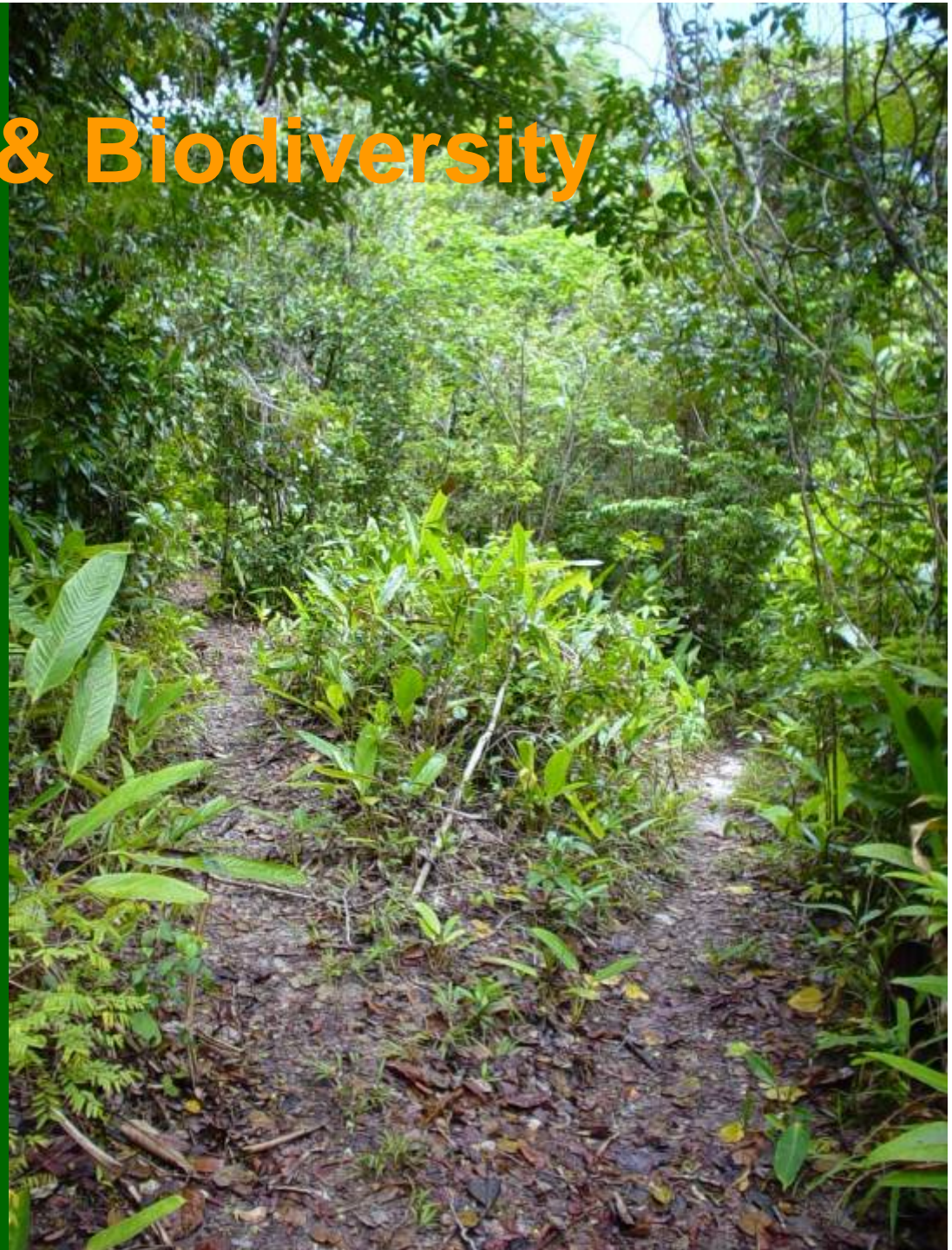


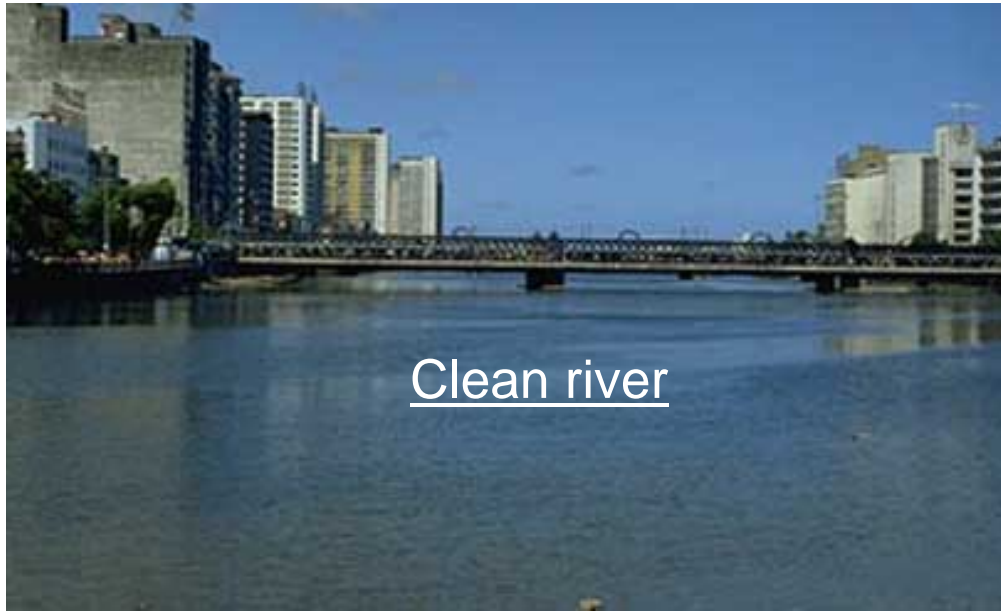
Finance & Biodiversity

Christopher Wells
Environmental Risk
ABN AMRO





What is an externality?



Clean river



Clean air

Some externalities

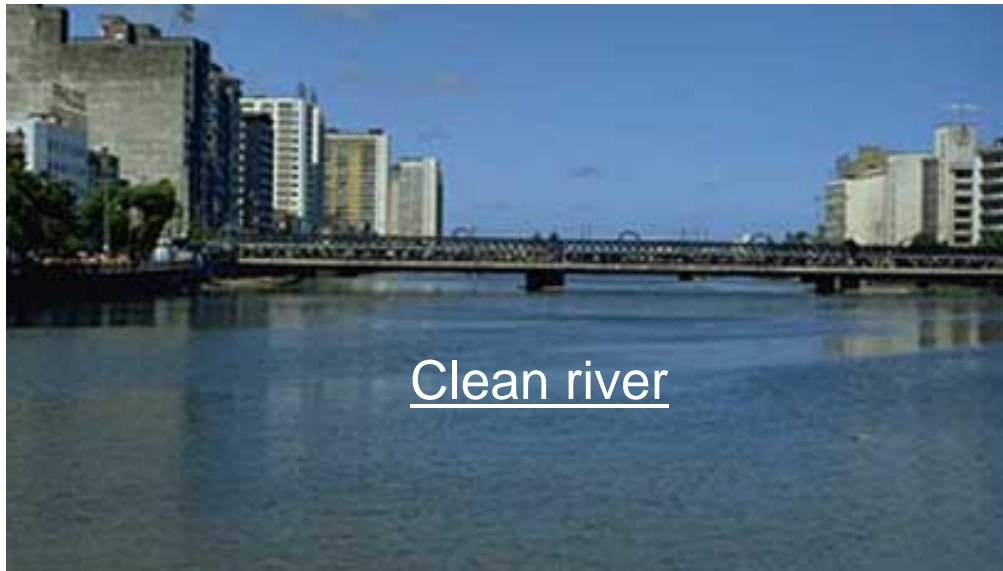


Stable climate

Clean sand



Biodiversity



Clean river



Clean air

Externalities now have prices \$\$\$



Stable climate

Clean sand

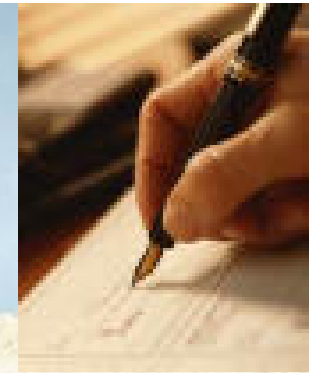


Biodiversity



These costs will rise

- Cost of water
 - Cost of *treating* water
 - Cost of garbage disposal
 - Cost of cleaning up contaminated land
 - Cost of reducing air pollution
 - **Cost of protecting biodiversity**
 - **Cost of emitting greenhouse gases**
 - Environmental fines of any kind
 - Cost and *number* of indemnities to employees and clients
 - Damage caused by NGO campaign against your company
-





Risks for a financial institution

Credit risk: default

Collateral: depreciated assets

Reputational risk

Shareholder risk: depreciation of stocks



ABN AMRO Global Policies

ABN AMRO has policies for sectors, including...

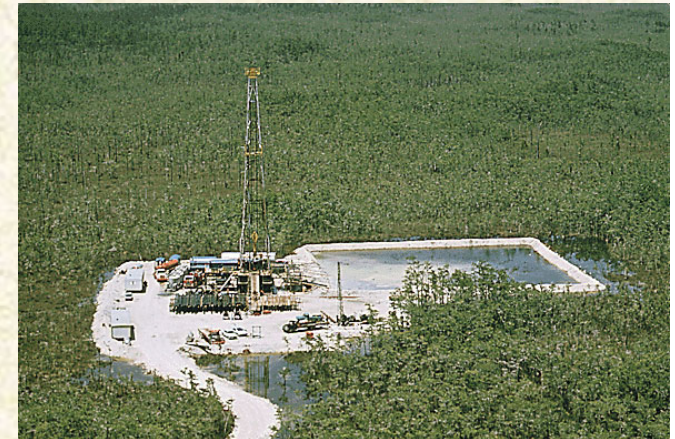
Forests



Mining



Oil & Gas





ABN AMRO Global Policies

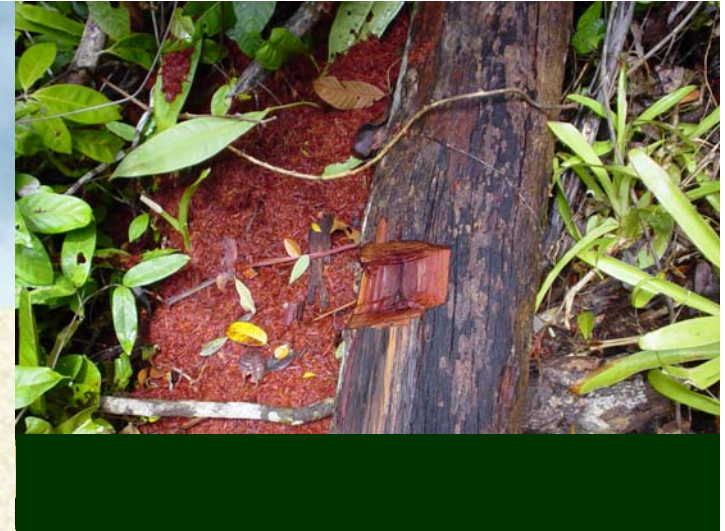
Forests



- No cutting of native forests
- No projects on land where native forest was cut in last five years



Forests



Additional policy for Brazil

- Clients that extract native lumber must have eco-seal
- If no eco-seal, client must show credible evidence that company is on the way.



Global policies

ABN AMRO policies Metals & Mining



- Specific Client Diagnostic Tool (CDT)
- Biodiversity is a factor



Global policies

ABN AMRO policies

Oil & Gas

- Specific Client Diagnostic Tool (CDT)
- Biodiversity is a factor





ABN AMRO Global Policies

ABN AMRO has policies for sectors, including...

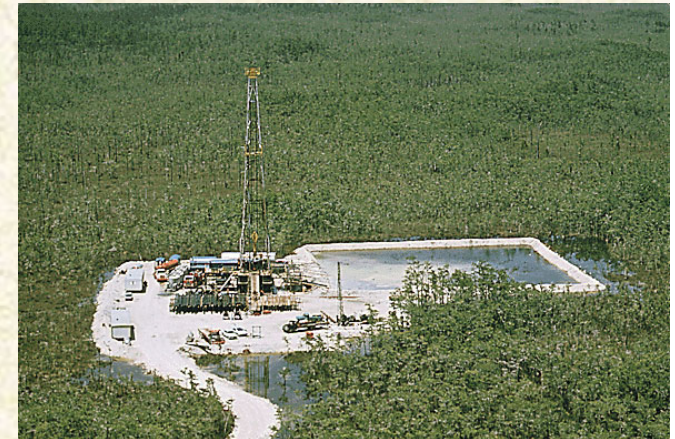
Forests



Mining



Oil & Gas





ABN AMRO Global Policies



- **ABN AMRO co-author of “Equator Principles”**
 - Lunched June 2003
 - Under revision
- **Any new project costing more than US\$ 50 million must follow IFC / World Bank guidelines**
- **47 financial institutions have signed so far**





Brazil: long-term financing

- Loans using Brazil-based funding
- Loans using IFC funding
 - US\$ 98 million line for general environmental improvements



FSC-certified clients have benefitted from both lines



Global Environmental Facility (GEF)

- **US\$ 5 million IFC GEF line**
 - Terms are softer than regular commercial loans
 - Eligible projects must demonstrate promotion of...
 - ...biodiversity
 - ...mitigation of greenhouse gas effects
- **Available only in Brazil**



Purchasing policy



- ABN AMRO in the Netherlands requires FSC certification for wood products to be used in its facilities.
- ABN AMRO in Brazil working with furniture suppliers to implement FSC chain of custody certification.



Partnership

Since 2004, ABN AMRO has helped SPVS find sponsors to “adopt” areas to preserve *araucária* trees in Paraná state.



