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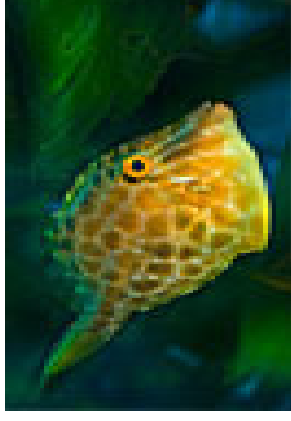
Biodiversity Briefing for the Financial Sector

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Director
Sustainable Finance Ltd
April 5 2007

Biodiversity and the financial sector

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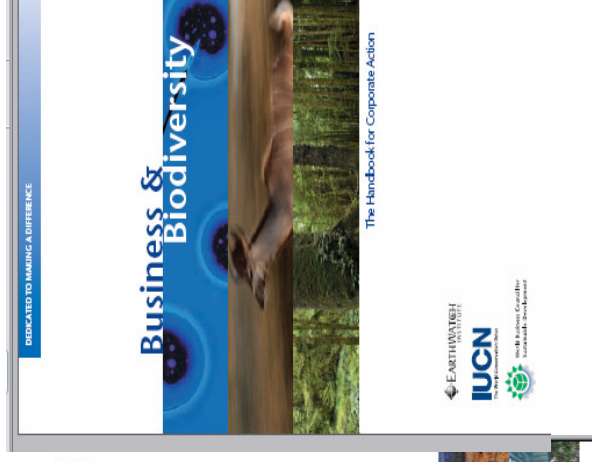
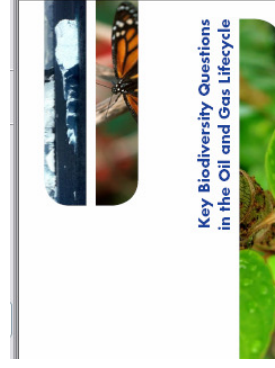
- What are the issues?
- What is changing?
- What the Biodiversity Briefing note might aim to achieve?
- Feedback



The World is Changing

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- Millennium Ecosystem Assessment
- Stern Report
- Recognition that Climate Change and biodiversity are linked (see IGCC report due Friday)
- Corporates and industry sector led approaches to understand and manage biodiversity risks (and opportunities)



Financial Sector Beginning to Recognise Risk and Opportunities

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- Financial sector has been slower than other sectors to recognise biodiversity as a business issue. Why?
 - Unclear attribution of financing / investment to biodiversity impacts and risks (though clearer where use of proceeds known – e.g. project finance);
 - Scientific uncertainties;
 - A lack of understanding of the links between biodiversity loss, ecosystem services and business performance; and
 - The perception of biodiversity loss as a societal issue rather than an issue that the finance sector has a role in addressing.
- This is changing now – and changing rapidly for a variety of reasons:
 - Reputational risks
 - Poor investment returns
 - Opportunities

HSBC brand attack

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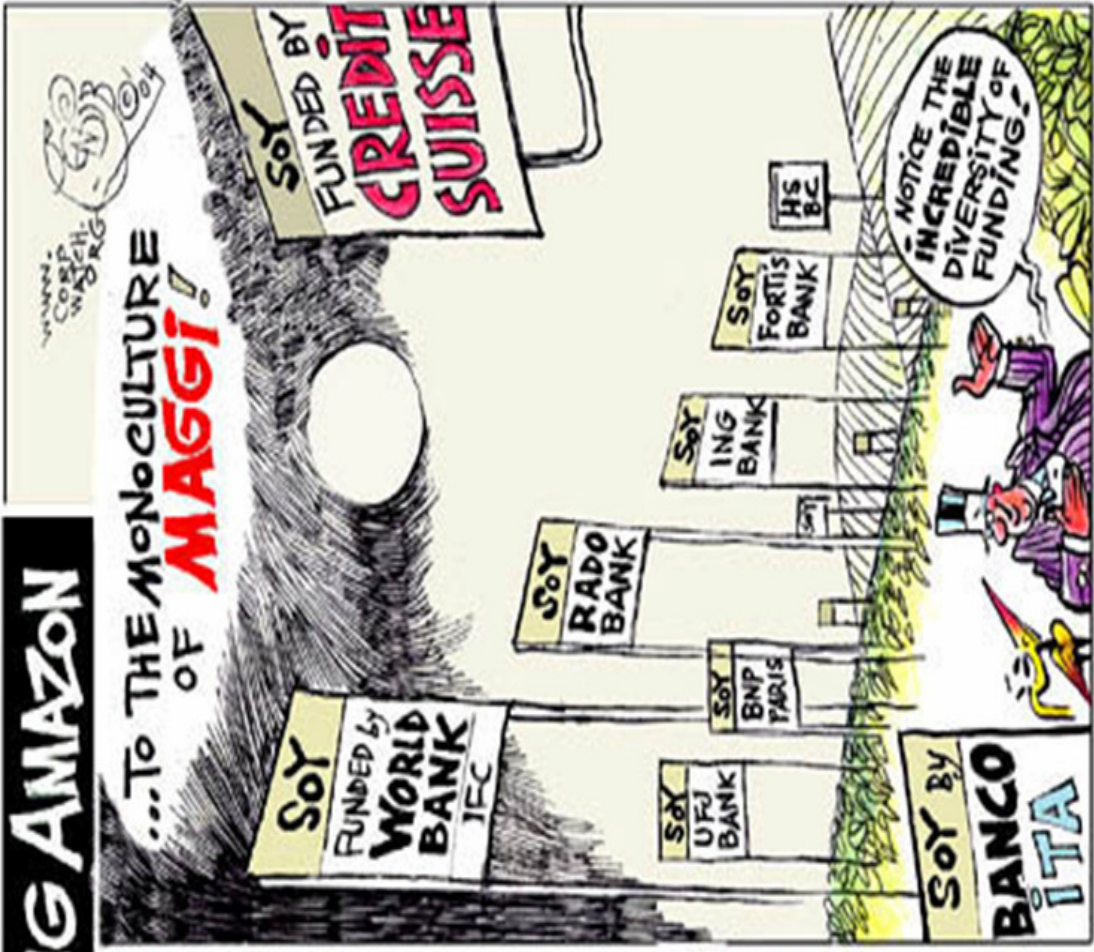


Selling ourselves as a green bank in one country.
Enabling forest logging in another.
It's just a different point of view.



Linking biodiversity loss to financing – Soy in Brazil

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Sakhalin and the Western Grey Whale

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And the award for

OUTSTANDING ENVIRONMENTAL HYPOCRISY

goes to...



ABN-Amro has a reputation to make.

Global banking leader ABN-Amro is looking to improve its reputation for the environment and the community.

Even within traditionally high-profile sectors, the financial industry is being challenged to improve its environmental and social performance.

Now, the sector has to address the challenge of climate change and the associated risks to the financial system.

The Royal Dutch Shell Group and Abn-Amro are among the

100 most active companies in the world for the 'negative' impact of their activities.

ABN-Amro is committed to the principles of the United Nations Global Compact and the Sustainable Development Goals (SDGs).

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ENVIRONMENTAL PROTECTION AGENCY

 U.S. DEPARTMENT OF THE INTERIOR

 BUREAU OF LAND MANAGEMENT

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Location of oil and gas assets translates into...

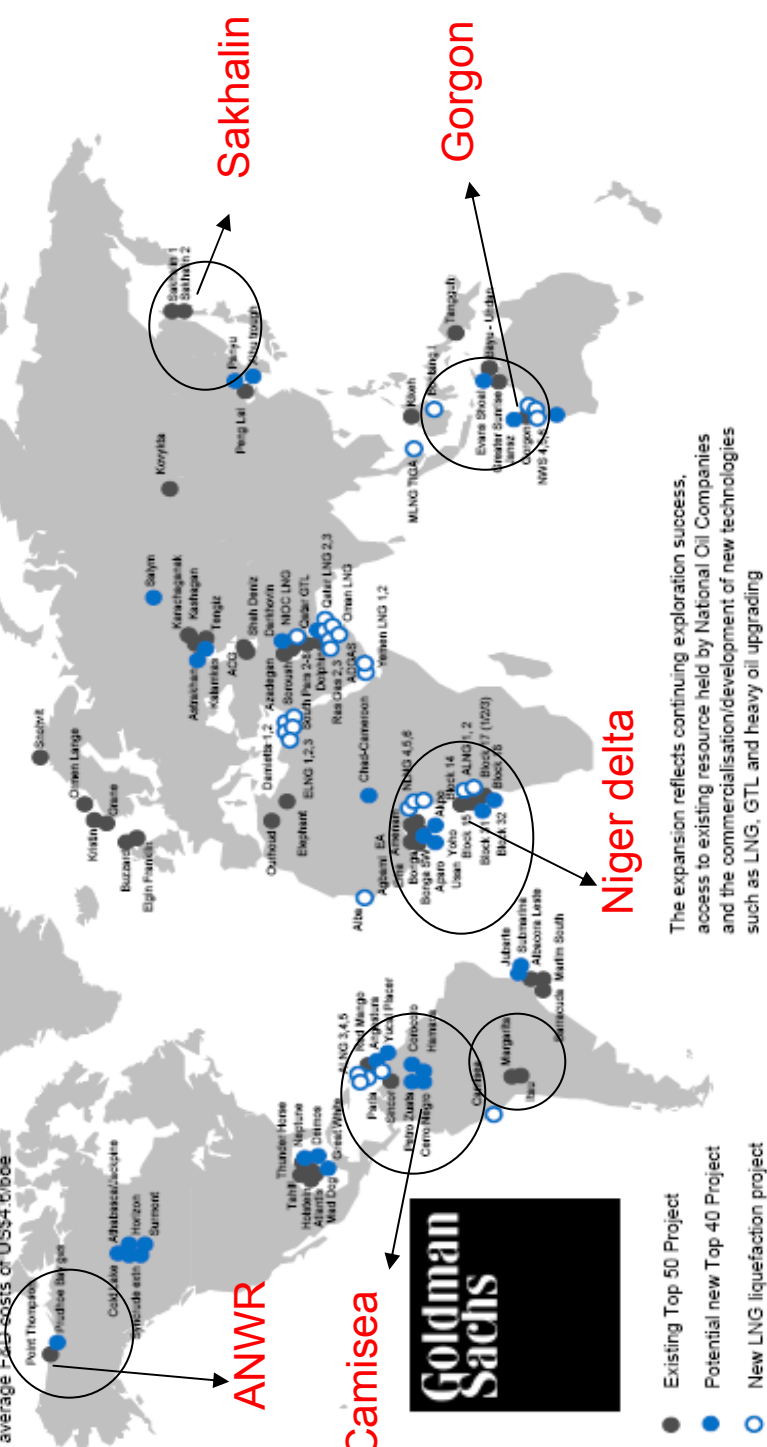
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- More remote (offshore and onshore)
- More complex exploration and production areas
- Often with significant biodiversity risks and issues

The reserves of the Top 120 Projects are split roughly 60/40 between oil and gas. Over 80% of the reserves are located in non-OECD countries, with the FSU and Caspian representing over one third of the total reserves.

We expect that the Top 50 Projects will have finding and development (F&D) costs of US\$2.3/boe, versus industry average F&D costs of US\$4.6/boe

We can see eight new legacy zones developing: Canada heavy oil, Gulf of Mexico, Trinidad/Venezuela, offshore Brazil, West Africa, Middle East/Egypt, the Caspian and Australia



The expansion reflects continuing exploration success, access to existing resource held by National Oil Companies and the commercialisation/development of new technologies such as LNG, GTL and heavy oil upgrading

...emerging risks and future “access to finance” issues

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- Reputational risks to financiers growing
- Risks for banks increasing (down-time, licensing, project delays)
- Transaction costs and complexities increasing for clients
- Access to capital becoming harder / more costly
- More information and greater re-assurance will be required



The Response: Policy, Disclosure and Engagement



Goldman Sachs Environmental Policy Framework

Goldman Sachs believes that a healthy environment is necessary for the well-being of society, our people and our business, and is the foundation for a sustainable and strong economy.

Goldman Sachs recognizes that diverse, healthy natural resources - fresh water, oceans, air, forests, grasslands, and agro-systems - are a critical component of social and sustainable economic development. Forests are particularly important to our environment and biodiversity. They are vital to water and a number of our clients' businesses. Forests are home to thousands of wildlife species, represent a natural source of timber. The key challenge for our clients is to meet competing human demands on land, soil and vegetation with ecosystem functions.

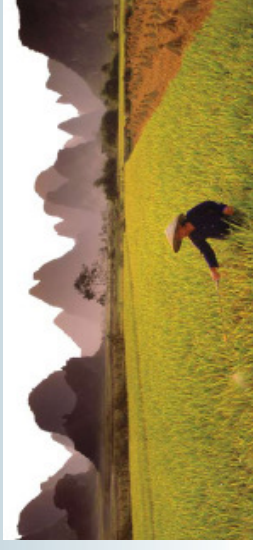
- Policies
- Environmental and Social due diligence
- Reporting
- Engagement with NGOs

ABN AMRO Mining & Metals Policy

For client engagements, we apply a client assessment tool, which rates the extent to which clients have processes and policies to address the environmental and social impacts of their business. For projects, the Equator Principles are applied to ensure that projects we finance are developed in a socially responsible manner and reflect sound environmental management practices. For single asset investments, we use a filter to assess whether there are any sensitive impacts associated with the transaction.

The bank will apply more comprehensive due diligence procedures for projects that pose greater risk of material adverse environmental or social impacts. The bank will not finance project engagements located in World Heritage Sites, and in principle not consider engagements where tailings are disposed directly into a riverine environment.

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environment

Working Toward a Sustainable Future



Miguel Carmon
Member of the Bank's Community Values Oversight Panel

The world's leading banks are expected to play a key role in the transition to a sustainable future. This requires a fundamental re-examination of the way we do business. We are committed to the highest standards of environmental, social and governance (ESG) performance. We are committed to the highest standards of environmental, social and governance (ESG) performance. We are committed to the highest standards of environmental, social and governance (ESG) performance.

Stakeholder
Engagement
and Partnerships

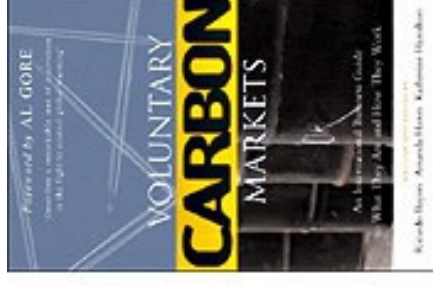
Our Policies
and Process

Organization
and People

Opportunities also evident

- Along with investment and reputational risks, clear that there are opportunities also
- To date most clearly linked to carbon and forest management but also evident in the water sector where ecosystem management of catchments is becoming a significant opportunity

*Investing
in Nature*



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THE KATOOMBA GROUP'S
Ecosystem Marketplace



Biodiversity Briefing Note



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Proposed structure and content:

- **Executive Summary:** (2 pages)
- **Section 1, Overview of the issues:** *Biodiversity and Ecosystem Services Trends and the Financial Sector* (2 pages)
- **Section 2, Biodiversity and the Financial Sector:** *Understanding exposure and risks (including commentary on drivers across the financial landscape and industry sector specific issues and opportunities* (3 pages)
- **Section 3, The Financial Sector Response:** *Managing Risk: Proposed approaches to managing biodiversity risk* (3 pages)
- **Section 4, Understanding Opportunities:** (3 pages)
- **Section 5, Guidance for Financial Sector on Practical Next Steps:** (1-2 pages)

Biodiversity Briefing Note

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- The time seems ripe to capture lessons learned and best practices, but against this backdrop what should the Briefing Note convey?
- Move from bespoke / niche activities and responses to broader mainstreamed understanding and management of these issues (scale and replication)
- Who are the key audiences?
- What are the key messages?
- What format and what length?
- What sector, financial product, or geographic focus?
- What are the stories that you think will galvanise your colleagues / institutions?
- What cases best support the above – BRICs, emerging markets broadly, OECD?