



# Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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## CDG Capital sets up a Sustainable Development unit

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/ Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
June 2017	Reallocation of internal resources Required training and development of tools and procedures, some of which with the help of external consultants.	Senior management decision
Monitoring, reporting tools		How Implemented?
N/A		Implemented once opportunities in climate business became clearer.

### Key Lessons

- CDG Capital sustainable development unit was set up following the Bank's experience over a number of years of experience with climate-related activities and involving different partners and stakeholders.
- Strong management support was key to successful implementation.
- Joining networks and clubs to learn and share best practices was seen as an important part of the process leading to the establishment of the Sustainable Development Unit.

## Introduction

CDG Capital acknowledges that climate change is a serious challenge in Morocco. Its main effects, including water scarcity, declining agricultural production, desertification, flooding and rising sea levels, may compromise the country's economic and social well-being as well as development efforts. As a financial institution serving the national economy, CDG Capital set up in June 2017 a sustainable development unit, aiming at integrating sustainability in business strategies, approaches and targets in line with national targets (NDCs).

## Development and Design

The Sustainable Development Unit was developed internally building on CDG Capital previous experience, including:

- the launch of the first African Clean Development Mechanism (CDM) fund in African French speaking countries in 2008;
- the lessons learnt from the Green Climate Fund accreditation process;
- and CDG joining the International Development Finance Club (IDFC) since 2001.

On the one hand, the CDM experience raised CDG Capital awareness about international climate negotiations, created an opportunity to interact with Moroccan project developers involved in climate change activities and improved CDG Capital skills in terms of greenhouse emission measurement methodologies. On the other hand, the GCF accreditation process helped CDG Capital put together a climate strategy and create new procedures (ESS and gender). Eventually, CDG Capital involvement in IDFC was a great opportunity to acknowledge the role of development banks in supporting the climate resilient development pathways and to acquire knowledge and skills with regards to climate best practices.

The unit aims at (i) developing a climate track record (ii) building a CSR strategy with the consultation of stakeholders (iii) executing a climate capacity building plan and (iv) ensuring transparency and disclosure of sustainability information.

## Implementation

**Best practices leadership:** CDG Capital played an active role in the COP22 scientific committee that led to the establishment of the climate roadmap for the Moroccan financial sector in 2016. CDG Capital took

part in workshops with the central banking authority (Bank Al Maghrib) and the banking association (GPBM) and other stakeholders in order to draft proposals for the banking sector, based on international climate mainstreaming best practices. The climate roadmap advocates the introduction of voluntary measures such as (i) environmental and social due diligence reviews in the project cycle process (ii) the setup of new tools /mechanisms to finance climate change projects (iii) financial inclusion including reducing gender disparity (iv) capacity building and (v) transparency and disclosure of sustainability information

**International resource mobilization:** CDG Capital became the first bank in the MENA region to receive accreditation from the Green Climate Fund (GCF) in July 2017. This accreditation approval took almost two years and involved all bank's units to provide the GCF with CDG Capital fiduciary, investment and environmental and social, and gender skills and capabilities. With this accreditation, CDG Capital is entitled to channel GCF funds using different financial instruments such as equity, loans and guarantees, in order to finance national adaptation and mitigation projects, which total cost could reach up to USD 250 million per project.

**Environmental and social policy:** CDG Capital is aware of the need to take into account environmental and social risks in its governance. The environmental and social policy was set up to ensure social and environmental fairness, through a rigorous process of evaluation, control and monitoring of the environmental and social impacts throughout the life-cycle of the project, using IFC performance standards and guidelines.

**Gender policy:** CDG Capital acknowledges the importance of integrating the gender approach in its processes and procedures throughout the life-cycle of the project, in order to maximize (i) access to climate funds for vulnerable populations and (ii) the socio-economic benefit of the project for vulnerable populations. CDG Capital also took the commitment of promoting an internal balance between men and women in key decision-making and advisory positions.

**Physical climate risks assessment:** As an asset management leader in the country, CDG Capital sponsored along with other European financial institutions the development of the CRIS (Climate Risk Impact Screening) methodology measuring the exposure of financial assets to the physical risks associated with the impacts of climate change.

## Next steps

CDG Capital has been able to establish itself as a leading player in sustainable finance in Morocco. CDG Capital will keep building the foundations of a successful CSR strategy with the consultation of stakeholders and will ensure better transparency and disclosure of sustainability information.

In order to develop a climate track record in financing adaptation and climate projects, CDG Capital will leverage its accreditation to the GCF. In order to get there, it aims to (i) set up climate financing targets (ii) structure climate transactions, and (iii) upgrade skills of its staff in relation to climate processes and approaches.