



ITFA's GRC helps with concrete steps on the ESG Roadmap through Webinar on June 18th, 2021

On June 18th, 2021, the ITFA German Regional Committee organized an educational webinar on "ESG in Trade Finance" - sponsored by ODDO BHF. The idea was to continue and deepen the discussion that had started with the ITFA & TFG Tradecast on April 15th.

The number of almost 70 participants in the webinar confirmed the great interest this topic raises in the trade finance community. All stakeholders of financial institutions are in the process of defining the impact of sustainability in its three dimensions (Environmental, Social, Governance) and the answer is unequivocal: Today, ESG is a business imperative but it is also recognized as a business opportunity!

The webinar tackled some of the practical implications of the introduction of ESG criteria for financial institutions like the need of training the staff as well as the need to apply ESG ratings to the portfolio of transactions and customers.

David Quehenberger of Swiss Re held an introduction to set the stage on the status of the ESG discussion. Based thereon Anne Maria Cronin of Quarter Penny Consulting Ltd. gave an "Overview of Learning Courses on Sustainability available for banks", some of them focussing on ESG investing while others take a more general ESG training approach and in part cooperate with the universities of Oxford or Cambridge. The London based consulting company itself has developed a specific e-learning course in "Sustainability in Trade and Trade Finance" with case studies and a course assessment. This course is accredited by the London Institute of Banking & Finance as well as endorsed by the Asian Development Bank's Trade & Supply Chain Program.

Afterwards Alejandra Miranda of the internationally active rating agency Ecovadis provided insight in how to leverage "ESG ratings in the financial space". Alejandra described the advantages of introducing an ESG rating in a company for all stakeholders. She then explained the methodology of their rating approach based on 21 criteria in four dimensions applied to the companies to be rated. The result of the rating can help companies to increase their ESG compliance in order to benefit from improved access to funding. Regular reassessments are recommended to keep up with the changing market expectations and regulation.

In the last part of the Webinar Matthias Öffner of BayernLB described how a large, internationally active bank can apply ESG already today. The institution introduced numerous overarching business principles that define the limits of cooperation with several sectors of the economy. Furthermore BayernLB set a framework for the bank's own operations to reduce its negative impact on the environment. This way the bank continuously strives to reduce its ESG footprint. For trade finance products BayernLB has identified specific ESG challenges (high number of transactions, short lifecycle and abstract nature of instruments) and developed ideas how to tackle the same without overburdening the process or losing control of profitability.

During the webinar three poll questions to the audience confirmed the high priority of ESG for all institutions and the rather steep learning curve still to be worked down. Therefore, the ITFA GRC has decided to continue its effort in bringing expertise to its members by similar activities like this webinar.

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