Biodiversity Briefing for the Financial Sector

Andre Abadie
Director
Sustainable Finance Ltd
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Biodiversity and the financial sector

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

- 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

- 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

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:

- Aliwo Hambura Regional Office Malaysia
- Amnestie People’s Association Guyana
- ASB
- WWF de la Foret France
- Afforestation
- The Women's Pavilion, Switzerland
- World Rainforest
- Both Ends, The Netherlands
- Women’s Action Fund Nepal
- Women’s Resource Institute (WIRIN) Malaysia
- Center for Young Adult Children (CYAC) Malaysia
- Center for Organizations Research & Education (CORE) Indonesia
- Community Forests International USA
- Commonwealth United Kingdom
- PERR United Kingdom
- Forest Peoples Programme United Kingdom
- Friends of the Earth South Pacific
- Friends of the Selva Amazonica Peru

- Global 2000 Austria
- Global Response USA
- Global Witness United Kingdom
- Institute for the development of alternative living (IDeAL) Switzerland
- JCI South Africa
- Local and Peoples Information System Canada
- Okinawa Peace
- Pacific Indigenous People’s Environment Outlook (PIPEO) France, Switzerland
- Pro Reagend a. V. Germany
- Rainforest Action Network USA
- Rainforest Foundation Fighting Hunger
- Heinrich-Rehbrueck e.V. Germany
- Robin Wood a. V. Germany
- Sabah Native Malaysian Association
- Sarawak Dayak Borneo Association (SDBA) Malaysia
- Society for Threatened Peoples Switzerland
- TANU-Foi Pa Tanzania
- Uganda Germany
- Weer Canada Wildlife Conservation Canada
- World Rainforest Movement Uruguay

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HSBC brand attack

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

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Linking biodiversity loss to financing – Soy in Brazil
Sakhalin and the Western Grey Whale
Location of oil and gas assets translates into...

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

We can see eight new legacy zones developing: Canada heavy oil, Gulf of Mexico, Trinidad/Venezuela offshore, Brazil/West Africa/Middle East/Export, the Caspian and Azerbaijan, ANWR, Camisea, Sakhalin, and Gorgon. The expansion reflects continuing exploration successes and the commercialisation of new technologies such as LNG, GTL, and heavy oil upgrading.

The remaining 17% of the Top 50 Projects are development, mostly onshore and in OECD countries, with the US, the Caspian and Brazil leading the way with over a third of the total.

 Goldman Sachs

Camisea
Niger delta
ANWR
Gorgon
Sakhalin
...emerging risks and future “access to finance” issues

- 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
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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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

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