Cerise+SPTF Annual Meeting 2022
Session Notes

Name of session	**How to Mainstream Environmental Performance Management**
Date	29 September 2022
Time	2:30 – 4:00 pm
Moderator	**Marion Allet**, Head of Environment, CERISE
Speakers	**Christoph Jungfleisch**, CEO and Founder, YAPU Solutions **Julie Torres-Szantyr**, Capacity Building Manager, Solidarité Internationale pour le Développement et l'Investissement (SIDI)

SESSION SUMMARY:

In February 2022, Cerise+SPTF released the updated Universal Standards for Social and Environmental Performance Management ("Universal Standards"). This latest edition now includes a new Dimension 7 dedicated to Environmental Performance Management. This addition is the result of an iterative process that started in the 2010s, with the development of the Green Index and its inclusion as an optional module in SPI4. The average environmental performance of the inclusive finance sector still remains low today, with an average score of 41% while other dimensions score between 64 and 84% (sample: 167 Alinus 2021/2022). Yet, climate change and environmental degradations are realities that cannot be dismissed anymore. How can we mainstream environmental performance management (EPM)?

NOTES FROM THE SESSION:

Panelists discussed the rationales for promoting EPM. They emphasized that microfinance clients cannot be held responsible for climate change. Depending on their activities, clients sometimes contribute to local pollution and biodiversity loss, both of which are also crucial environmental issues. However, clients' impact in terms of CO_2 emissions and thus contribution to climate change is very limited. Yet, these populations are the most vulnerable to climate change effects.

> "The four billion people who are the least responsible for climate change are the ones most affected by it." – Christoph Jungfleisch, YAPU Solutions

Extreme climate events are becoming more frequent and serious (droughts, storms, floods, mudslides…) and have direct negative impacts on microfinance clients' physical assets, activities, and health. In a financial service provider (FSP) perspective, this puts at risk clients' capacity to repay their loans.

> "The basic argument for managing environmental performance management is that neglecting it can affect portfolio quality." – Julie Torres-Szantyr, SIDI

> "Achieving environmental goals is addressing concrete risk impact investors have in their portfolio" – Christoph Jungfleisch, YAPU Solutions

Environmental issues can translate into direct financial, operational and reputation risks for FSPs. Social objectives cannot be achieved without addressing environmental issues, without building the resilience of vulnerable clients.

> "The point of Green Finance is to increase adaptive capacity. [...] Adaptation is the process, resilience is the result. We need to concentrate, share data, and learn continuously to identify solutions collectively." – Christoph Jungfleisch, YAPU Solutions

A starting point for FSPs can be to assess their environmental performance using Dimension 7 of the Universal Standards. Cerise+SPTF developed Dimension 7 in collaboration with the e-MFP Green Inclusive and Climate Smart Finance Action Group, and it is fully aligned with the Green Index 3.0. FSPs willing to assess their environmental performance can either do it through the SPI tool (updated version to be released in early 2023) – for a straightforward assessment, integrated in an overall SPM approach – or through the Green Index Digital Solution – for a more in-depth dive.

Then, there can be various strategies for managing environmental performance, depending on the FSP, its context of intervention, its objectives and resources, the specific risks and opportunities faced. The panelists shared some examples of FSPs who have engaged in this area. Julie Torres-Szantyr, from SIDI, talked about Codessarrollo, in Ecuador, emphasizing how the engagement of the institution in EPM was a step-by-step process, and how critical the commitment of the governance and top management is to push the issue forwards. Using another example, that of UBTEC, in Burkina Faso, she showed that engaging in EPM is something accessible to all types of FSPs, even those operating in difficult contexts and with limited resources (more information on UBTEC experience can be found here). Christoph Jungfleisch, from YAPU Solutions, shared the example of ASEI in El Salvador, which focused on improving the resilience of its agricultural clients by offering both financial products and non-financial services. This case illustrated in particular the importance of awareness-raising, capacity-building, and other non-financial services to foster behavior change and adoption of more resilient, sustainable practices.

As a conclusion, Marion Allet shared a strong message with the industry:

> “The global changes that we are facing today are rivaling the biggest changes faced by Earth in the past 4.6 billion years; but they are happening at a much faster pace than before. Just within a human lifespan, we have increased the temperature on Earth by 1°C. What we are talking about here is access to water, access to food. We must work as an ecosystem to address environmental issues and the urgent, basic needs of vulnerable people and low-income clients. Inclusive finance does have a contribution to make. So please start acting now. At your own level, however you can, starting with what makes more sense to you, starting small and experimenting, failing, adjusting, trying again; but please start NOW. It is a matter of survival.”