

“The Business of business is business”

Milton Friedman

“The Business of business is sustainable business”

Ervin Laszlo

Banco Real

- ABN AMRO buys Banco Real, 1998
- Santander buys ABN AMRO in Brazil, 2007
- About 1,000 Banco Real branches (+1,000 from Santander)
- 30,000 employees (+20,000 from Santander in Brazil)
- In addition: asset management, car financing
- Santander+Banco Real = Brazil's third largest private sector bank

Let's think ...

...from inside out:

Our philosophy is to constantly train employees as members of society.



Banco Real

Key point: Training, training, training...

- **In 2002, training by the IFC and Friends of the Earth (NGO)**
- **Since 2002, more than 5,000 managers have been trained**
 - Environmental Risks
 - Environmental Opportunities
 - How to help clients in trouble
 - Global cross-cutting issues

Banco Real: environmental risk

Greater attention to risks

- Questionnaire to clients in high-impact sectors
 - Essentially industrial, agriculture and energy
 - Currently applied to around 300 clients per month
 - Responses are checked using internet
- The environmental risk is fully ***integrated*** into credit analysis
 - Credit analysts do a preliminary environmental analysis
 - Free flow of info between Environment Risk Unit and the credit analysts

Banco Real: environmental risk process

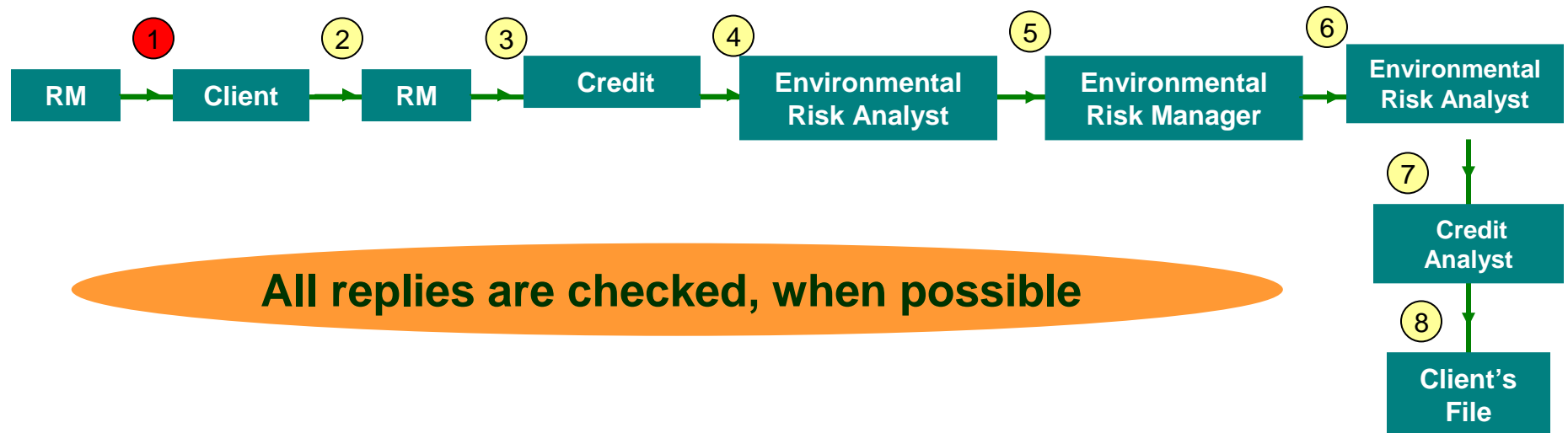
Each questionnaire goes through a verification process by/with...

... *internet*

... *NGOs*

... *government*

... *visits, in some cases*



Questionnaire

- 1- Is there an environmental manager? To whom does he/she report?
- 2- Targets to reduce energy and water consumption?
- 3- Targets for waste reduction and for recycling?
- 4- Targets regarding adequate waste disposal and/or treatment of effluents?
- 5 – Do you hold an ISO 14001? Do you have plans in this matter?
- 6 - *“In your opinion, what needs to be done to reduce your environmental impact?”*
- 7- Environmental fines? Workers’ conditions fines?
- 8 –Do you impose an environmental or social condition to your suppliers?

Environmental Risk

Dedicated team

- 3 biologists, 2 geologists and 1 physicist

Environmental Risk integrated into financial risk

- Credit analysts work with small environmental team
- Verifications via internet, government websites and NGOs
- Visits when needed

Continuous training on environmental and social themes

- More than 5,000 managers and analysts trained since 2002

Environmental Risk advices	2005	2006	2007	2008 (9 mos.)
Clients/projects approved	3,578	3,040	2,712	3,982
Clients approved w/ conditions	128	162	75	129
Clients declined	13	2	3	2
Total # of advices	3,719	3,204	2,790	4,113

It pays off

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Total # of clients cut since 2002: : 49 (November 2008)

Total # clients that have come to Banco Real due to our positioning on sustainable development > 49 clients

LESSON # 1

After analyzing more than 5,000 clients...

**Environmental and social issues
do create financial risk**

(it's not just reputational risk)

LESSON # 2

There is a high level of coincidence between clients with...

Environmental
and
financial problems

**It's a question of
overall
management**

Financial Times Award

2006

- ✓ Sustainable Bank in Emerging Market

2008

- ✓ Sustainable Bank of the Year

Economy x Ecology

**What is the relationship between
the Economy and Ecology?**

Economy x Ecology (1)

*“We often think of **ecology** as a part of the **economy**. Ecology represents, according to this view, a cost for the company, such as effluent treatment, for example. In fact, it is the reverse. The **economy** is a part of **ecology**. It is the part of ecology that has a price.”*

Lester Brown
Worldwatch Institute, Washington DC

Economy x Ecology (2)

*“In a few years, the **economy** and **ecology** will no longer be seen as antagonistic and not even complementary to each other.*

They will be the same science.

After all, they both deal with the same challenge: managing scarcity.”

José Paschoal Rosseti

Economist, MBA Professor, Fundação Dom Cabral

Economy x Ecology (3)

“Sustainability is as foreign a concept to managers today as profits were to managers in the communist system.”

William Ruckelshaus

CEO, Browning Ferris Industries

(a major US waste management company)

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