

Driving development?

Regulations for EU-based financing of agribusiness in developing countries

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RESEARCH & ADVICE

Overview

- Investment mechanisms
- ESG-criteria in financial institution decision-making
- Overview of the relevant EU-regulatory framework
- Directions for intervention
- Concrete lobbying options
- Selecting lobbying priorities

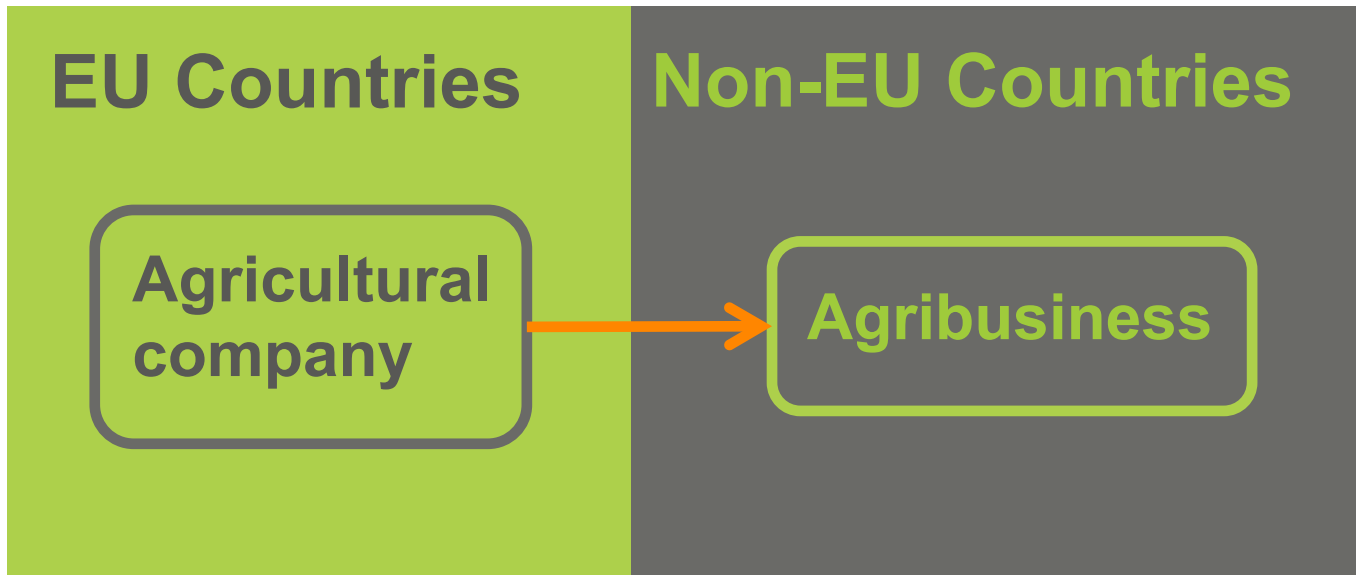


Investment mechanisms

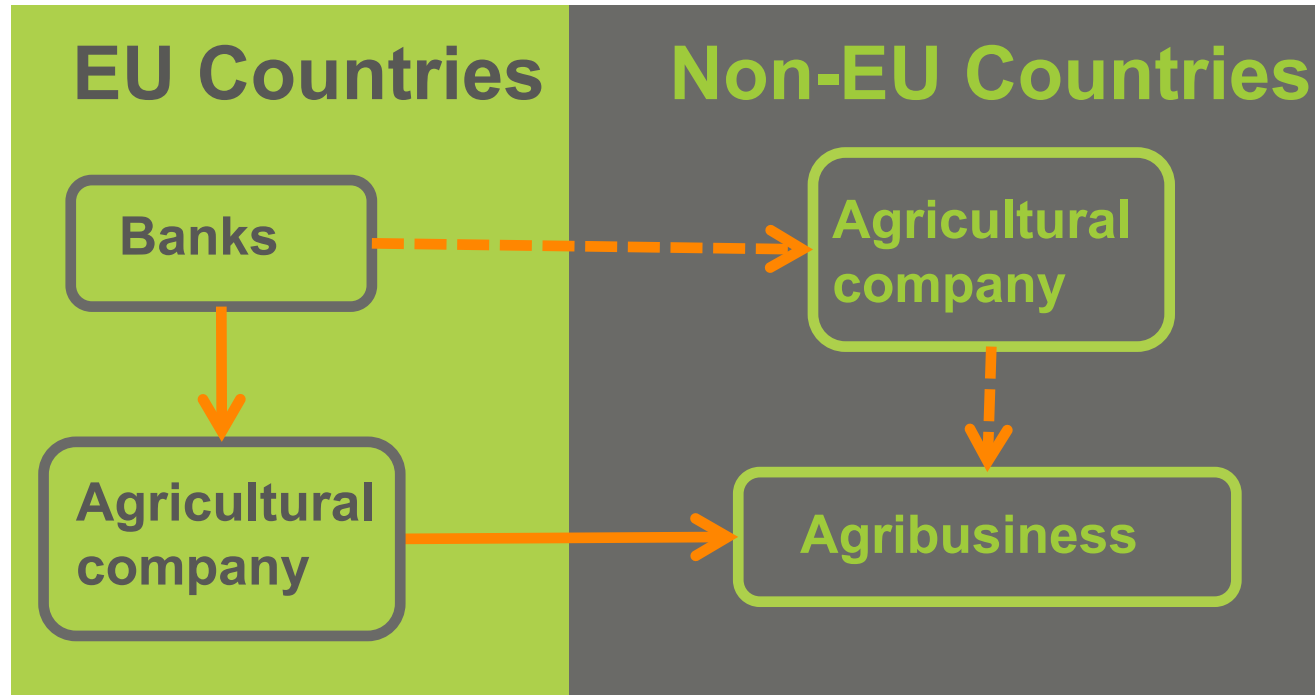
- EU agricultural companies
- Banks providing financial services
- EU institutional investors
- EU private equity fund managers



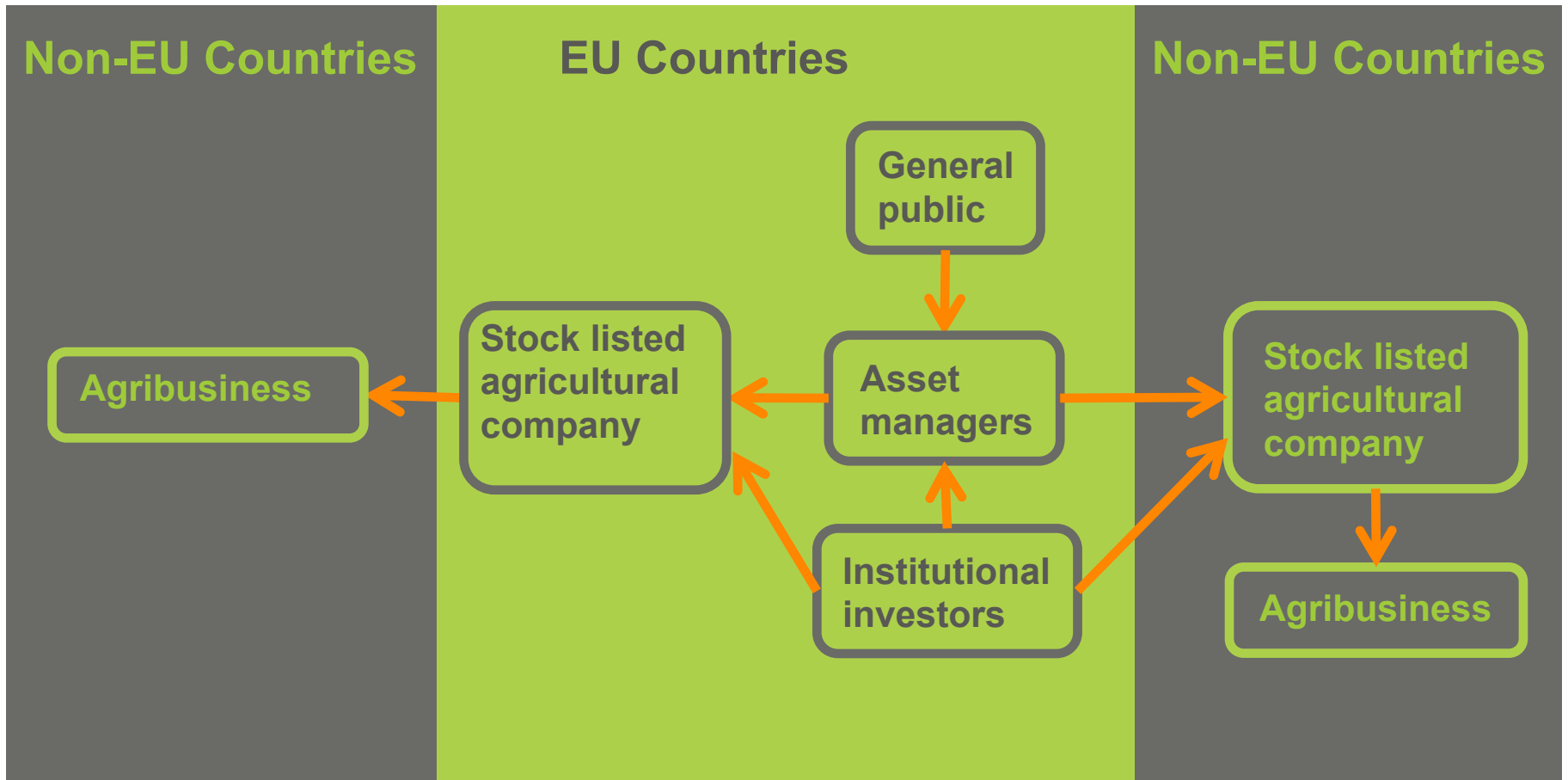
EU agricultural companies



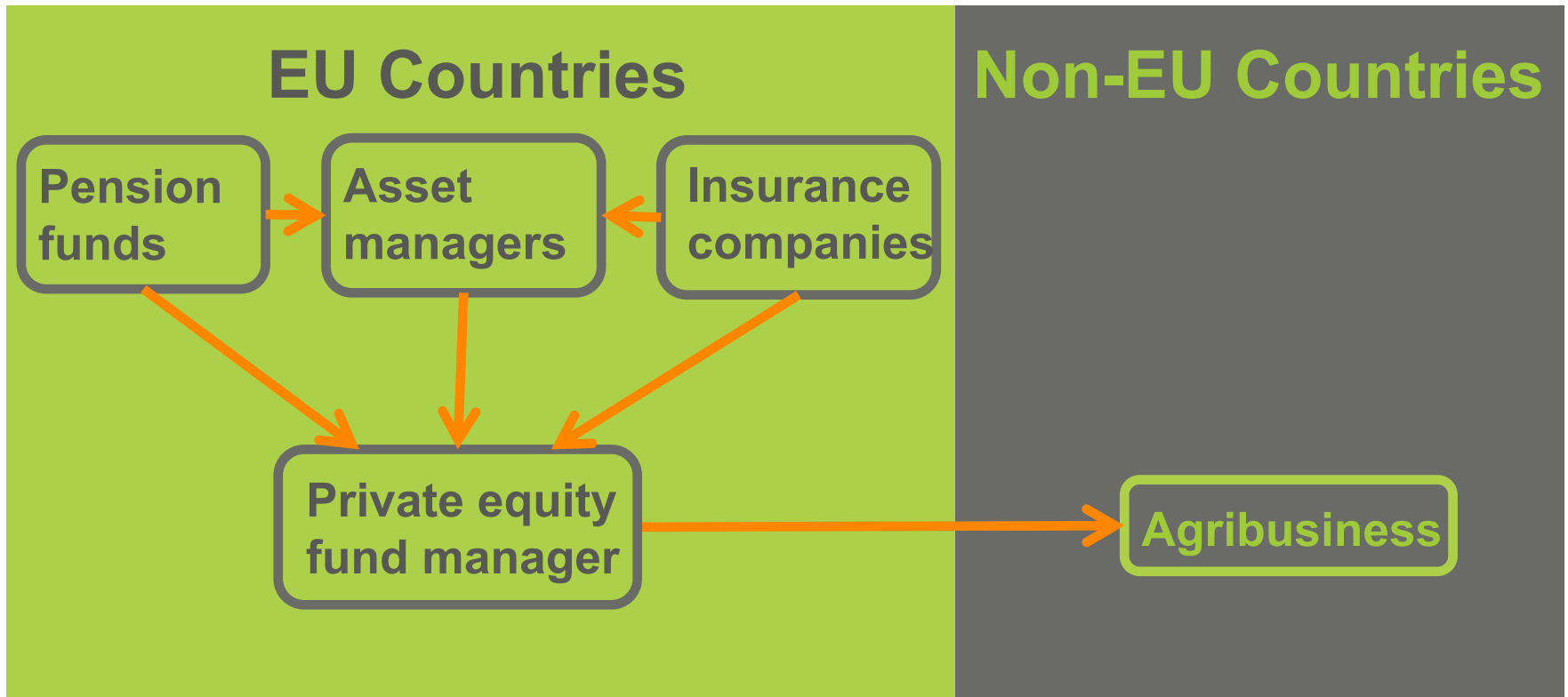
Banks providing financial services



EU institutional investors



EU private equity fund managers



ESG-criteria: Commitments & quality

- **Scope of ESG commitments**
- **Collective CSR standards (PRI, EP, UNEP-FI, GC, etc)**
 - Broad commitments
 - Lack agribusiness related considerations
 - Gap between commitments and practice
- **Own ESG policies**
 - Many general guidelines
 - Few relevant sector policies
 - Scope of policies unclear and limited
- **Quality of ESG policies**
 - Lack of minimum standards
 - No lack of awareness



ESG-criteria: Due diligence & compliance

- **Due diligence and compliance**
- **Screening**
 - Inconsistent across FIs
 - Certification schemes used as proxies
 - Not all agriculture sectors have certification schemes
 - Certification scheme robustness not checked
- **Monitoring**
 - Over reliance on certification schemes
 - Reactive rather than proactive
- **Engagement**
 - Goals set
 - Lack legal recourse to terminate financial relationships on basis of ESG transgressions



Overview of relevant EU-framework

- New European financial supervisory framework
- EU-regulations for (listed and unlisted) companies
 - Transparency and accounting directives
 - Directives on disclosure of non-financial information
- EU-regulations for banks and asset managers
 - Capital Requirements Directive
 - Regulation on prudential requirements
 - Regulation on credit rating agencies
 - UCITS directive
 - MiFD
- EU-regulations for insurance companies and pension funds
 - Solvency II Directive
 - Guidelines on Forward Looking Assessment
- EU-regulations for private equity funds
 - Alternative Investment Fund Managers directive

Directions for intervention

- Improving transparency
- Integration of ESG-criteria in financial sector due diligence
- Requiring legality check
- Redefining the role of financial sector in society



Types of interventions in EU policies

- **Policy changes**
 - Difficult, time-consuming process
 - Needs very strong coalition
- **Changes in technical standards**
 - Not at the political level, more straightforward
 - Only possible when you stay within existing policy goals

Concrete lobbying options

- **Listed and non-listed companies**
 - Include agribusiness sector in transparency requirements
- **Private equity funds**
 - Include ESG and land tenure risks in due diligence
- **Banks and asset managers**
 - Streamlined supervision
 - Expanding KYC procedures
 - Integrating ESG criteria in risk assessment
 - Quality of credit rating agencies
 - Due diligence for UCITS
- **Insurance companies**
 - Risk class descriptions should include ESG risk descriptions
- **Judicial recourse**
 - Promote and facilitate inclusion of ESG covenants in contracts
 - EU could support capacity development in legislative systems in developing countries

Selecting lobby priorities

- Map the importance of different investment mechanisms
- Redefining the role of the financial sector in society?
- Broadening the NGO coalition
- Assessing the feasibility of lobby options
- Evaluating lobby for regulatory change against other options



Thank you!

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