



Does Sustainability matter (to FI's)?

Moscow – December 2012

Robert Tacon



A Global Perspective -

The Risks are
changing!

Changing Weather Patterns



Bangkok 2011



USA Storms



UK Floods



Floods in Europe



Drought in Africa



Man-made Environmental Disasters





Do You Finance This?





Breaking News.....

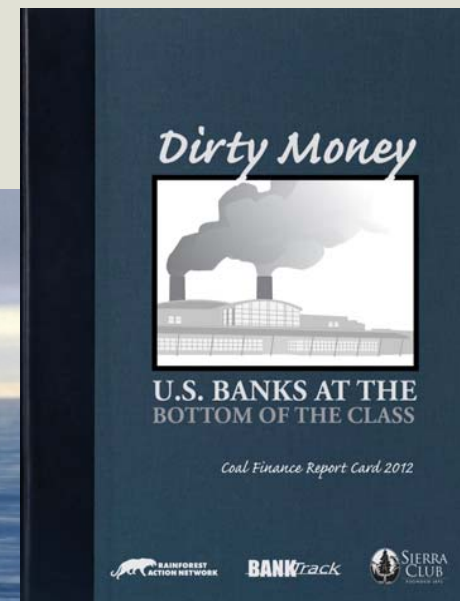


Coffee threatened by climate change



The External Pressure

In the future, there will be no forests left.



Tell
Bank of America:
**STOP FUNDING
DIRTY COAL**

Sign the petition

~~Bank of America~~
COAL

RAINFOREST ACTION NETWORK



What does this mean
for Banks?



Should Bankers be the tree huggers or the financiers?

COULD THEY BE BOTH?



Credit Risks!!!

- industry risks – which are the polluters, which have poor social records?
- management risks – do they understand the issues?
- collateral risks – what is its real value?
- regulatory risks – how will they impact my customer?

Credit Opportunities!!!

- new products – “green” products
- new markets – clean tech

Reputational Risks!!!

- NGO activity – creates bad publicity
- loss of customers – move to banks that care
- share price – impacted by bad publicity



“A successful bank can no longer just look at the commercial performance of a customer. It has to consider its broader performance in environmental and social issues.”

Roberto Dumas Damas
Banco BBA Creditanstalt, Brazil

1. Taken from the IFC report: Beyond Risk – Sustainability and the Emerging Markets Financial Sector



IFC's Beyond Risk Survey: Risks for an FI's Clients

Significant sources of environmental risks for FI clients

- Government – e.g. Fines and shutdowns
- Regulations in your export markets
- Media – reputational risk
- Community, Financiers and customers
- Supply chain
- Insurers
- NGO's
- Employees



IFC's Beyond Risk Survey: Risks for an FI

Significant sources of environmental risks for FIs

- Non-performing loans
- Devalued collateral
- Reputational risk
- Loss of IFI funding
- Reduced access to private/international funding
- Liability for clean-up
- Increased Central and MOF regulation
- Loss of depositors



So, Have the Banks
Responded?



What some of the Banks say



We will aim for continual improvement in mitigating our direct Environmental Impacts, reducing use of natural resources and preventing pollution. We will also work with clients, customers and other stakeholders to identify ways of managing our Indirect Impacts and to develop financial services that Promote Environmental Sustainability.



We believe that working to promote sustainability — both for our firm and our client base — is good business practice. This belief, reflected in our dedication to reducing our operational footprint, actively managing environmental and social risks, and financing environmental business opportunities, is aligned with and contributes to Citi's goal to create the best outcomes for our clients and customers with financial solutions that are simple, creative and responsible.



What some of the Banks say



For HSBC, being sustainable means managing our business across the world for the long term. That means achieving sustainable profits for our shareholders, building long-lasting relationships with customers, valuing our highly committed employees, respecting environmental limits and investing in communities.



‘At Nedbank Group we strive to be a leader in sustainability, because it makes excellent business sense and is simply the right thing to do. Our focus is on balancing economic, environmental, social and cultural issues to ensure long-term sustainable value creation for all our stakeholders.’

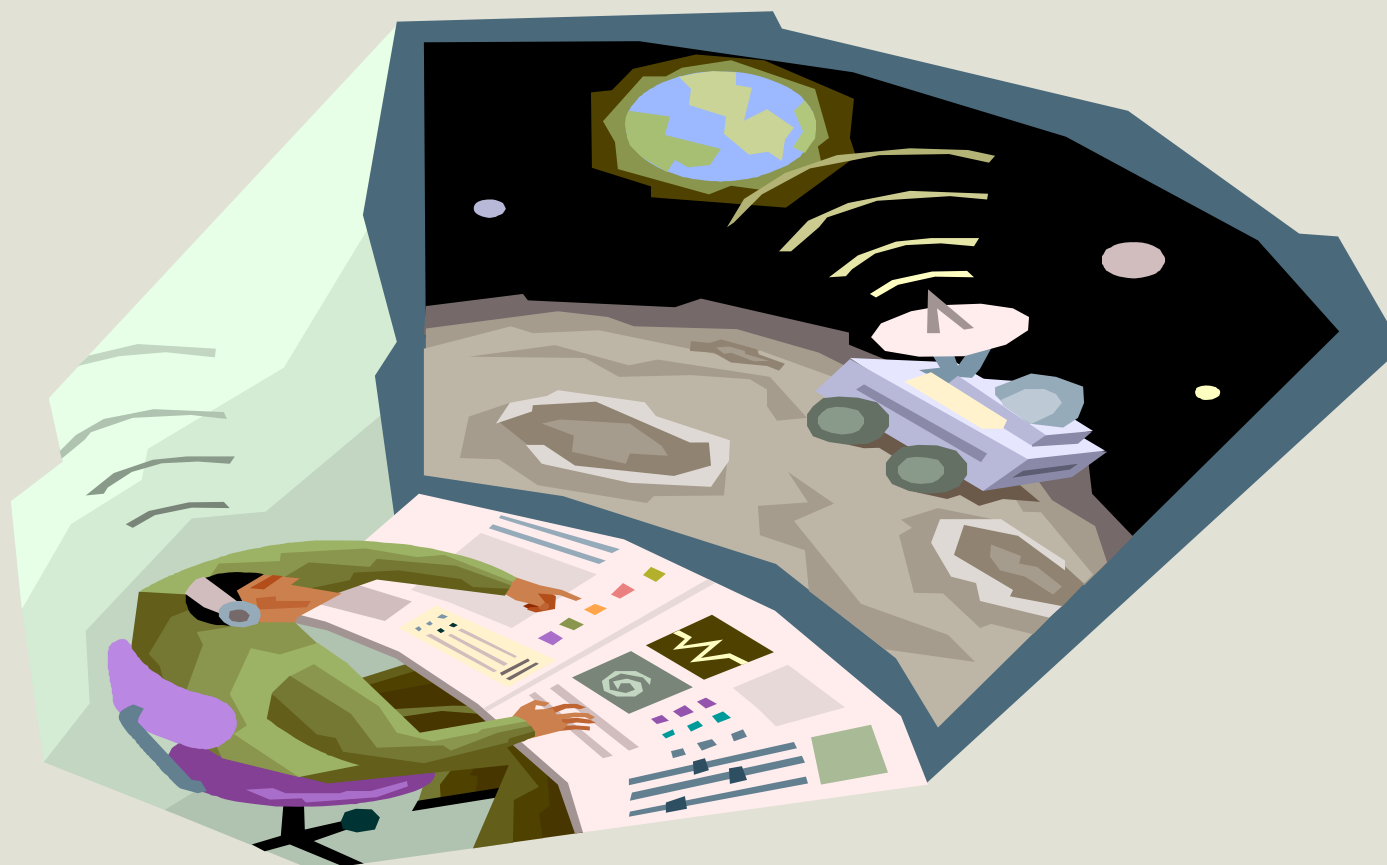


Motivated by the current global environmental challenges and development, Access Bank supports global sustainability efforts at making the environment conducive for business and operations





International Standards – Joining the Global Community





Principles and Standards

Global

- World Bank Environmental, Health and Safety Guidelines
- IFC Performance Standards
- OECD Guidelines for Multinational Enterprises
- Certification Standards such as FSC and RSPO
- UN Guiding Principles for Business and Human Rights
- UN Principles for Responsible Investment
- Principles for Sustainable Insurance
- Equator Principles

National

- Nigerian Principles for Sustainable Banking
- Japanese Principles for Sustainable Banking
- Colombian, Brazil and Costa Rica – Protocols for Environmental Sustainability
- Chinese Green Credit
- Vietnam and Bangladesh - the next ?



Peer Pressure?

	Carbon Disclosure Project	Equator Principles	UN Global Compact	UNEP FI	Global Reporting Initiative
Bank of America	✓	✓		✓	
Barclays	✓	✓		✓	✓
Citi Group	✓	✓	✓	✓	Self Declared
Credit Suisse	✓	✓	✓	✓	Self Declared
Deutsche Bank	✓		✓	✓	GRI checked
HSBC	✓	✓	✓	✓	✓
Standard Chartered	✓	✓	✓	✓	✓



It's not all about Risk

**“Risk Management can help
you seize opportunity, not just
avoid danger”**

Dan Borge, former MD of Bankers Trust

A Great Opportunity for Smart FI's— the Green Economy

- Going forward will banks be more critically judged for their:
 - investment in old polluting technology?
 - commitment of funds that cause the loss of biodiversity and ecosystems?
- UNEP's "Toward a Green Economy" estimates that the investment required will be USD1.3 trillion per year from 2010 to 2050.¹
- The WEF and Bloomberg calculate that clean energy investment must rise to USD500bn by 2020 to restrict global warming to 2 deg.¹
- HSBC estimates a USD10 trillion growth in cumulative capital investments between 2010 and 2020.²
- It is estimated that more than 80% of this financing needs to come from the private sector.



1. Towards a Green Economy, UNEP (2011)

2. Sizing the Climate Economy, HSB Global Research 2010

The Road for Stanchart



1996
Develop First
Environmental
Risk Policy

2001
Join UNEP FI

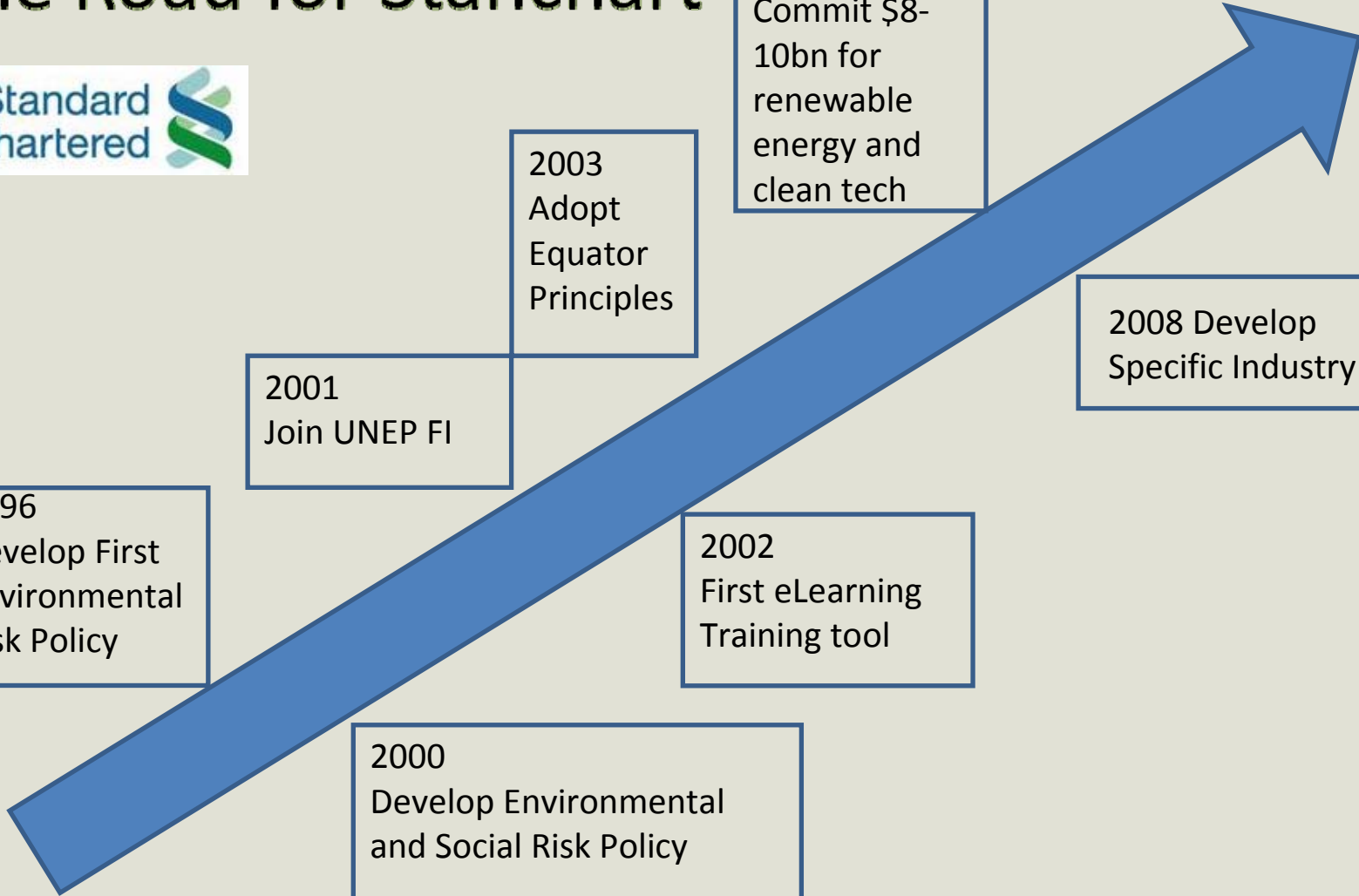
2003
Adopt
Equator
Principles

2000
Develop Environmental
and Social Risk Policy

2002
First eLearning
Training tool

2007
Commit \$8-
10bn for
renewable
energy and
clean tech

2008 Develop
Specific Industry Policy





Thank You