

## **Understanding, valuation & integration of environmental and ecological risks and opportunities.**

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Irina Detlefsen, 04. April 2011

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## UniCredit – At a Glance



### UniCredit Group

- Employees: over 161.000
- Branches: 9.637
- Operative in 22 countries
- International Network in ~50 countries
- Global Player: ~ € 185,4 bn. assets under management
- Market Leader in Central- and Eastern Europe

### UniCredit Bank AG (HVB) and Subsidiaries

- 816 Branches
- ~ 20.000 Employees
- Divisions: Retail (private customers incl. SMEs), Private Banking, Corporate & Investment Banking

## UniCredit's Definition of Sustainability

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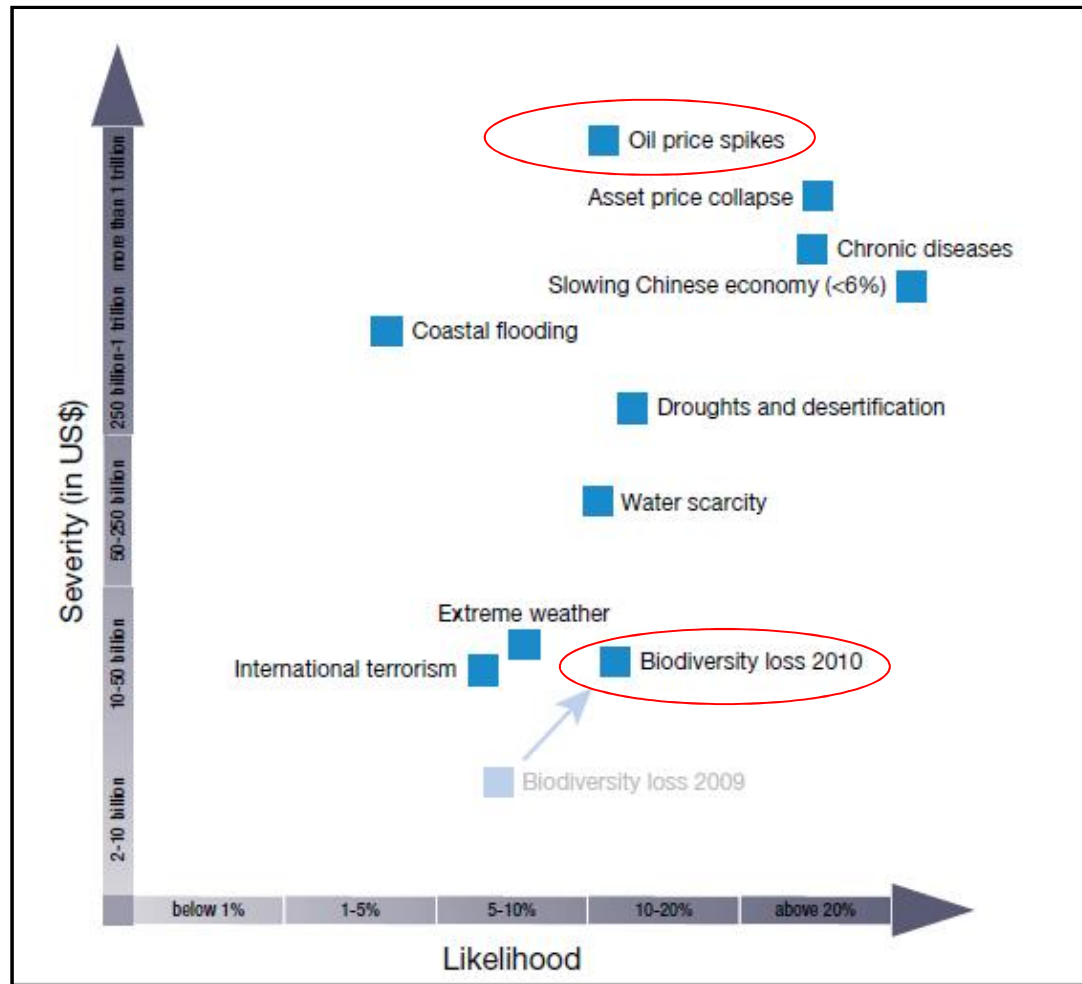


Federico Ghizzoni, UniCredit CEO

The capability to find valuable ways to do **business** with our customers, selecting investments that create value on an **ongoing basis** (both in the short term and long term) and contribute to **sustainable development** in a manner that meets the **legitimate expectations** of **multiple stakeholders**.

## Biodiversity in the global risk landscape

Survey amongst CEOs on the Economic Forum 2010



(Source: PWC 2010, 7)

# Biodiversity risks: a new challenge

The finance sector recognises increasing impact on business

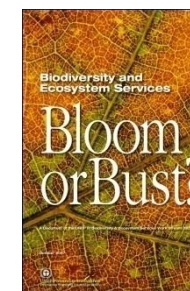
Industry Sectors				Impact on BES	
	Habitat loss & conversion	Pollution	Climate change	Invasive species	Over-harvesting
Agriculture	X	X	X		
Biofuels	X	X	X		
Food & Beverage (including supply chain)	X	X	X		
Construction & Building Materials					
Waste Management					
Paper & Forestry	X		X		
Leisure & Tourism	X				
Oil & Gas	X	X	X	X	
Mining	X	X	X		
Utilities	X	X	X		

Legend:

X major bio-diversity risk

X biodiversity risk

Source:



www.unepfi.org

# Biodiversity & Ecosystem Services – a Topic for Banks

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## Status Quo

- BES is a niche topic, its relevance is increasing
- BES is an integral part of climate and environmental engagement
- Application of specific instruments and guidelines on request (Equator Principles, IFC PS6)
- Main drivers are reputation and risk aspects (compliance)

## Challenges

- Definitions of the terms biodiversity & ecosystem services (BES) vary and need further clarification
- BES-strategies for managing "financed biodiversity" (portfolio approach) do not (yet) exist
- Pure BES-risks are difficult to describe and hardly quantifiable for banks

## Ranking of Various Topics from a Banks' Perspective

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### Ranking

1. Climate change
2. Limited resources, raw materials
3. Scarcity of drinking water
4. **Loss of biodiversity**
5. Population growth
6. Deforestation/ desertification
7. Demographic change
8. Increasing poverty

(Source: VfU 2009)

## Economic Aspects and Systemic Problems

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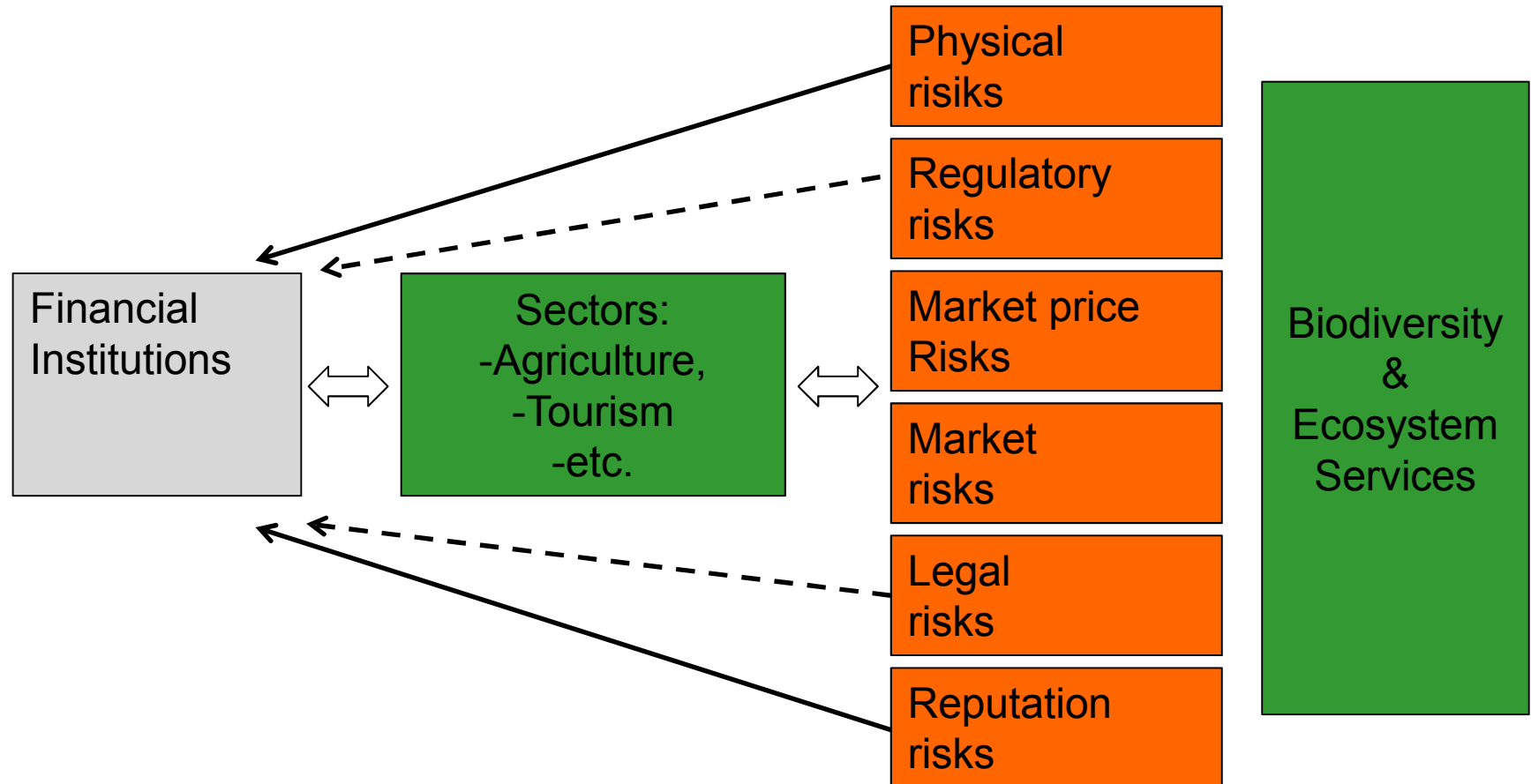
Evaluation of BES risks is a challenge, indicators and practicable guidelines are missing.

### Examples of systemic problems:

- ☐ Extensive farming for climate friendly eco fuels made of biomass
  - Monocultures and regional food scarcity
- ☐ Designation of nature protection areas
  - Indigenous people loose their livelihood
- ☐ Minimise exploitation of natural fish grounds by building fish/ shrimp farms
  - Destruction of mangrove woods and coastal protection
- ☐ Energy efficiency through new technologies and Green IT
  - Environmental pollution through mining of noble earths/ metals
- ☐ Investments in infrastructure (roads, electricity) in remote and rural areas
  - Environmental destruction, loss of BES through increasing urban sprawl/ pollution



## Direct and Indirect Risks



## Business Risks and Opportunities for Banks with BES

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- Exposed business segments
  - Project finance
  - Corporate finance
  - Sustainable investments
  - Investment banking, funds(no direct relevance in retail business)
  
- Additional activities and services
  - Consulting (i.e. corporate clients)
  - Footprint offset
  - Micro-finance initiatives
  - Corporate giving, sponsoring