



sustainable finance

Biodiversity Briefing for the Financial Sector

Andre Abadie

Director

Sustainable Finance Ltd

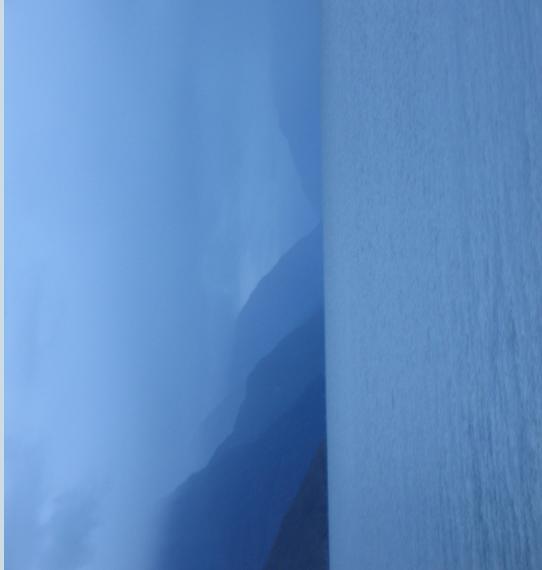
April 5 2007

Biodiversity and the financial sector



sustainable finance

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



The World is Changing

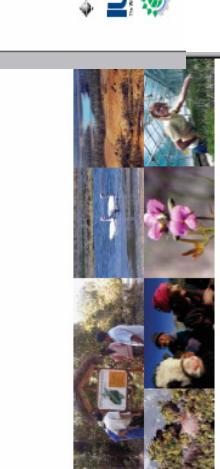
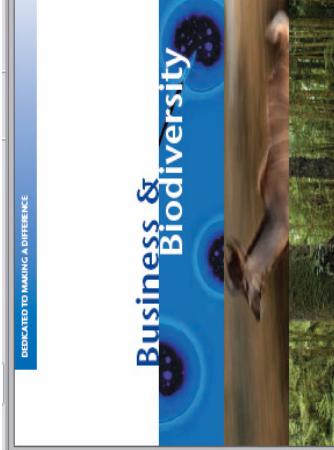


sustainable finance

- 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)



© 2007 Sustainable Finance Ltd

Financial Sector Beginning to Recognise Risk and Opportunities



sustainable finance

- 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

Recent Exposures in the wrong place



sustainable finance

Investing in rainforest destruction:

Samling Global Ltd listing with support from Credit Suisse, HSBC, Macquarie

- The Samling Group has a long record of violating indigenous peoples' rights and rainforest destruction.
- It is now logging the last remaining primary rainforests in Sarawak in Malaysia, in conflict with indigenous peoples there.
- Samling Group and its related companies have illegally logged forests in Cambodia and Papua New Guinea.
- It has been found non-compliant with Forest Stewardship Council (FSC) standards in Guyana.

The undersigned call on investors to shun this company, and the sponsoring banks of Credit Suisse, HSBC and Macquarie to cease providing services to Samling. HSBC appears in breach of its own forest sector guidelines. Credit Suisse appears in breach of its Sustainability Policy (available on the Credit Suisse website). Macquarie does not appear to have a publicly available forests policy.

Signatories:

- African Biodiversity Network (ABRN) Malaysia
- América Latina y el Caribe por la Paz (ALCP) Colombia
- ABA Germany
- Asociación de los Pueblos de Francia
- Brot für die Welt Deutschland
- The Business & Human Rights Secretariat
- The Climate Project USA
- Bridgeman's Project United Kingdom
- Bruno Mansur's Instituto (BRIMAN) Mato Grosso
- Centre for Daring, all Creative (CDC) Margaret II
- Centre for Organisations Research & Education (CORE) India
- Commonwealth International USA
- Corporation for Environmental Justice
- Earth First! United Kingdom
- Forest Peoples Programme United Kingdom
- Friends of the Earth Czech Republic
- Friends of the Earth Russia
- Global 2000 Austria
- Global Response USA
- Global Witness UK and Kingdom
- Institute for the Development of Alternative Living (IDEAL)
- Malaga
- Land and People Information Systems (Canada)
- One Voice Europe
- Pacific Indigenous People's Environmental Coalition (PIPEC)
- New Zealand
- Po Polu Maia V Germany
- Reclaim Action Network USA
- Reclaim Foundation Norway
- Rosa-Luxemburg-Stiftung Germany
- Rosa Luxemburg Stiftung Malaysia
- Society for Threatened Peoples Switzerland
- Urgewald Germany
- Western Canada Wilderness Committee Canada
- World Rainforest Movement Uruguay

The information provided here is intended to provide background information for investors and does not constitute financial advice in any form. The undersigned organisations are not authorised to provide financial advice under the Financial Services and Markets Act 2000 (UK). The HSBC Group's policy can be seen at the under: <http://www.hsbc.com/aboutus/hsbc/424352244036237442/www/img/pq/Hsicc.com/public/Brochure.pdf>

This advertisement is sponsored by the Brundtland Funds, Association for the Peoples of the Earth: www.bnrf.org

**HSBC, Credit Suisse and
Macquarie bank all
targeted by a consortia of
38 NGOs over their
involvement in the listing
of Samling on the HK
stock exchange...**

...this notice from recent
edition of International
Herald Tribune

HSBC brand attack



sustainable finance



Selling ourselves as a green bank in one country.

Enabling forest logging in another.

It's just a different point of view.

HKBS

The world's confused bank

Is it right for a bank to earn profits by providing services to destructive loggers? Visit www.globalwitness.org

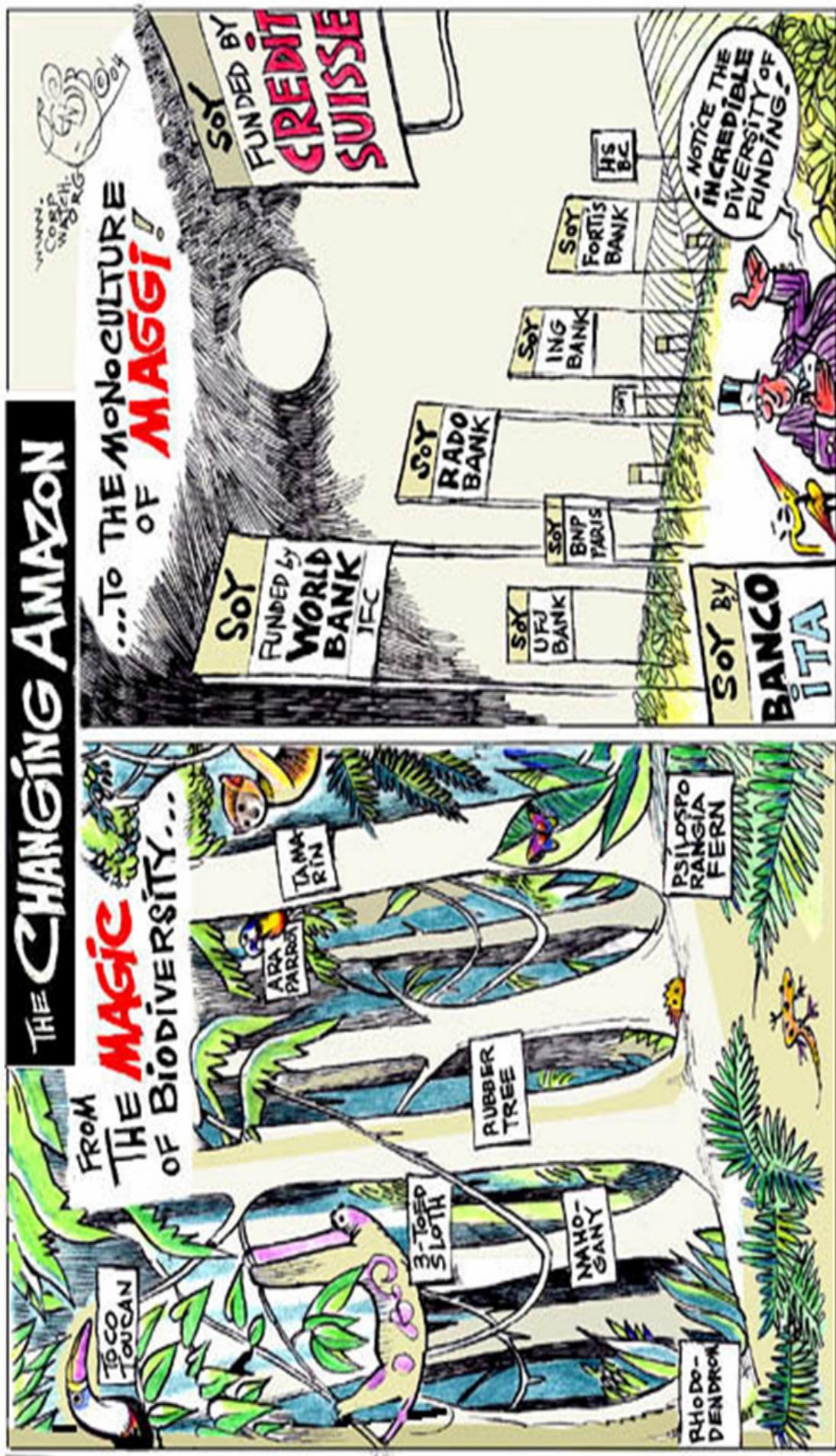
© Global Witness / Faces Pictures

© 2007 Sustainable Finance Ltd

Linking biodiversity loss to financing – Soy in Brazil

sustainable finance

THE CHANGING AMAZON



Location of oil and gas assets translates into...

- More remote (offshore and onshore)

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/bboe, versus industry average F&D costs of US\$4.8/bboe



ANWR

- More complex exploration and production areas



Camisea



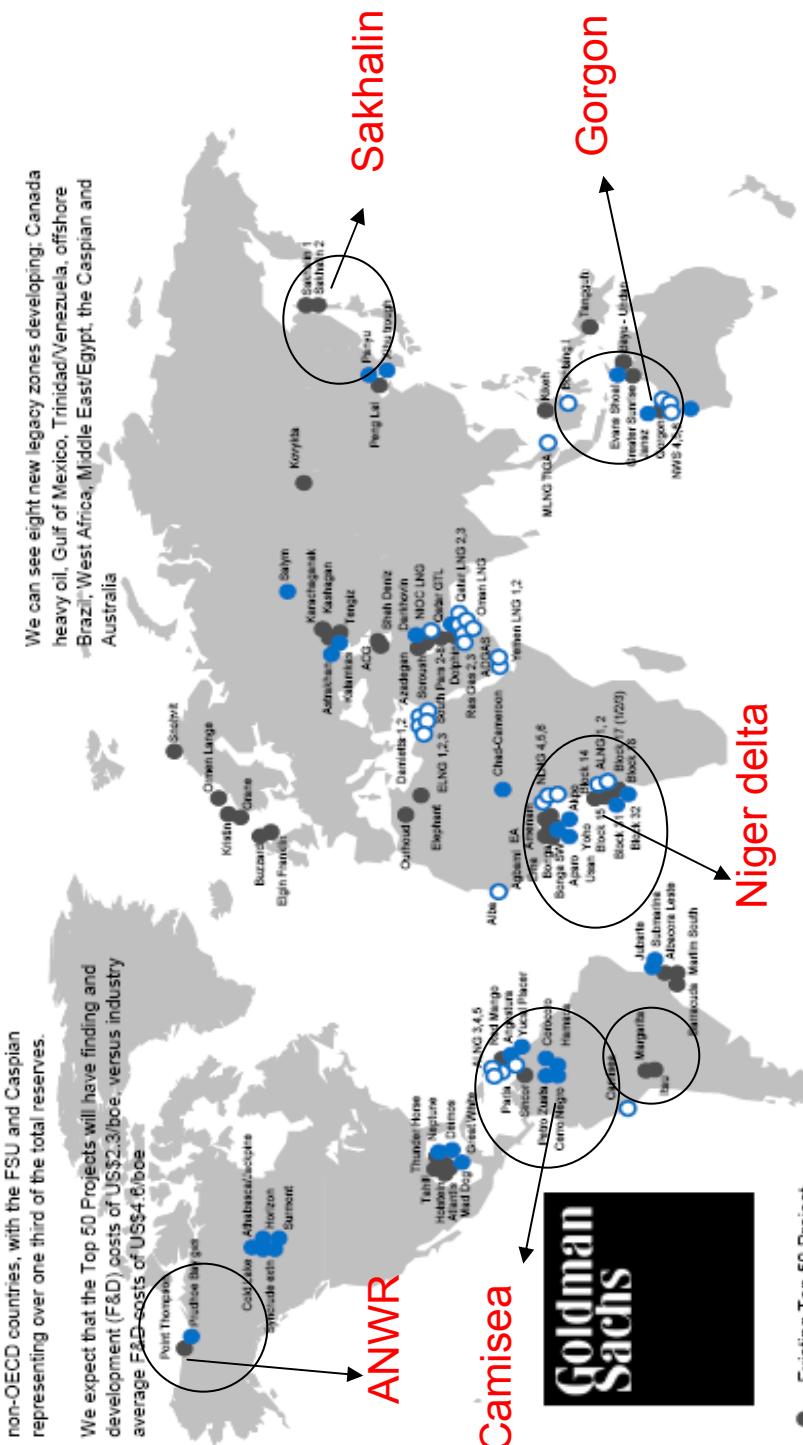
Goldman Sachs



- Often with significant biodiversity risks and issues

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

sustainable finance



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



sustainable finance

- 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



© 2003 Adam Goldstein/Amazon Watch



© 2001 Antoine Bonsor/Amazon Watch

The Response: Policy, Disclosure and Engagement



sustainable finance

Goldman
Sachs

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 environment and biodiversity. They are vital to water and a climates. Forests are home to thousands of wildlife species, represent a natural source of timber. The key challenge for competing human demands on land, soil and vegetation with ecosystem functions.

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.

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



environment

Working Toward a Sustainable Future



The ABN AMRO Group is committed to the protection of the environment and our clients. We believe that a sustainable future depends on the responsible use of natural resources and the reduction of environmental impact. We are committed to working with our clients and partners to develop and implement projects that are good for the environment and the economy. We believe that by working together, we can achieve a better future for all.

Michael Calderon
Investor Relations & Strategic Projects

| Stakeholder Engagement and Partnerships > || Our Policies and Processes > || Organization and People

Opportunities also evident



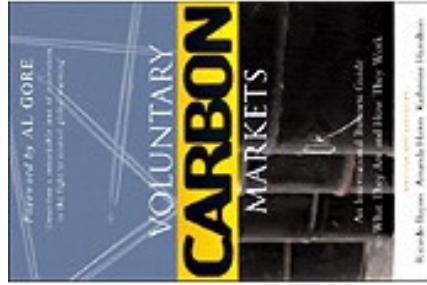
sustainable finance

- Along with investment and reputational risks, clear that there are opportunities also

THE KATZMAN GROUP'S
Ecosystem Marketplace

- 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*



- Also (and often under-recognised) the benefits that accrue in terms of staff motivation and interest because of an institution's commitments to biodiversity

Biodiversity Briefing Note



sustainable finance

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



sustainable finance

- 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?