



Biodiversity Risks & Opportunities in the Financial Sector

A scoping study



Ivo Mulder (IUCN)

www.iucn.org

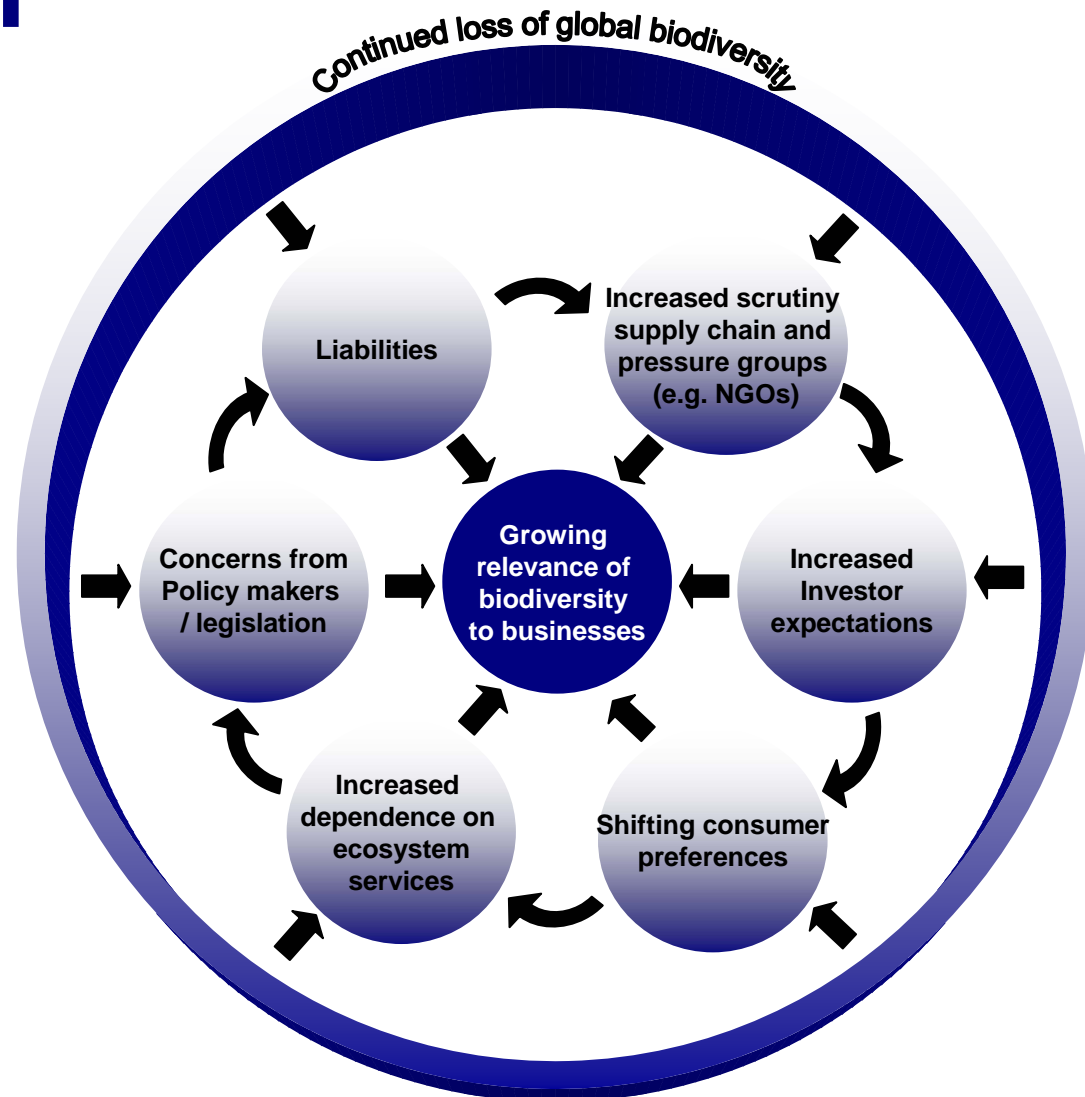


Financial
support:



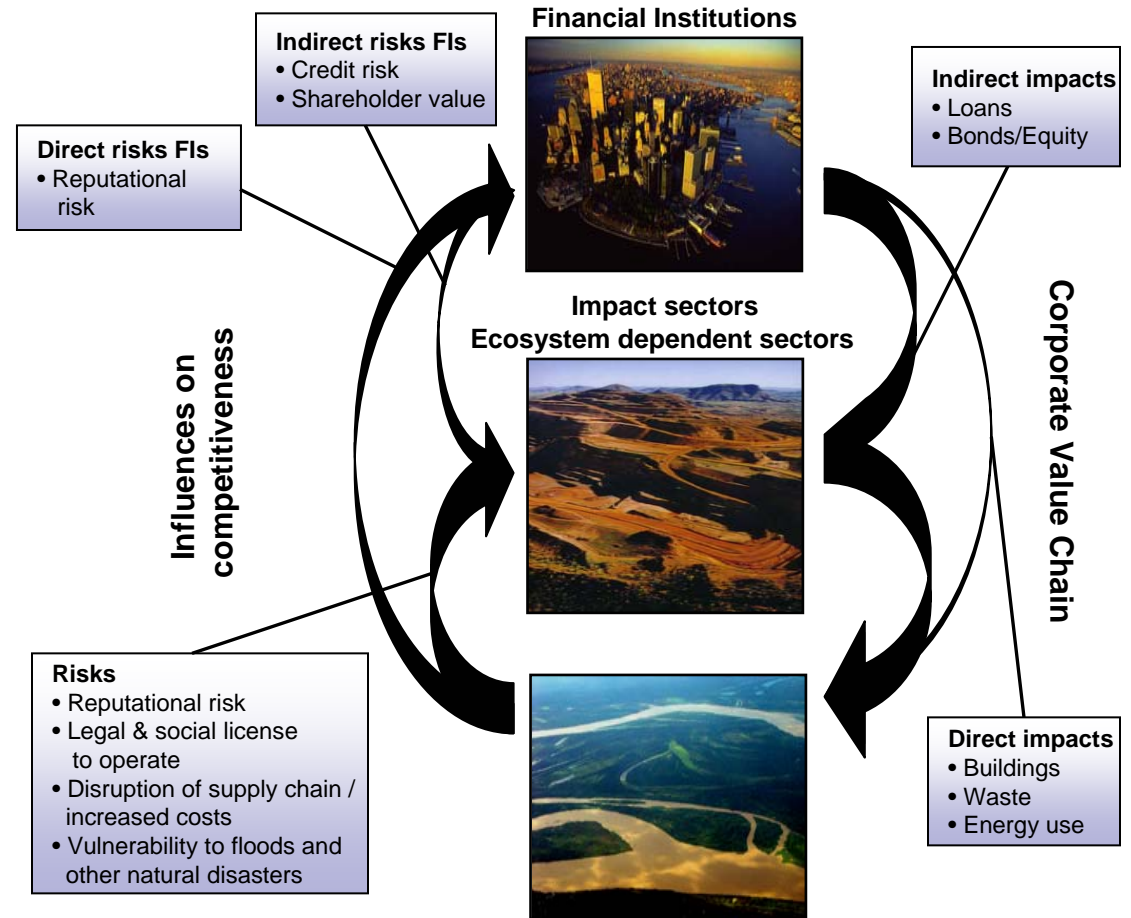
Introduction

- 140% increase CSR reporting FIs in G250 in 3 years (KPMG, 2005)
- Biodiversity: 30% loss compared to 1970 (WWF Living Planet Index)
- Several *direct* and *indirect* drivers leading to degradation & loss (Millennium Assessment)
- Setting in motion a wheel of several factors that contribute to and amplify each other leading to increased corporate relevance of biodiversity loss
- FIs need to understand their (indirect) impacts and how this relates to biodiversity risks and opportunities



Biodiversity risks

- Interview survey: 75% of respondents believed there are *reputational risks* from the perspective of the financial sector. Other risks mentioned: default risk, reduced shareholder value, regulatory constraints (a.o.)
- An initial review provided some cases on *evidence* of the business case: individual, stand-alone



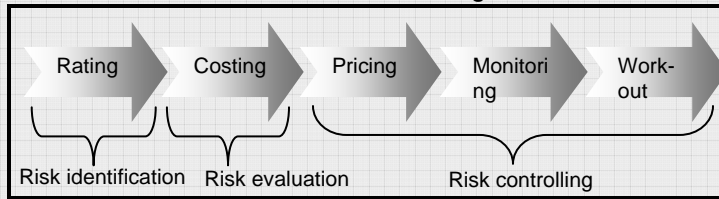
Integrating biodiversity issues in business operations

- Assessing 11 banks on state of integrating biodiversity-related policies into business operations
- Biodiversity captured by different terms, also depending on types of sector (e.g. tropical moist forest, critical natural habitat, high conservation value areas)
- Rabobank, but also HSBC and ABN AMRO appear to be on-top-of the issue (...or CSR in general?)
- Difficult to extrapolate to other banks as most of these banks can be considered race-leaders within their sector

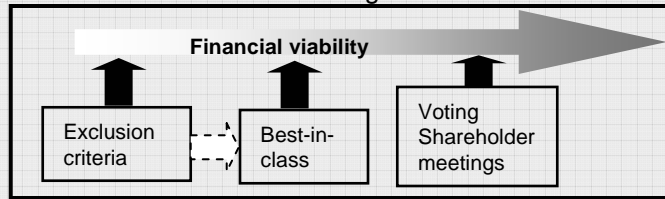
Company name	General			Sector-policies								
	CSR report	Env. Risk Standard	EP adoption	Climate	Seafood	Agriculture Plantations	Oil & Gas	Energy	Forestry	Mining	Infrastructure	Leisure
ABN AMRO	X	X	X				X		X	X	X	
Barclays	X	X	X									
Citigroup	X	X	X						X			
Deutsche Bank	X	X										
Goldman Sachs		X		X					X			
HSBC	X	X	X					X	X	X	X	
JPMorgan Chase	X	X		X					X			
Rabobank	X	X	X	X	X	X			X		X	X
Royal Bank of Canada	X	X	X									
WestLB	X	X	X									
Westpac	X	X	X									

Financial Sector

Credit lending



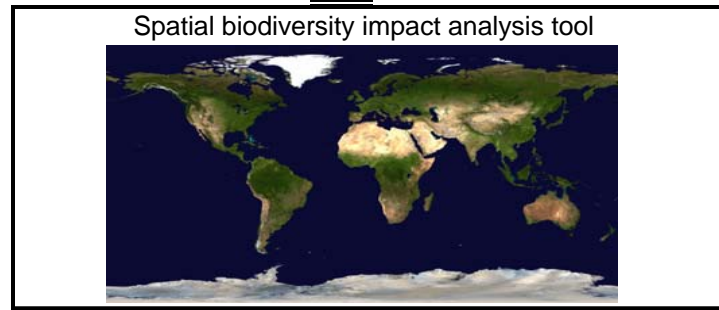
Asset Management



- Credit Rating
- Insurance
- (Public) pensions
- Among other...

Existing Risk Management Procedures

Account for potential biodiversity risk in risk management process



Potential significant impacts expected on ecosystems/biodiversity

No potential significant impact expected on ecosystems/biodiversity


No specific inclusion of biodiversity considerations necessary in risk management process

- Sector-specific international / national accepted standards:
- Conventions
 - Industry guidelines
 - Benchmarks
 - Industry bodies

- Overview available biodiversity tools. For example:
- CERES principles
 - Biodiversity Benchmark
 - Equator Principles
 - VBDO Biodiversity Quick Scan



Biodiversity opportunities

- Identifying risks at an early stage can create *business opportunities* 
- A forthcoming study by IUCN and Shell identifies a number of *biodiversity business opportunities/markets*, among other: Biocarbon, certified agricultural products, biofuels, ecotourism.
- Innovative equity products: e.g. a pilot on eco-securitization by Henderson Investments and IFC
- Due diligence and advisory services: advise how to go about biodiversity sensitive projects/investments.
- Government-induced opportunities (e.g. stimulate sustainable investment through tax advantages for private investors): e.g. Holland's Green fiscal advantage

Among other.....

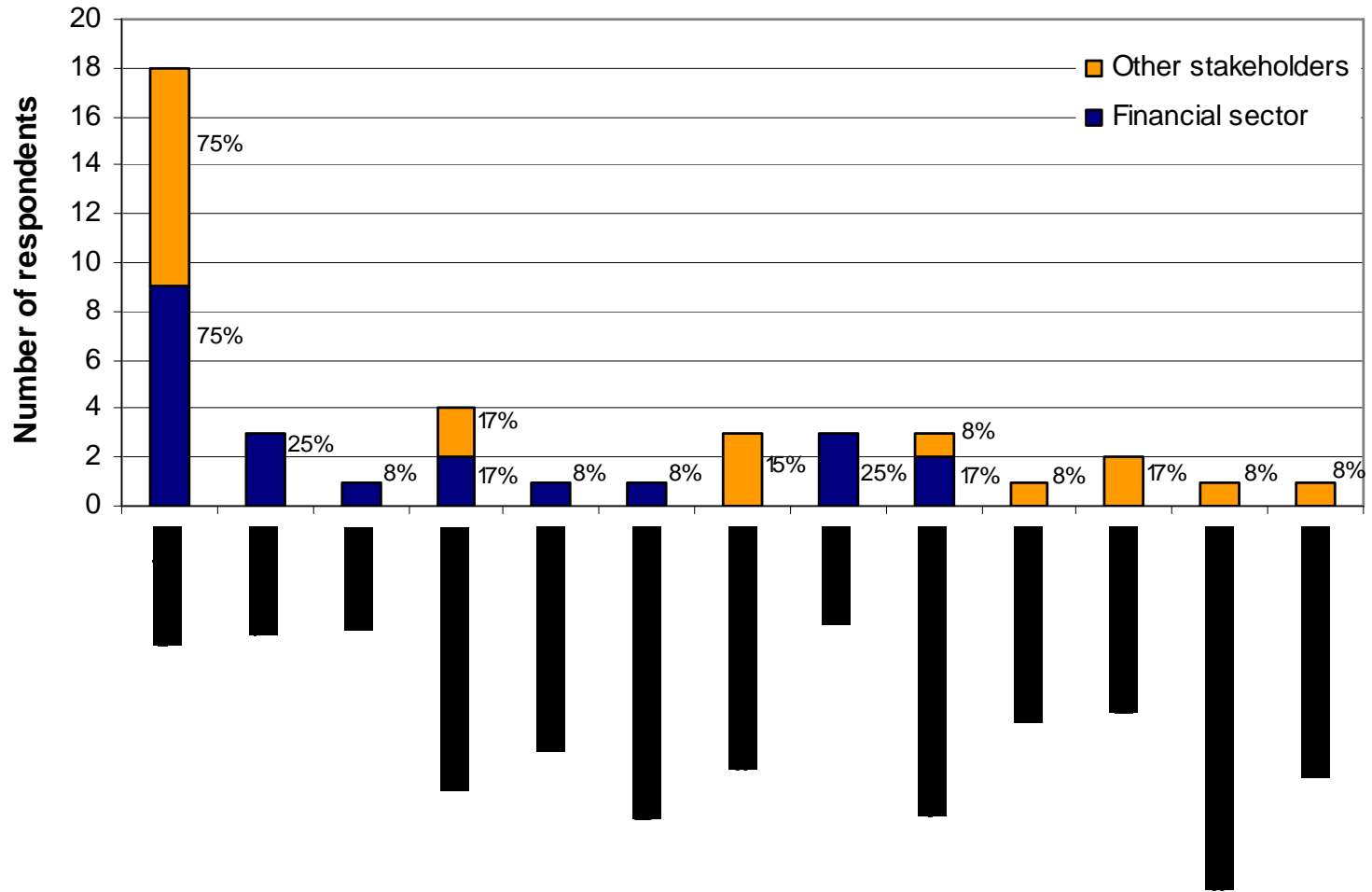


Recommendations

- Limit awareness yet in financial sector on biodiversity risks. Quantify business case by means of a thorough study on **evidence** sector-specifically 1) high direct impact; 2) dependency on ecosystem services; 3) considerable impact through supply chains
- Integrate biodiversity issues in such a way that it becomes **practical** on a day by day basis for client relation managers, credit analysts, fund managers, etc (easy to understand, easy to work with)
 - Identify sector-specific biodiversity indicators (based on accepted international/national standards)
 - Update/training of staff in order to build capacity
- Dealing with biodiversity in different segments of the financial sector (e.g.)
 - Insurance sector: Linking climate change to changes in ecosystems and what this means for the insurance sector (e.g. increase in severe weather events and reduce ability by coast to retain them: property finance)
 - Governments: Relatively less attention has been placed on public pension funds, bonds, etc. There is a special obligation from a government's perspective.
 - Relatively less focus so far on Credit Rating Agencies. Identify if and how biodiversity issues could be integrated in scoring assessments.
 - Biodiversity *impact* indicators as a complement for the Biodiversity Benchmark (Insight & FFI)?



The business case for biodiversity from a financial sector perspective







Announces \$20 Billion Environmental Initiative

CHARLOTTE, N.C., March 6 /PRNewswire/ --

Bank of America Corporation announced today a \$20 billion initiative to support the growth of environmentally sustainable business activity to address global climate change. Bank of America's ten-year initiative encourages development of environmentally sustainable business practices through lending, investing, philanthropy and the creation of new products and services.

Bank of America will commit \$18 billion in lending, advice and market creation to help commercial clients finance the use and production of new products, services and technologies:

- Commercial Real Estate Banking:
- Corporate & Investment Banking:
- Carbon Emissions Trading
- Environmental Lending Consideration

Bank of America currently is developing a set of products for individuals who consider the environmental impact of their purchasing decisions and want to offset or minimize their carbon emissions. The bank will announce the launch of the following new products in the next year:

- Eco-friendly Credit Card
- WorldPoints Rewards for the Environment
- The Green Mortgage Program
- Environmental Home Equity Program
- Timberland Investment Solutions

Source: http://newsroom.bankofamerica.com/index.php?s=press_releases&item=7697

