



WWF

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SUSTAINABLE FINANCE SOUTH AFRICA

SA hosts Biodiversity for Banks workshop

A key skill set of banking is defining, pricing and managing credit risk. A company's credit risk can be affected by many factors, such as the market dynamics of the industry in which the company operates, environmental impacts such as water quality, and the reliability and robustness of the technology used by a company. All these sometimes interdependent factors make credit risk a complex, specialised area of expertise within a bank.

Traditionally, banks have often overlooked the impact of non-financial risks that arise from environmental, social and governance impacts. However, in recognition of the importance that these impacts play in credit risk, several visionary banks in 2003 developed and adopted the Equator Principles. The Equator Principles are a risk management framework for determining, assessing and managing environmental and social risk in projects and are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

One of the relevant areas to consider is biodiversity risk, which is an important area of non-financial risk that can impact credit. In recognition of the challenges that many Equator Principles banks face when trying to incorporate biodiversity issues into their decision-making processes, the Equator Principles Association, in partnership with WWF, Forest Trends and Business and Biodiversity Offsets Programme (BBOP), developed the Banking for Biodiversity (B4B) workshop. This two-day capacity building workshop has been held in Washington DC, Sao Paulo, Paris and the Hague. B4B Johannesburg was held at the beginning of October, was project managed by Jessica Boucher and was hosted and funded by Citi South Africa.

This newsletter provides highlights of the Johannesburg workshop that demonstrated the importance of collaboration and joint engagement between bankers, consultants, NGOs and companies on issues which ultimately affect our ability to live in harmony with ourselves and with nature. This is the last newsletter for 2013. I hope that you have a wonderful holiday season and look forward to providing you with more Sustainable Finance news in 2014.

Malango Mughogho

Programme Manager: Sustainable Business WWF-SA

Freshwater resources underpin sustainable development



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WHY BIODIVERSITY MATTERS TO BANKS

Understanding biodiversity risks and impacts is becoming increasingly important to financial institutions. The rate and scale of biodiversity degradation is significantly weakening the ability of the natural world to deliver key services such as climate control, air and water purification and protection from natural disasters. These services represent ‘natural capital’ that companies have treated largely as a free ‘good’.

However, losses in biodiversity present large risks to the financial sector and its clients. As many as half of the world’s natural habitats have already been cleared, and it is calculated that a single year’s habitat conversion costs society USD250 billion each and every year into the future (source: Biodiversity and Ecosystem Services, CEO Briefing, United Nations Environmental Programme’s Finance Initiative, October 2007). In addition, biodiversity loss has an impact on the ability of ecosystems to provide services regulating, provisioning services such as flood control, water filtration, pollination and recreation. This in turn can have an impact on the ability of companies that rely on those ecosystem services to service their debt.

This is particularly important across the African continent, where estimates of infrastructure requirements go as high as USD93 billion per annum. Infrastructure projects such as hydropower schemes, fuel pipelines, roads, railways and power stations typically have a high impact on biodiversity and can lead to unintended consequences such as the pollution of key water courses and the loss of critical habitat. Consequently it is important

to ensure that biodiversity impacts are minimised or avoided as African countries embark on significant infrastructure projects.

WHAT THE WORKSHOP INVOLVED

The original content for B4B was developed by the Equator Principles Association’s Biodiversity working group chair (Courtney Lowrance from Citi), WWF (Mark Eckstein), Kerry ten Kate (BBOP) and Forest Trends (Amrei von Hase). The Johannesburg workshop was structured around three fictional projects: a green field hydropower project in the Democratic Republic of Congo, a sugar plantation and mill expansion project in Mozambique, and a green field coal mine in South Africa. Participants sat at a table related to a particular project, to allow the progressive development of key concepts and themes.

Formal training, which was delivered by Courtney Lowrance and Amrei von Hase, was combined with group work and open discussion. A key element of the training involved an introduction to existing online tools that help provide additional information during the initial stages of project assessment.



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COMMENT FROM DONNA OOSTHUYSE, CEO, CITI SOUTH AFRICA

Citi, as one of the initial signatories of the Equator Principles is pleased to be able to host and offer this training for banks in conjunction with the WWF. A course such as this one will give participants the tools to critically assess and implement the biodiversity parameters of sustainable finance required by the Equator Principles. It will also help banks remain competitive in a regulatory environment that is increasingly taking environmental sustainability into account.

COMMENTS FROM PARTICIPANTS

The workshop included participants from four African Equator Principles banks; Barclays/ABSA, FirstRand/RMB, Mauritius Commercial Bank, Standard Bank. Following the format of B4B Sao Paulo, the workshop also included environmental consultants (SRK, ERM), development finance institutions (DBSA), industry associations (BASA), environmental NGOs (EWT) and companies (Eskom, Transnet and De Beers). Specialists from WWF-SA in water, wetlands, agriculture and sustainable finance were also part of the workshop.

This cross-section of participants working across a typical project value chain resulted in robust debate and engaging conversations.

Warrick Lee, Rand Merchant Bank (a member of the FirstRand Group):

“What’s great about this type of forum is discussing some of the challenges and difficulties with other experienced people, talking about the issues and getting a better understanding of how to go forward. I think that the case studies were very relevant. The coal one was very good and relevant. The sugar case study gave me a lot more insights into the issues in the sector, which was helpful.

What does worry me is that we are at such an early stage in South Africa in terms of getting guidance in considering biodiversity. An example is addressing biodiversity issues at mine closure. So the only thing that we are hanging onto is the Equator Principles.”

Marike Fourie, Environmental Risk Manager, Wholesale Credit Risk, ABSA, Corporate and Investment Banking, Barclays Africa:

“I just couldn’t wait to get through all these topics because the nature of the information is so vital for everyone: for the consultants, the clients and for us as bankers.

[Having them all in the room.] made more sense in the end because you learn so much from each other.

To listen in practice to how they perceive it, how they experience projects and the consultants saying how they worked on a project. I learnt a lot more than I knew just walking in there and reading the information. The benefit of this course is networking and sharing ideas and brainstorming. That to me is a fantastic outcome.”

Rochelle Chetty, Environmental Manager, Standard Bank:

“This workshop provided us with an understanding as to whether there are specific biodiversity requirements - how to make sure they are addressed and what we need to take back to the consultant. I think it’s especially important where we are advising a client. We need to scope the consultants work and draft the TOR to address our requirements up front in the EIA process. It’s been helpful having the clients, the financial institutions and the industry sector in one room.”

More information about the B4B training course and resource tools is available on the Equator Principles Association website: <http://www.equator-principles.com/index.php/best-practice-resources/b4b>



CHINA-AFRICA SUSTAINABLE BANKING STRATEGIC DIALOGUE KICKS OFF WWF-BRICS GREEN CREDIT ROUNDTABLE

WWF launched the BRICS green credit roundtable in February of 2013, in order to promote the exchange of information and enhance cooperation among banking regulators and financial institutions on the topics of green investment and responsible lending. The first activity of the roundtable was a strategic dialogue held in Beijing between Chinese and African banking regulators and institutions, supported by Standard Bank, United Nations Environment Programme Finance Initiative (UNEP FI) and the Chinese Regulatory Banking Commission (CRBC). The dialogue focused on ESG risk management and sustainable growth. To read the WWF BRICS Countries Green Credit Roundtable report click [here](#)

WWF SWEDEN PUBLISHES FACTSHEET ON THE CARBON BUBBLE AND SWEDISH PENSION FUNDS

WWF has reviewed AP funds 1, 2, 3, 4 and 7 which have in total SEK 1,061 billion (\$ 164 billion) in assets under management. 200 companies on the world's stock exchanges own 745 GtCO₂ in fossil reserves, which is 180 GtCO₂ more than the world's remaining carbon budget until 2050 of 565 GtCO₂, according to analysis from the Carbon Tracker Initiative in 2011. The 133 of these companies in which the AP funds have holdings own 643 GtCO₂ which is 14% more than the world's remaining carbon budget to stay below two degrees of global warming. To read the Carbon Bubble and Swedish Pension Funds fact sheet click [here](#)

WWF PUBLISHES NEW ENERGY POLICY

WWF supports the move to 100% clean and sustainable renewable energy, combined with large scale energy efficiency and conservation measures, by 2050. This new position statement outlines the principles WWF believes should guide a fair and just transition to a society fully powered by renewable energy, including full access to clean energy by the poor in developing countries. The policy is available at: wwf.panda.org/what_we_do/footprint/climate_carbon_energy/

THE CONVENTION ON BIOLOGICAL DIVERSITY DECLARES NATURAL CAPITAL DECLARATION A BIODIVERSITY CHAMPION

The Natural Capital Declaration (NCD) has been declared a Biodiversity Champion by the Secretariat of the Convention on Biological Diversity (CBD) in recognition of its important contribution to the implementation of the Convention's Strategic Plan for Biodiversity 2011 – 2020: www.naturalcapitaldeclaration.org/2013/11/the-convention-on-biological-diversity-declares-natural-capital-declaration-a-biodiversity-champion/. The NCD is a finance-led and CEO-endorsed initiative committing financial institutions to integrating natural capital considerations into financial products and services, accounting and reporting. We covered the NCD in our first ever Sustainable Finance newsletter: www.wwf.org.za/media_room/publications/?8560/Sustainable-Finance-South-Africa-August-2012

WE WELCOME YOUR FEEDBACK

Please send your feedback, comments or suggestions to mmughogho@wwf.org.za
For more information on WWF-SA's Sustainable Business work, go to http://www.wwf.org.za/what_we_do/sustainable_business/



Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

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