde bir konuma sahiptir mi? Veya bu alan önemli bir alan mıdır?	<p>Hayır - Proje yerli konumun dışında yer almıyor veya önemli etki yok.</p> <p>Evet / Orta - Proje yerli konumun dışında yer alıyor veya konumun önemli etkilerde bulunuyor.</p> <p>Evet / Yüksek - Proje yerli konumun dışında yer alıyor ve önemli etkilerde bulunuyor.</p>	<p>Düşük Risk Etki - Etki, önemli ölçüde azdır ve az bir çabayla giderilebilir.</p> <p>Orta Risk Etki - Etki, önemli ölçüde azdır ve az bir çabayla giderilebilir.</p> <p>Yüksek Risk Etki - Etki, önemli ölçüde azdır ve az bir çabayla giderilebilir.</p>	Orta
2	Proje, ulusal, uluslararası veya ulusal önemde bir konuma sahiptir mi? Veya bu alan önemli bir alan mıdır?	<p>Hayır - Proje yerli konumun dışında yer almıyor veya önemli etkilerde bulunmuyor.</p> <p>Evet / Orta - Proje yerli konumun dışında yer alıyor veya önemli etkilerde bulunuyor.</p> <p>Evet / Yüksek - Proje yerli konumun dışında yer alıyor ve önemli etkilerde bulunuyor.</p>	<p>Düşük Risk Etki - Etki, önemli ölçüde azdır ve az bir çabayla giderilebilir.</p> <p>Orta Risk Etki - Etki, önemli ölçüde azdır ve az bir çabayla giderilebilir.</p> <p>Yüksek Risk Etki - Etki, önemli ölçüde azdır ve az bir çabayla giderilebilir.</p>	Orta



STEP 7: Risk Classification Matrix



		RISK GRADE			
		R1	R2	R3	R4
CATEGORY	A	1	1	2	3
	B	1	2	3	3
	C	2	3	3	3

Risk Group 1

- Independent Due Diligence
- ESMP

Risk Group 2

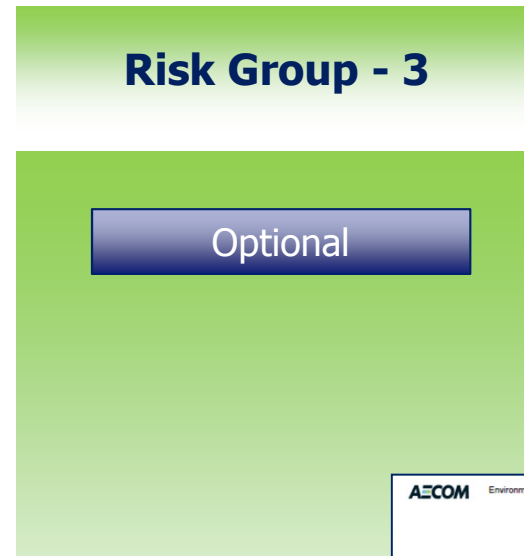
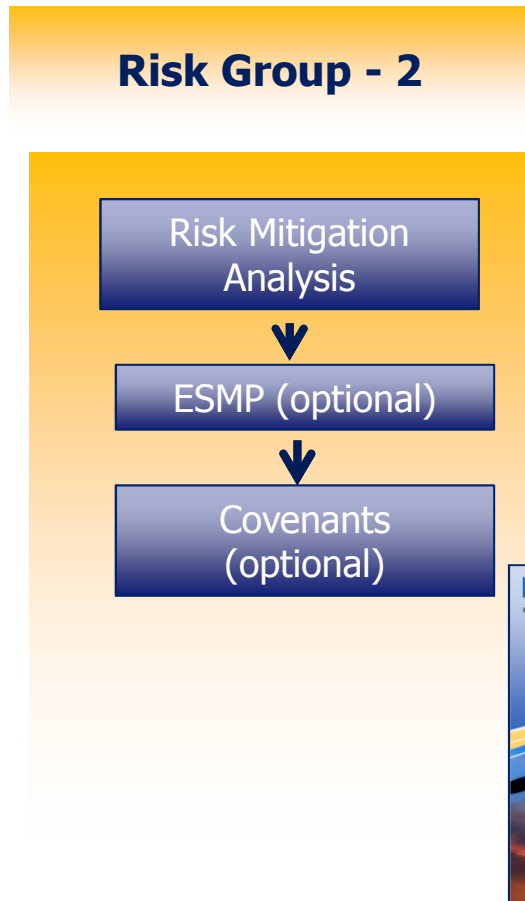
ESMP

Risk Group 2

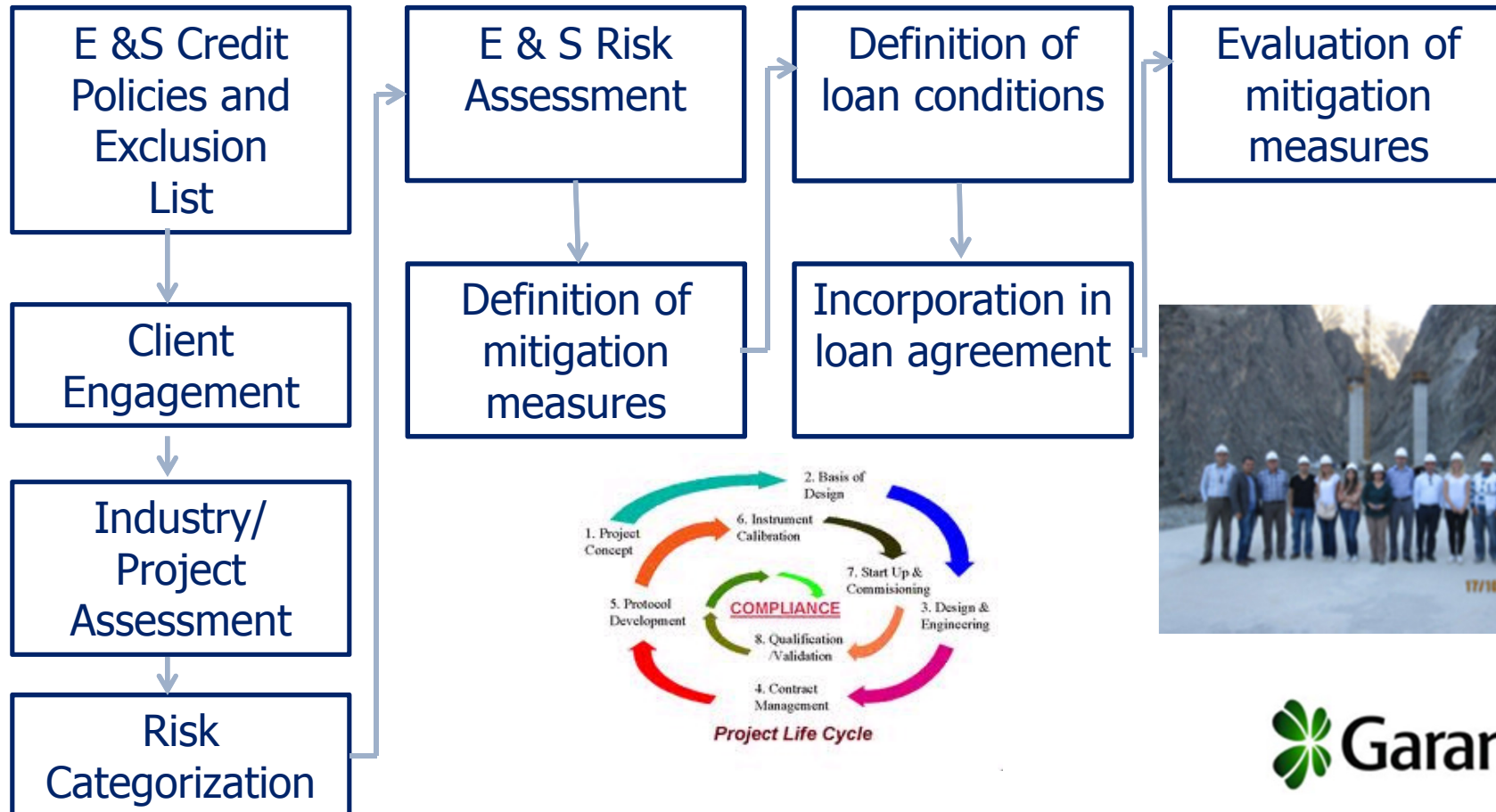
No action



STEP 8-10: Actions (ESMP, Covenants and Independent Monitoring)



ESMS at Project Cycle..everywhere



Selected Project Examples –Actions at Power Projects



TEPP

- **Case 1:** Desalination Plant for cooling water supply from sea & Independent Monitoring
- **Case 2:** ESMP for both plant and mining sites & Independent Monitoring
- **Case 3:** Additional air modelling studies and detailed ESMP for power plant, transmission line, and ash dam



HEPP

- **Case 1:** Fish passage
- **Case 2:** ESMP
- **Case 3:** EDD & ESMP



WEPP

- **Case 1:** For 5 plants, ornitological studies
- **Case 2:** Visual impact assessments and ESAPs
- **Case 3:** ESIA and ESMP



Selected Project Examples- Highways



Northern Marmara Motorway inc. 3rd Bosphorous Bridge Project

- Project Owner: General Directorate of Highways
- SPV: IC-Astaldi
- **Voluntary Environmental and Social Impact Assessment (ESIA)** is being conducted in the guidance of Equator Principles & IFC PSs including;
 - Stakeholder Engagement Plan,
 - Environmental and Social Management Plan,
 - Afforestation Plan.



Gebze-İzmir Motorway Project

- Project Owner: General Directorate of Highways
- SPV: Otoyol AS.
- **Ongoing studies:**
 - Second Public Disclosure
 - Independent Monitoring



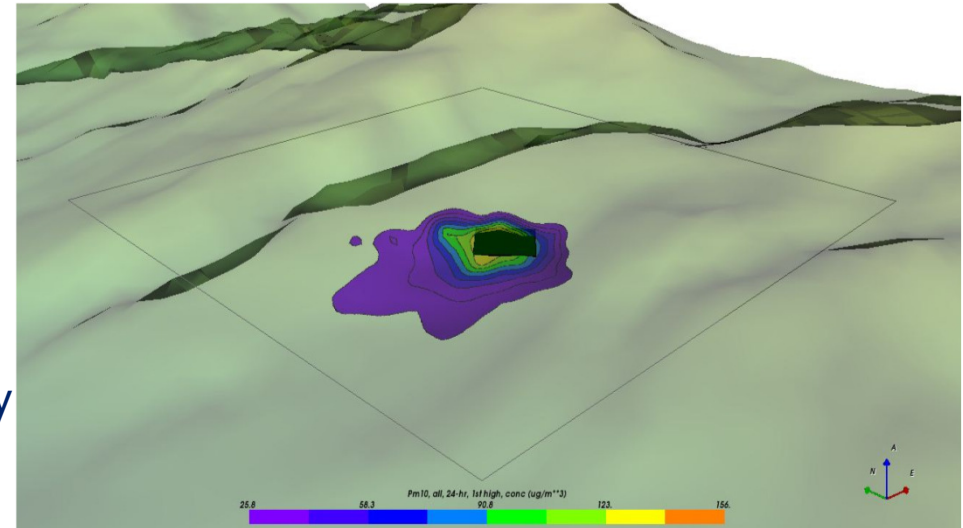
A Project Case: Thermal Power Plant



Additional Studies

Pre-closing

- ✓ Gap Analysis of National EIA Report
- ✓ Environmental Due Diligence
- ✓ Additional Air Quality Modelling
- ✓ Desalinization Plant for Cooling Water Supply from Sea



Post-closing

- ✓ Environmental and Social Management Plan
- ✓ Independent Monitoring



IFC PSs versus Garanti's Implementation



IFC PSs	Aim	Garanti Bank
<p>PS1- Assesment and Management of E & S Risks and Impacts</p> 	<ul style="list-style-type: none"> •Identify project E&S risks and impacts •Adopt mitigation hierarchy •Improve performance through a ESMS •Engagement with affected communities & stakeholders 	<p>Applied</p>
<p>PS2-Labor and Working Conditions</p> 	<ul style="list-style-type: none"> •Fair treatment, non-discrimination, equal opportunity •Good worker – management relationship •Comply with national employment and labor laws •Protect workers, in particular vulnerable categories •Promote safety and health •Avoid use of forced labor or child labor 	<p>Applied</p>
<p>PS3- Resource Efficiency and Pollution Prevention</p> 	<ul style="list-style-type: none"> •Avoid, minimize, and reduce project-related pollution •More sustainable use of resources, including energy and water •Reduced project-related Greenhouse Gas (GHG) emissions 	<p>Applied. Garanti supports increased energy efficiency and transition to low carbon economy.</p>
<p>PS4- Community Health, Safety, and Security</p> 	<ul style="list-style-type: none"> •To anticipate and avoid adverse impacts on the health and safety of the Affected Community •To safeguard personnel and property in accordance with relevant human rights principles 	<p>Applied.</p>



IFC PSs versus Garanti's Implementation-cont.



IFC	Aim	Garanti Bank
<p>PS5- Land Acquisition and Involuntary Resettlement</p> 	<ul style="list-style-type: none"> •Avoid, minimize adverse social and economic impacts from land acquisition or restrictions on land use •Improve or restore livelihoods and standards of living •Improve living conditions among displaced persons 	<p>Applied in accordance with Turkish Expropriation Law (not fully applicable)</p>
<p>PS6-Biodiversity Conservation and Sustainable Management of Living Natural Resources</p> 	<ul style="list-style-type: none"> •Protection and conservation of biodiversity •Maintenance of benefits from ecosystem services •Promotion of sustainable management of living natural resources 	<p>Applied in accordance with Turkish legislation and int. Conventions</p> <p>Garanti supports the protection and management of natural biodiversity.</p>
<p>PS 7: Indigenous People</p> 	<ul style="list-style-type: none"> •Ensure full respect for IPs •Avoid, minimize adverse impacts •Sustainable and culturally appropriate development benefits and opportunities •Free, Prior and Informed Consent (FPIC) in certain circumstances 	<p>Not applied</p>
<p>PS 8: Cultural Heritage</p> 	<ul style="list-style-type: none"> •Protection and preservation of cultural heritage •Promotion of equitable sharing of cultural heritage benefits 	<p>Applicable</p>



Comparison with Equator Principles Requirements



Common Issues

- Analysis, Review and Categorization
- Social and Environmental Assessment
- Applicable Social and Env. Standards
- Action Plan and Management System
- Covenants
- Independent Monitoring



Differences

- Consultation and Independent Review is partially applied at some projects.
- Review Limit - Equator Principles -> 10 mio \$ System -> 20 mio \$

Deficiencies

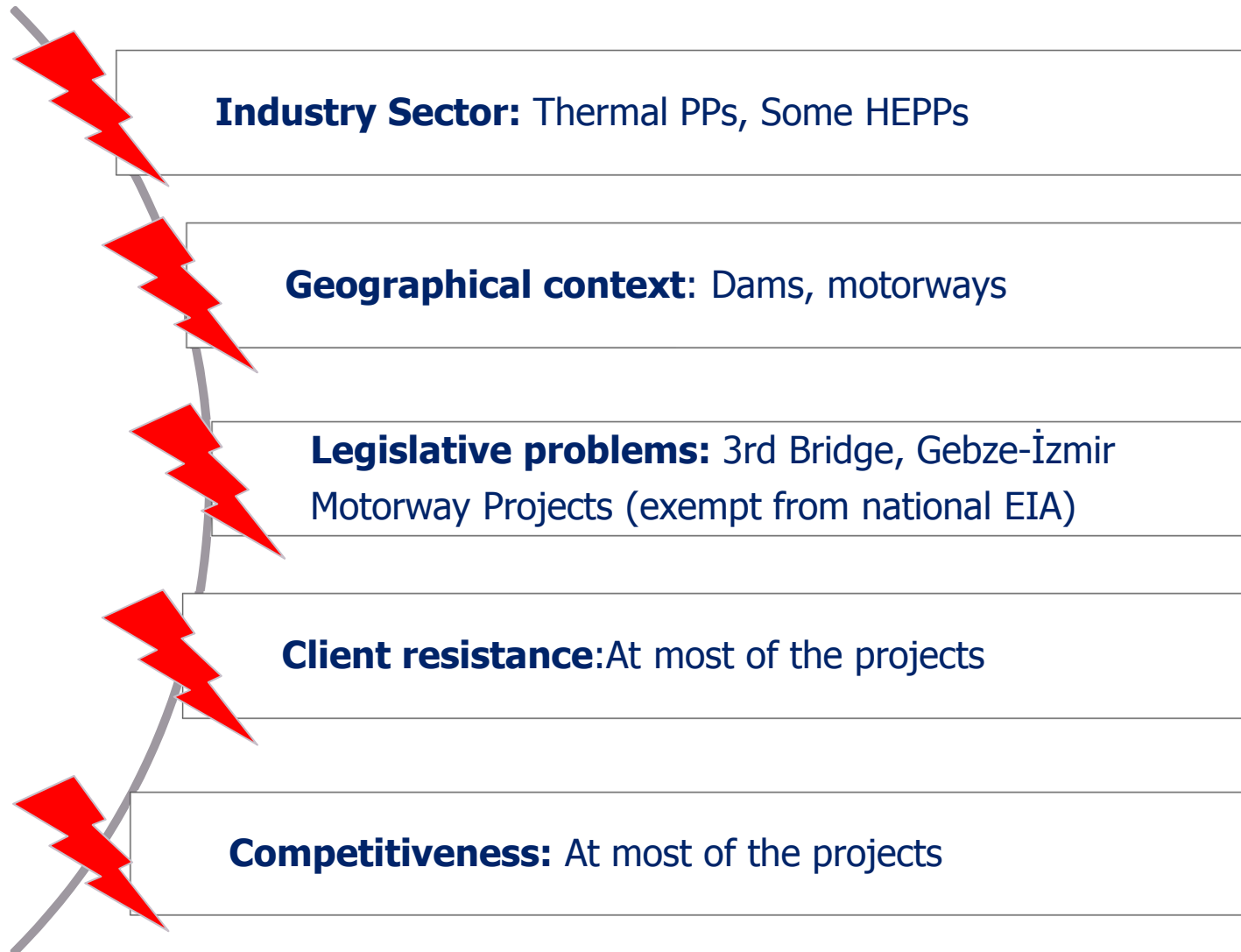
- Griveance Mechanism
- EPFI Reporting and Reporting

Positive Sides

- Equator -> Non-recourse PF Loans Our system -> All PF Loans over 20 mio \$



Main E & S Risks Components



Main Challenges



- Not widely applied among Turkish Banks



- Lack of client awareness in E&S issues
- Low stakeholder engagement and public disclosure



- Lack of efficient implementation and monitoring
- Customers not obliged for additional E&S investments
- Customers not obliged for additional disclosure

Dealing with Client Resistance



We face comments like;

- ✓ Other banks don't require this.
- ✓ We don't pole for this.
- ✓ We don't have a problem.
- ✓ We don't have the time.
- ✓ I am complying with the local regulations and that should be enough.
- ✓ You are a bank. Why are you telling me how to run my business?
- ✓ It may expose us to a whole load of problems.

Benefits



Increases

- corporate image
- efficiency and performance of the projects.
- risk management;
- availability of information for the decision making process and projects approval;
- time saving and money;
- better relations with stakeholders



Reduces

- financial risks
- probabilities of risks arising from projects





THANK YOU

Any Questions?

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