

# SOS CONFERENCE 2025



Cape Town, South Africa



4-5 September

## WELCOME & OPENING

Day 1



An aerial photograph of Cape Town, South Africa, taken during the golden hour of sunset. The image is split vertically: the left half is darkened to serve as a background for the text, while the right half shows the full scene. In the background, the flat-topped Table Mountain dominates the skyline, with other peaks like Lion's Head visible. The city of Cape Town is spread across the slopes and the coastal plain, with its buildings illuminated by the warm light of the setting sun. The foreground shows the turquoise waters of the Atlantic Ocean meeting the shore, with white waves breaking. A large, modern, white stadium is visible in the lower-left quadrant of the image.

# Keynote Address:

Dr Graeme Codrington

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# SOS CONFERENCE 2025



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4-5 September

## Presentation Deck

Day 1





# Topic 1: Geopolitical Tensions

(Part 1)

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# Geopolitical Tensions (Part 1)

Working Group Leader	
Ilir Fani	EBRD

Panelists	
Mamadou Sakho	AfDB
George Rublee	ADB
Marjo Harri	NIB
Marcelo Henrique Donelli	IADB

# Coffee and Tea Break

**11h15 - 11h35**

**20 Minutes**







# Topic 2: Geopolitical Tensions

(Part 2)

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# Geopolitical Tensions (Part 2)

Working Group Leader & Moderator	
Ilir Fani	EBRD

Panelists	
Tinuade Benson Bergkvist	IFC
Mamadou Sakho	AfDB
George Rublee	ADB
Marjo Harri	NIB
Marcelo Henrique Donelli	IADB





# Geopolitical Tensions -

EBRD

Ilir Fani

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# Global Geopolitical Issues and Tensions

Examining causes and  
impacts on worldwide  
stability

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# Political Conflicts and Power Struggles

## **Causes of Political Conflicts**

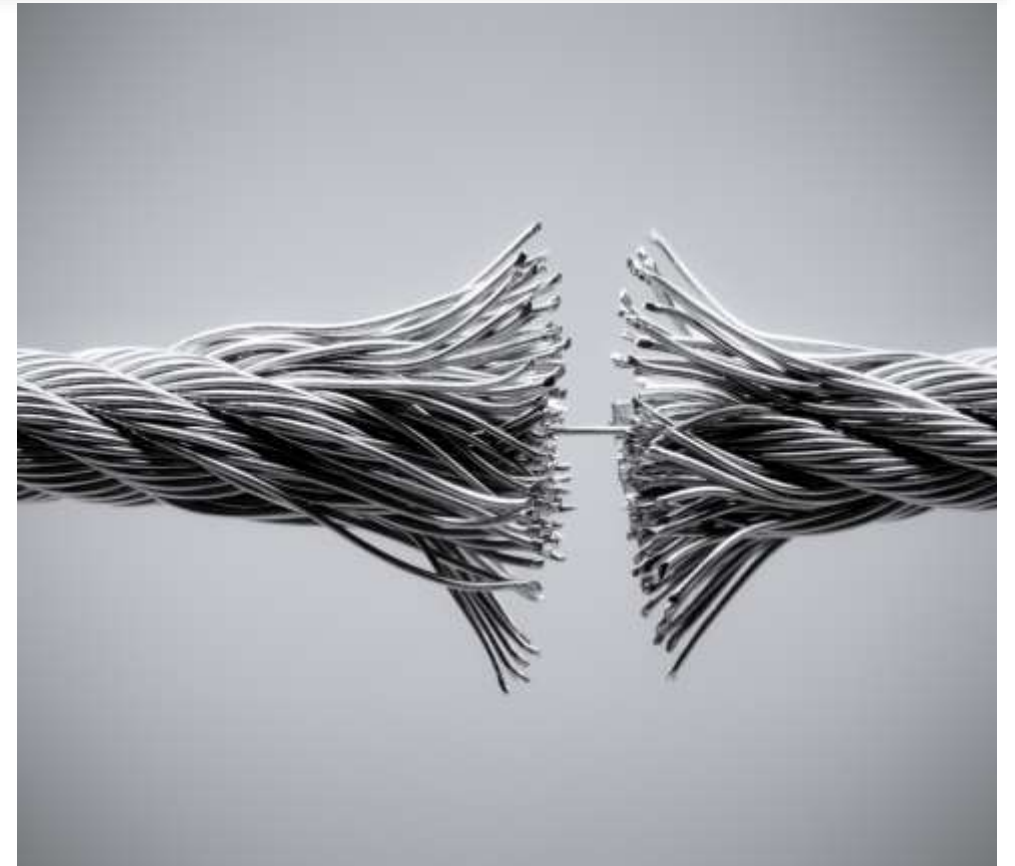
Political conflicts stemming from competing national interests, territorial disputes, and regional dominance struggles.

## **Escalation to Proxy Wars**

Tensions can escalate into proxy wars where external powers support opposing sides in conflicts.

## **Diplomatic Standoffs**

Diplomatic standoffs arising when negotiations fail, risking international peace and stability.



# Trade Wars and Economic Rivalries

## Trade War Mechanisms

Trade wars involving tariffs, sanctions, and protectionist policies imposed by competing economies to gain advantage.

## Impact on Global Markets

Economic rivalries destabilise global markets, creating uncertainty and volatility in international trade.

## Supply Chain Disruption

Trade conflicts disrupt supply chains, affecting production and delivery of goods worldwide.





A background illustration of a crowd of people in silhouette, protesting or celebrating. Many individuals are holding up flags on poles, and several people have their hands raised in the air. The crowd is dense, with figures in the foreground being more prominent than those in the background. The overall tone is one of collective action and activism.

# Human Rights Abuses and International Responses

## Global Condemnation

Human rights violations often trigger widespread international condemnation and demands for justice and accountability.

## Geopolitical Influences

Responses to abuses are frequently shaped by geopolitical interests, affecting the consistency of international actions.

## Challenges to Protection

Geopolitical complexities complicate efforts to protect fundamental freedoms and enforce human rights universally.

# Water Scarcity and Resource Competition

## Water Scarcity Challenges

Limited water availability causes tension among states sharing transboundary rivers and resources.

## Resource Competition Risks

Competition over scarce water resources increases the risk of conflicts between communities and nations.

## Need for Cooperation

Effective cooperative management strategies are essential to mitigate conflicts over shared water resources.







# Impact on Global Stability and Cooperation

## Global Challenges

Political, economic, human rights, and resource issues collectively threaten worldwide stability.

## Need for Multilateral Cooperation

Cooperation among multiple nations is vital to ease tensions and foster peace and development.

## Sustainable Peace and Development

Sustained peace and growth depend on addressing global challenges through collective efforts.

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# Conclusion

## **Complex Geopolitical Tensions**

Geopolitical tensions have multiple dimensions including political, economic, and social factors needing careful analysis.

## **Need for Informed Policies**

Developing informed policies requires understanding all dimensions of conflicts to ensure effective resolutions.

## **Cooperation for Stability**

International cooperation addressing conflicts and resource issues promotes global stability and security.





# Geopolitical Tensions - Response -

Nordic Investment Bank  
Marjo Harri

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# The Future of European Competitiveness

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A Competitiveness  
Strategy for Europe

# The Draghi report



Came out in the fall of 2024



Introduces the current economic and geopolitical context, outlines the challenges



Builds several horizontal and detailed sectoral proposals to boost

- Productivity
- Cost competitiveness
- Resiliency



Implementation would require an increase in investments to levels last seen in 1960-1970. The next EU MFF will build on the recommendations of the report

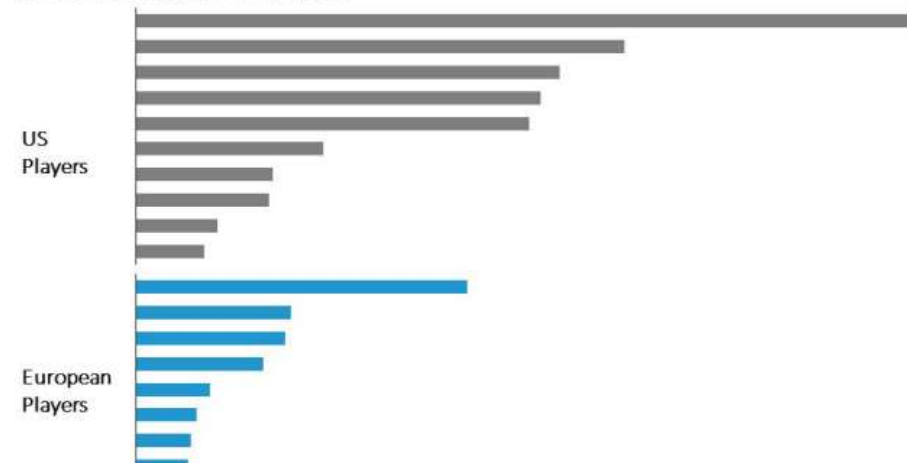


# Resiliency & Defence:

## EU must step up defence investments

Comparison of major European and US players

Defence revenues, EUR million, 2023



- Defence R&D levels are low and industry is small
  - Many of the innovation arguments apply to the sector
- Market fragmentation: success requires scale in both supply and demand
- Financing has been a bottleneck due to ESG

## Eu responses

EU just started negotiations on the new 7-year budget (MFF)



Nearly €2tn common spending to Europe's "new and emerging challenges"



Key priorities:

Infrastructure

Defence

Security

Research

Energy and  
industrial  
resilience.

A PART OF WATCH MEDIER

**AMWATCH**

AMNEWS

**Swedish pension player reviews its investment policy on defense and sustainability**

Länsförsäkringar Fondliv does not intend to sell off all its US investments but may increase its European exposure, the pension player's CEO says in an interview.

**Investors are lining up for defense, says government PE manager**

While Finnish investors were active in the first rounds of fundraising for defense, other investors have joined in on the second round, says Jakob Sandell from Finnish government PE investor, Tesi.

FUND MANAGEMENT

**Danske Bank opens up for investing in most European defense companies**

Danske Bank Asset Management meets change in investor attitude, removes more than 30 defense companies from its exclusion lists, and can now invest in almost all European companies in the industry.

**Europe's top money managers start to bring defence stocks in from the cold**

By Naomi Rovnick, Iain Withers and Simon Jessop  
March 14, 2025 6:59 AM GMT+2 • Updated 19 days ago

Summary Companies

- Europe eyes billions of euros in investment, stocks hit records
- Some end-clients push fund managers to lift curbs on defence
- Asset managers reviewing ESG policies, defence sector limits



SUSTAINABLE FUTURE

**Defense stocks in an ESG portfolio? A profound — and controversial — shift seems to be underway**

Pensions Industry

+ Add to myFT

**Dutch pensions to invest €100bn in risky assets boosting Europe's defence efforts**

APG boss says largest part of investment to be within bloc owing to 'attractive valuations'

**Asset managers race to set up European defence funds**

Amundi to join flurry of ETF launches as once-shunned sector returns to favour

**Norway urged to drop 'crazy' ban on investment in defence companies**

Opposition leader vows to overturn rule barring \$1.8tn fund from holding stakes in defence sector if her party wins election

17-03-2025 • Interview

**Investing in defense as a sustainable investor**

Investors are being urged to invest more in defense companies as European governments ramp up spending to counter Russia.

Conventional weapons have always been investible for mainstream portfolios

Controversial weapons like cluster munitions are always excluded



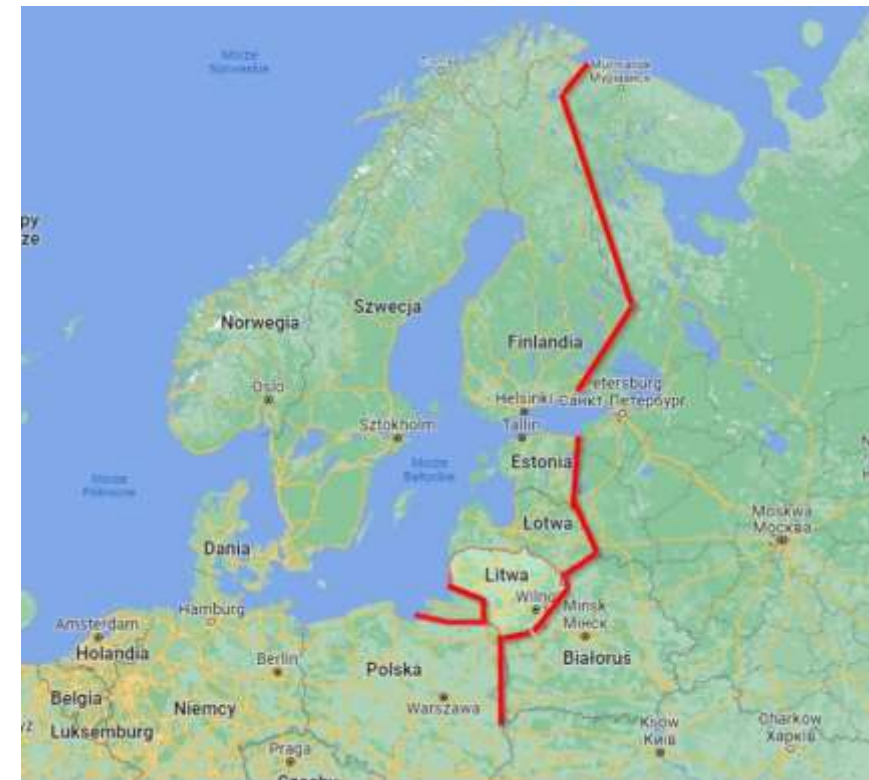
# Geographical and Geopolitical realities

NIB's 8 member countries

5/8 member countries have long border line with Russia totalling ~2,274 km \*)

- Finland ~1,340 km
- Estonia ~294 km
- Latvia ~217 km
- Lithuania ~227 km
- Norway ~196 km
- Denmark, Iceland, Sweden not bordering to Russia

\*) source CIA Factbook



# 8 member countries in Northern Europe

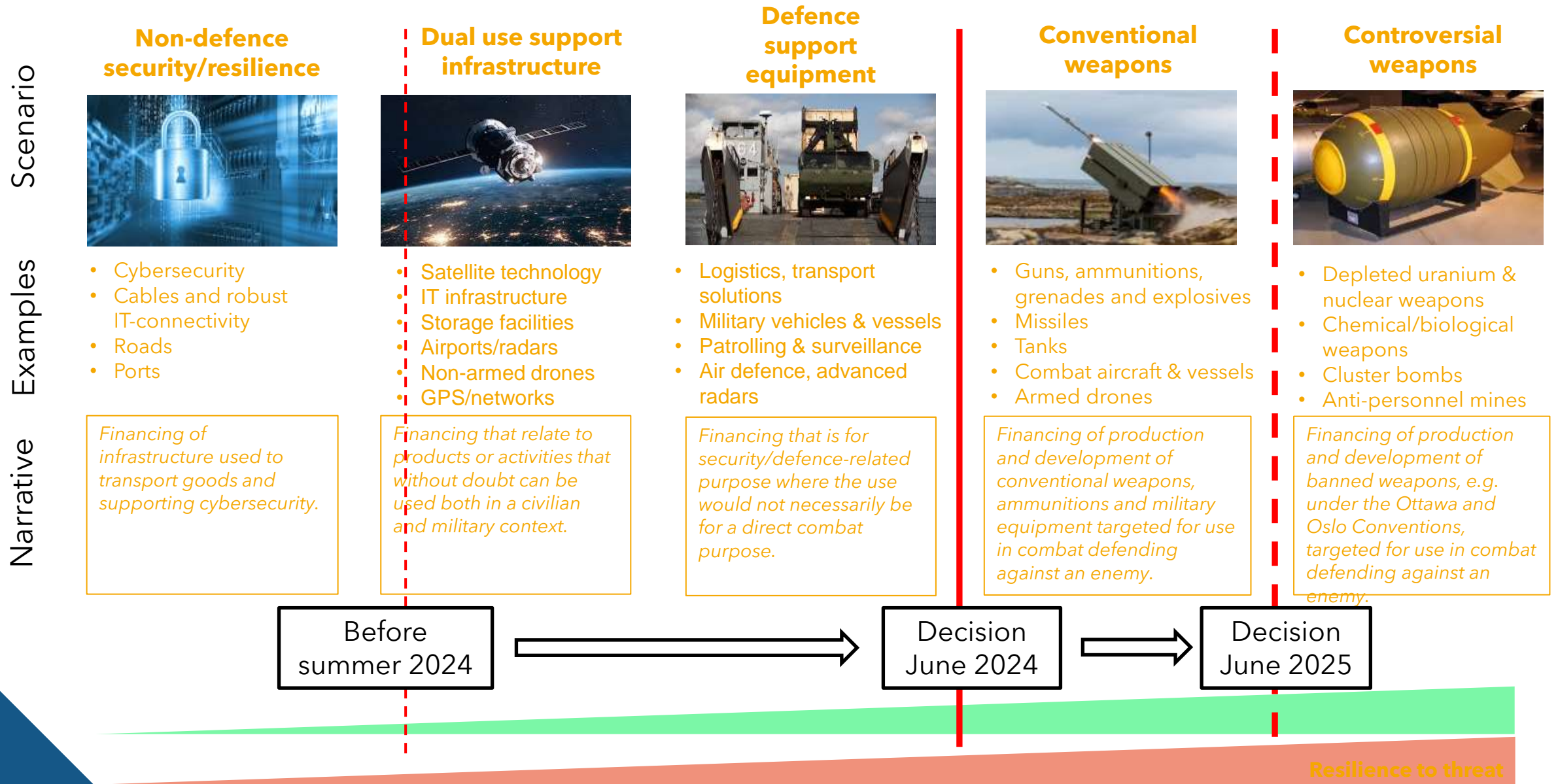
- Changed Geopolitical situation after Russian invasion to Ukraine in February 2022.
- Focus on mobilizing finance for climate and nature, productivity and innovation as well as consider ways to support security and resilience.
- Regional need to strengthen security, resilience and defence in the member region.
- Support primarily in financing needs within i) resilient infrastructure, ii) innovation, iii) SMEs (suppliers and niche players), iv) larger regional defence groups.
- Stepwise amendment of Exclusion list – first in 2024 dual use support infrastructure and defence support equipment – then in 2025 conventional weapons.

# NIB and Defence – mandate considerations

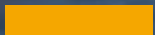


- Security, Resilience and Defence is a **pre-requisite** for NIB to deliver its mission. There is no sustainable and prosperous NB8 without it being safe.
- Many elements of security, resilience and defence are and can be **captured** in the **productivity mandate**.
- Security, Resilience and Defence spending will have **spill-overs to the economy** – especially if dual use sectors and R&D related.









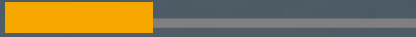
Q & A

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Thank You!





# Topic 3: Covenant Lite Loans and New Unsecured Type Loans

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# Covenant Lite Loans and New Unsecured Type Loans

Working Group Leader & Moderator	
Paulo de Bolle	IFC

Panelists	
George Rublee	ADB
Sin Foong Wong	IFC
Steffen Pohl	EBRD

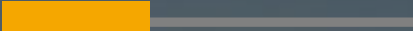
# Lunch Break



13h00 - 14h00

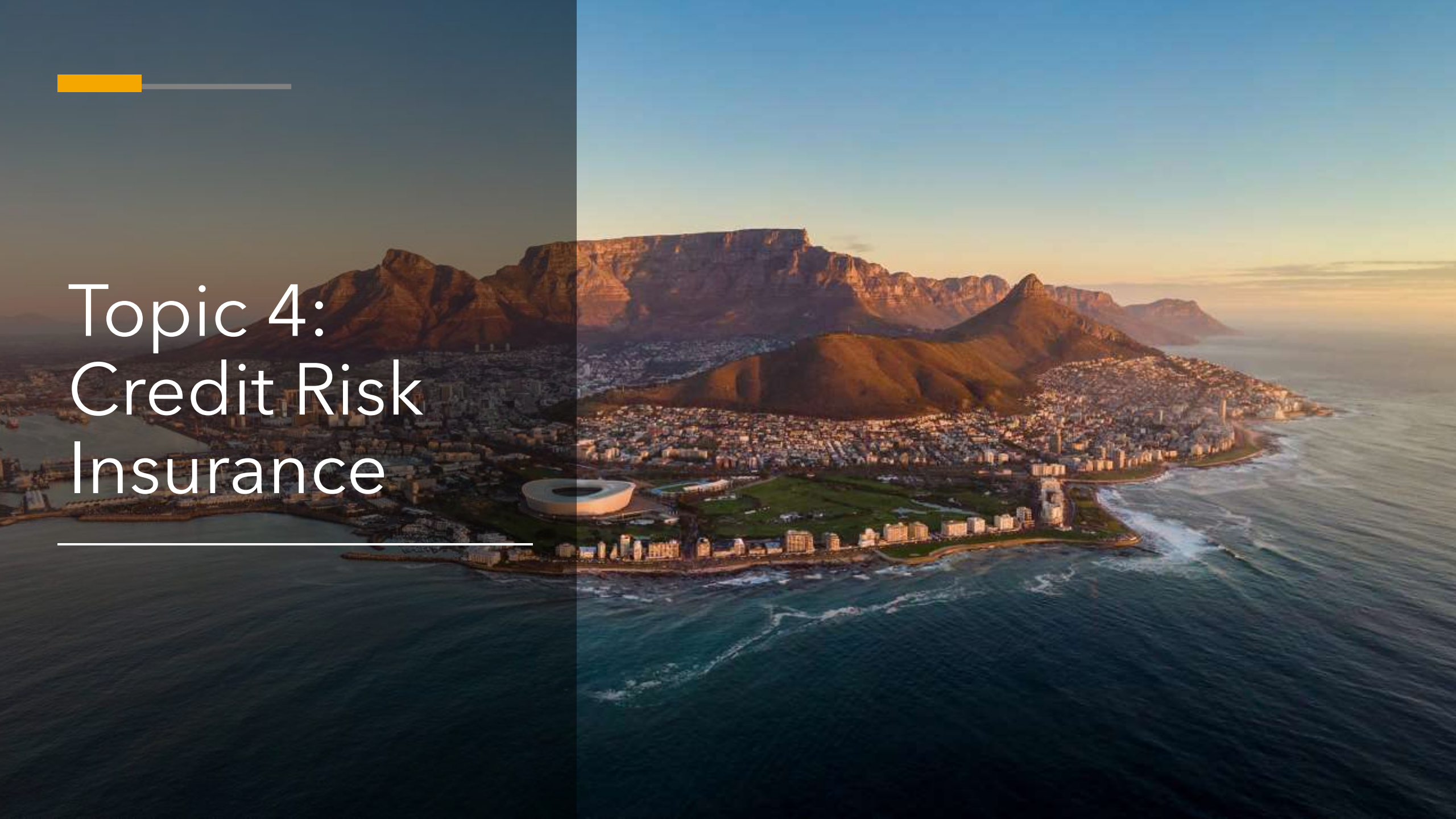
60 Minutes





# Topic 4: Credit Risk Insurance

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# Credit Risk Insurance

Working Group Leader & Moderator	
George Rublee	ADB

Panelists	
Jerome Swinscoe	Tokio Marine HCC
Craig Hunter	Chubb

# — Briefing re Dinner Event



Scheduled Transport



Indemnity Forms



# — All Aboard...!

**Meet at:** The Pierhead at the V&A Waterfront.

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**Arrive:** 30 minutes before your scheduled departure time for boarding.

**Departure:** The yacht departs **promptly on schedule**, so being on time is essential.

**Embarkation:** Follow the crew's instructions to board the Mirage catamaran.

**Safety Briefing:** Be prepared for any safety instructions or guidelines from the crew.



# — General



**Dietary requirements:** Catered for separately.

**Drinks:** Wine selection, Beer, Soft Drinks, Bottled Water.

**Departure:** Scheduled transport to Radisson post completion of the cruise.

**Own arrangements:** Explore V&A at your own leisure and make your way back to the hotel



# Coffee and Tea Break

**15h05 - 15h20**

**15 Minutes**





# Topic 5: ESG & Impact for Restructuring

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# ESG & Impact for Restructuring

Working Group Leader	
Frederik Kummersteiner	FMO

Presenters	
Frederik Kummersteiner	FMO
Simon Hermann	FMO

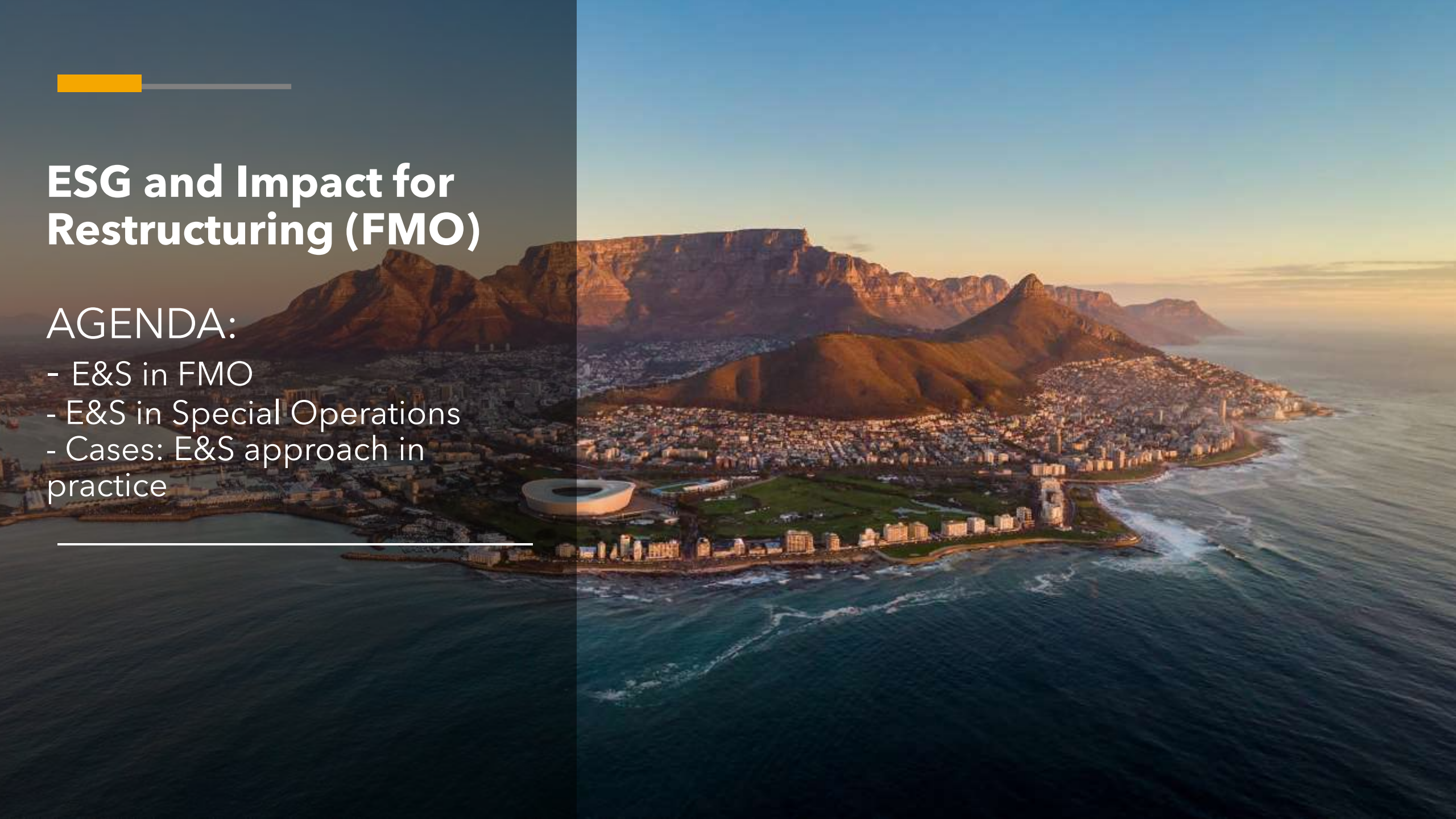




# ESG and Impact for Restructuring (FMO)

## AGENDA:

- E&S in FMO
  - E&S in Special Operations
  - Cases: E&S approach in practice
- 





# **E&S in FMO**

# ESG IN INVESTMENT PROCESS FMO



## CLIENT SELECTION

- Initial assessment against the Exclusion List and the Investment Criteria
- ESG risk categorisation (A, B, B+, C)
- Willingness, capacity, knowledge of client to implement FMO Standards



## INITIAL APPROVAL

- E&S Rapid Screen: desk based identification of main E&S and Human Rights risk areas for DD
- Pre-CIP Contextual Risk Screening, including early warning' screening for risk to Human Rights (and Environmental) Defenders



## DD, FP & CONTRACT

- Site visit (expert consultant)
- Action plan (ESAP) to fill gaps, included in contract, E&S conditions and standard building blocks



## MONITORING AND EXIT

- Review & act on monitoring reports, incident reports and consultant reports
- Client visits & hands-on support in SO
- Address with client any implementation problems
- Ensure responsible ending/exit

# ESG Risk management approach:

## 2 QUESTIONS



How high is the risk?



How well is the risk managed?







# HOW HIGH IS THE RISK? FOUR RISK CATEGORIES

A

Projects affecting indigenous peoples or resettlement  
Large biodiversity impacts  
Cultural property (e.g. religious sites)  
Projects affecting water supply in a region  
Large hydropower developments  
Large solar/wind

B+

Hotel (development)  
Cement/ steel manufacture  
Fertilizer manufacturing  
Food Processing  
General manufacturing plants  
Pulp and paper mills  
Hospitals development  
Large solar/wind

B

Hotel (operation)  
Supermarket (chain)  
Diagnostic centres  
Hospitals operations  
Smaller scale manufacturing (e.g. micro-irrigation systems)

C

Software development  
Factoring Companies  
Consulting firms  
Service industries





# How high is the risk? Client management

MANAGED BY E&S STAFF, TRACKERS IN SIS

**A**

Possible irreversible E&S impacts beyond site operations

**B+**

Large workforce  
High Occupational Health & Safety (OHS) risks  
High contextual risks  
Presence of vulnerable groups, large outsourcing etc.

MANAGED BY INVESTMENT STAFF, NO TRACKERS

**B**

Limited workforce  
Manageable OHS risk  
Lower contextual risk

**C**

Limited ESG Impacts



# How well is the risk managed?



## FRAMEWORK: ASSESSMENT & MANAGEMENT OF E&S RISK

8 Topics: Willingness and commitment, E&S governance and budget, identification of risks and impacts, ESMS, stakeholder engagement, grievance mechanisms, voluntary land transfer.



### LABOR

4 Topics: Working conditions, vulnerable workers, OHS, supply chain,



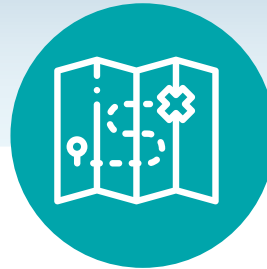
### POLLUTION

2 Topics: Resource efficiency & pollution



### COMMUNITY

2 Topics: Community health and safety, security personnel,



### LAND ACQUISITION

2 Topics: physical and economic displacement



### BIODIVERSITY

3 Topics: Biodiversity, ecosystem services, supply chain biodiversity



### INDIGENOUS PEOPLES

2 Topics: Indigenous peoples, FPIC



### CULTURAL HERITAGE

1 Topic



# Risk management approach: Combined answer "SIS rating"



How high is the risk?



How well is the risk managed?

AAA

Exemplary

AA

Developed

BBB

BB

Adequate

CCC

CC

Inadequate

D

Out of appetite

SIS rating: 7 risk categories

Measure risk exposure and client performance - therefore represent 'Net' ESG risk: the client's gross risk exposure (against pre-defined ESG risks) adjusted by the client's performance in managing down these risks

# Why net risk?



Same risk category, different performance...

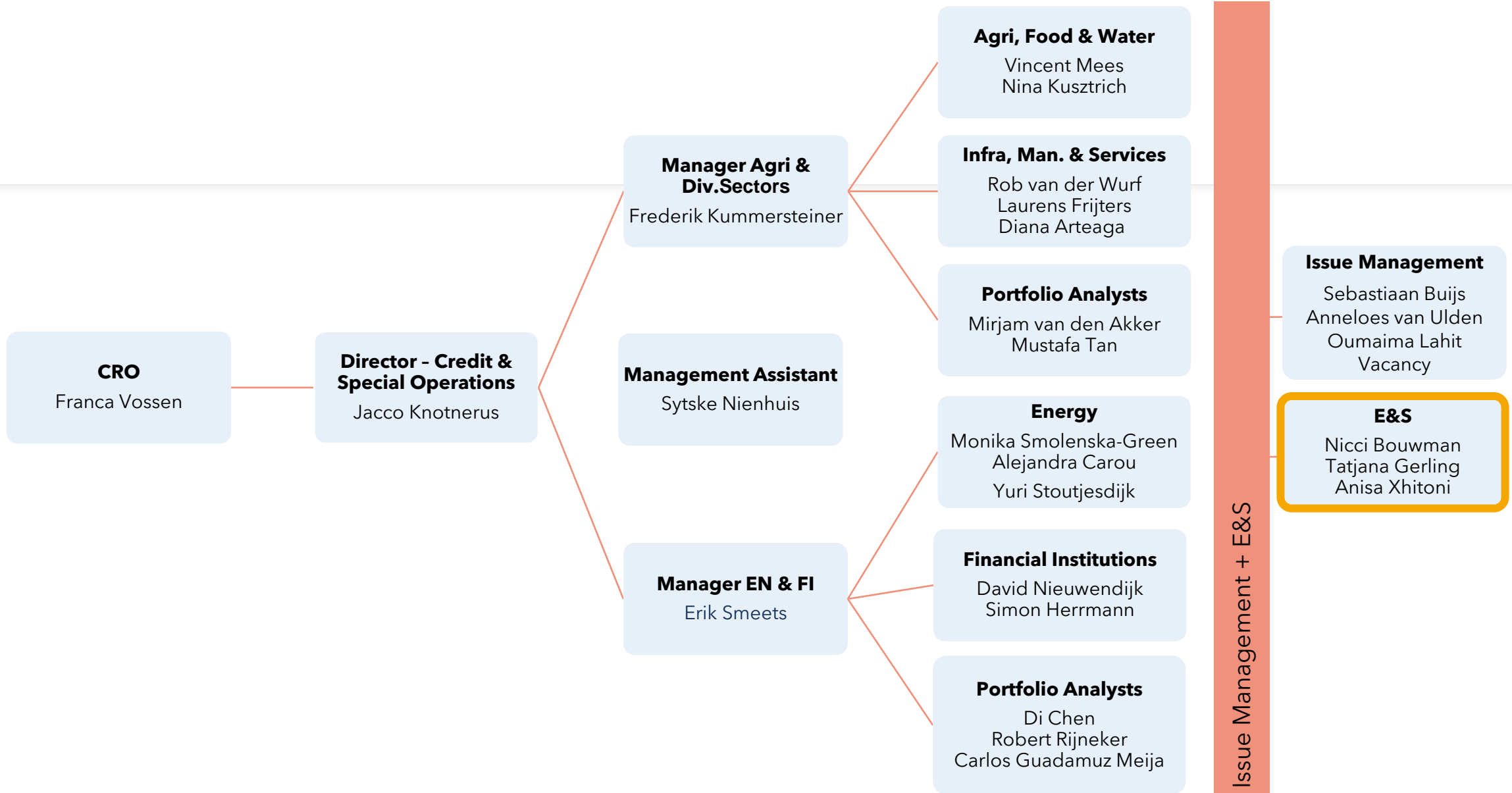
# **E&S in Special Operations**



# Special Operations combines three disciplines



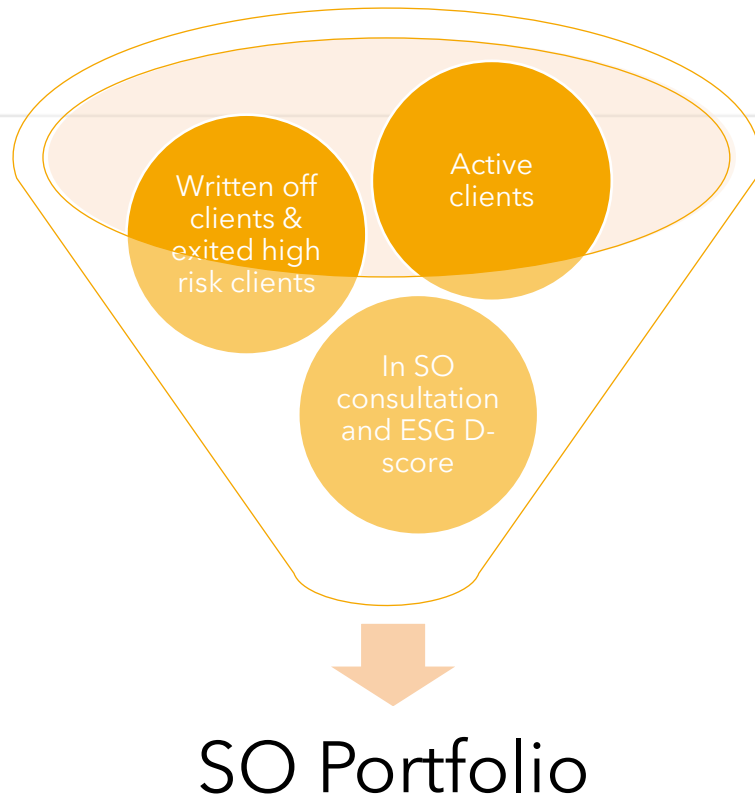
# FMO Special Operations (SO) Organisation Structure



# Role of Special Operations

- Special Operations (SO) manages FMOs Non-Performing Exposures (NPE) and protects the intended financial & **ESG** impact through Restructuring and maximizing Recovery taking into account:
  - i) a 'responsible exit' approach (**ESG**)
  - ii) avoidance/limitation of reputational risks (Issue Management).
- SO has 3 disciplines (Restructuring, **ESG** and Issue Management) in the team to contribute to the improvement of the quality of FMOs debt portfolio and realize responsible exits
- SO supports FMO to keep NPE%-level within risk appetite levels, also via prevention of NPEs in line with its NPE Strategy:
  - SO consultation (early involvement important)
  - Participation in various Committees (Investment, Portfolio Monitoring, Financial Risk)
  - Sharing of knowledge and lessons learned with Front Office and other departments

# FMO Special Operations: overview



## **SO E&S:**

- Active clients with high E&S risk (restructuring, exit)
- Exited clients with high reputational risk and legacy
- Files under Independent Complaints Mechanism
- SO Transfers triggered by E&S Reason for Concern

## **SO E&S oversight:**

- 3 senior E&S Officers integrated in SO team (since 2022)

## **Approach:**

- E&S risk management tracking system for active clients with high E&S risk
- Guidelines for Responsible exit and Responsible exit memo



# ESG IN INVESTMENT PROCESS SO



Ensure an ESO is allocated & E&S is transferred

What are the main E&S attention points?

Is there a risk that client will cut costs on E&S?

How has E&S performance been?

Is this an opportunity to address E&S risk?

Can the review date be aligned with E&S monitoring?

Are there financial changes/plans that can have an E&S impact (e.g. retrenchments)

Can we travel together?

In your visit: ask about E&S performance, discuss, main E&S attention points.

Involve E&S at LCR stage.

Will it be a responsible exit (A and B+ risk)?

Written off does not mean E&S work stops

## **Cases: E&S approach in practice**

# Case: Hydro Power Nepal



- 2019 Cat A - Lack of OHS awareness at EPC and geological difficulties form a challenging E&S bottom line
- 2020-2022 Governance crisis, financial difficulty of sponsor and Covid-19 left ESG risk unmanaged -> dramatic deterioration of ESG Performance.
- Resulting in unsafe working/living conditions, Covid-19 affecting freedom of movement of migrant workers, wages remain unpaid, among others. Net risk increase!
- New start with a new Sponsor allowed consistent ESG standard setting by E&S teams LTA and consultants to mitigate risks and build capacity.
- Net risk from BB (2019) deteriorated to D(2022), but improved back to BB (2024) and better in 2025





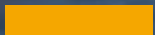
# CASE : handling complaints / dealing with reputational risk

- Insufficient E&S risk management leads to high net risk
- High net E&S risk may lead to complaints (ICM\*) and reputational risk
- Dealing with reputational risk (and ICM Complaints) requires good cooperation between Restructuring-, E&S- and Issue Management expertise).



\* ICM: Independent Complaints Mechanism FMO, DEG and Proparco.





Q & A

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Thank You!



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 Cape Town, South Africa



4-5 September

## CLOSING

Day 1