

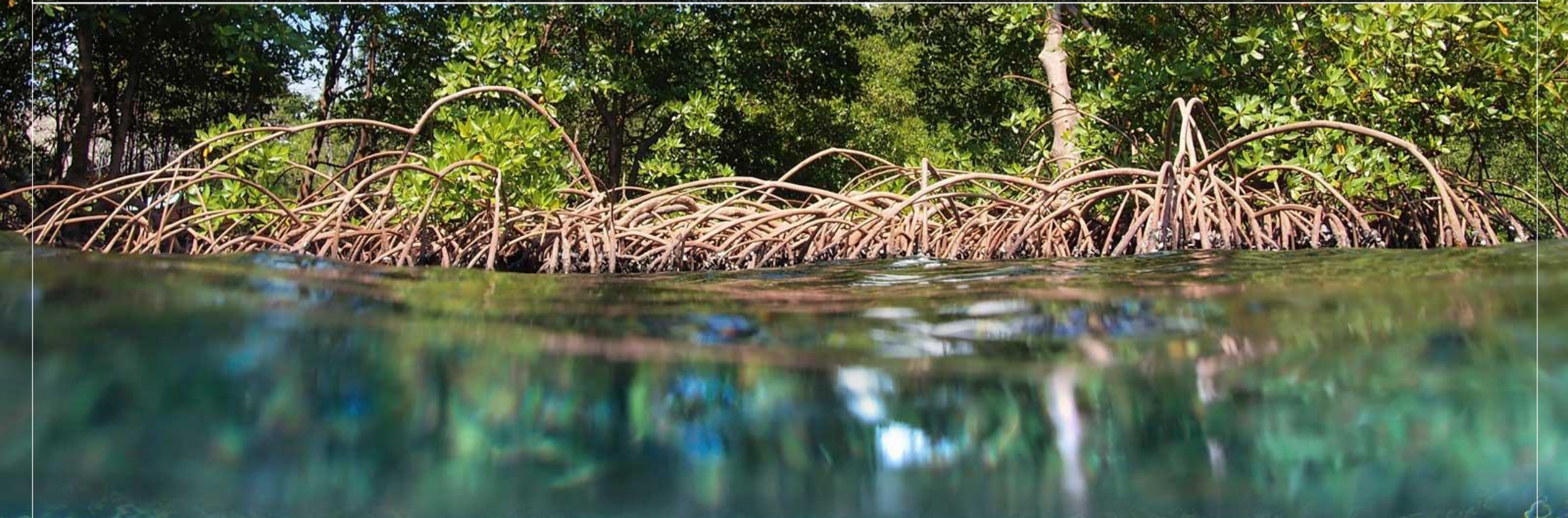


United Nations Environment  
World Conservation Monitoring Centre

# PROTEUS ANNUAL MEETING

20<sup>th</sup> – 22<sup>nd</sup> June 2018, David Attenborough Building, Cambridge, UK





# **INTEGRATING BIODIVERSITY INTO NATURAL CAPITAL APPROACHES**

Rosemary Bissett



# MANAGING THE 'E' IN ESG RISK

Views from the finance sector

# ESG RISK - what is it?

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*Giving consideration to the **social, environmental and governance** (ESG) impacts and issues that can impact on the **risk and return** profile of a company's operations and investments in a way that **creates and sustains long-term value** for an organisation and the communities in which it operates*

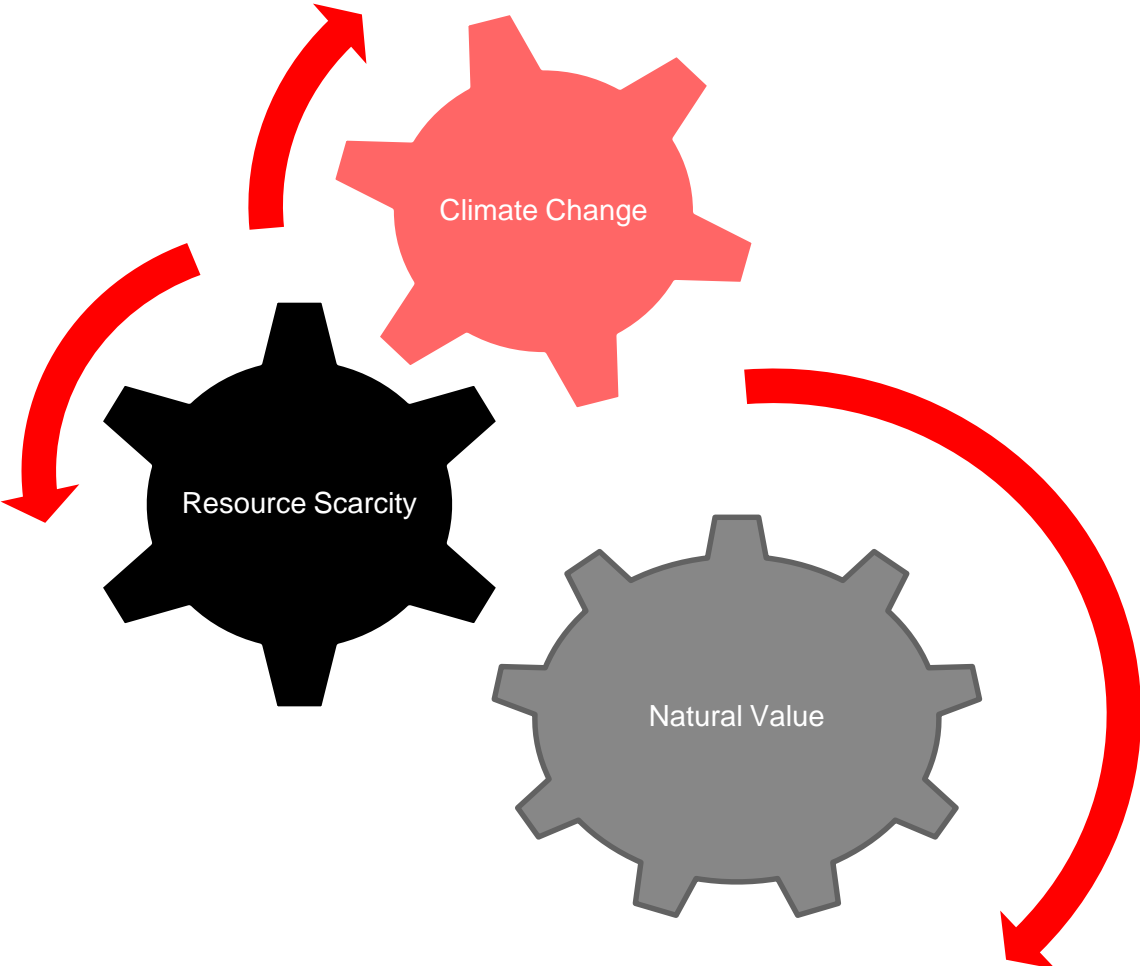
# NAB'S APPROACH TO MANAGING ESG RISK EXPOSURE

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# NAB'S ENVIRONMENTAL AGENDA

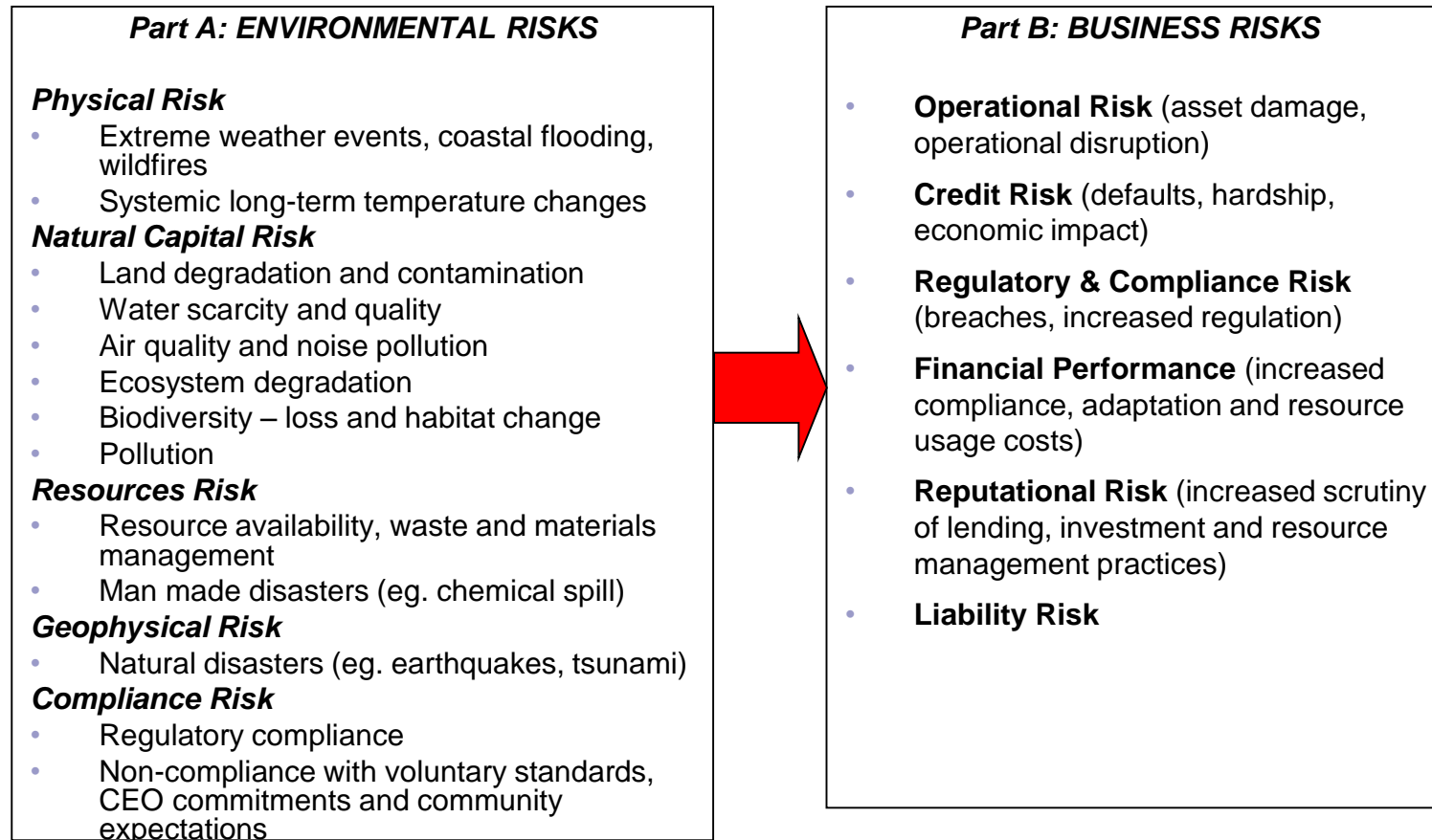
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# DEFINING ENVIRONMENTAL RISK

NAB has defined environmental risk as:

- risk that arises as a consequence of the interaction between human activity and the environment (may be temporary or permanent, reversible/irreversible)
- includes risk to the environment & risk to an organisation from environment-related issues and/or events.



# ENVIRONMENTAL RISKS IN CREDIT RISK ASSESSMENT – what are we looking for?

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- GHG emissions profile and energy usage
- Climate change-related risk and opportunity identification and management, including impacts of extreme weather events and natural disasters
- Natural capital and biodiversity-related risk and opportunity identification and management, including water and land clearing activities
- Environmental management and compliance track record, including pollution management/control
- Contamination liabilities, rehabilitation liabilities and offset obligations
- Waste production and management
- Vicinity of environmentally sensitive locations or protected national habitat
- Status of environmental approvals



# WHY FINANCE IS CONSIDERING NATURAL CAPITAL & BIODIVERSITY

Consideration of natural capital and biodiversity:

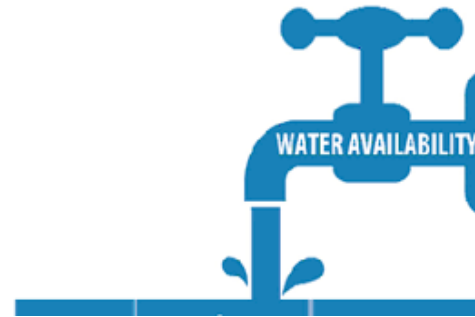
- helps financial institutions understand interconnections between environmental issues and make more informed decisions
- introduces additional concepts:
  - environmental dependencies, in addition to impacts
  - value, in addition to measurement

It creates opportunities to reduce risk and to create new products and services.



# THE SHIFT FROM IMPACTS TO DEPENDENCY – an example of water

- In the past key issues considered would have been mostly focussed on pollution impacts/discharge compliance
- Now interested in water security/dependency on water availability in the context of the catchment



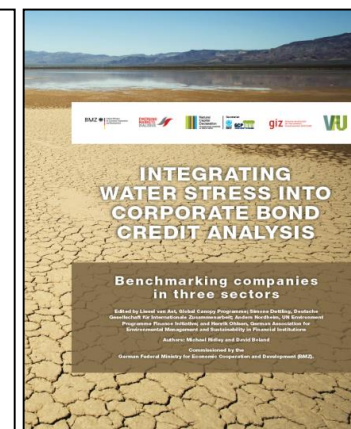
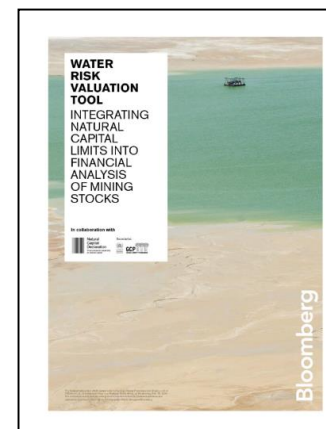
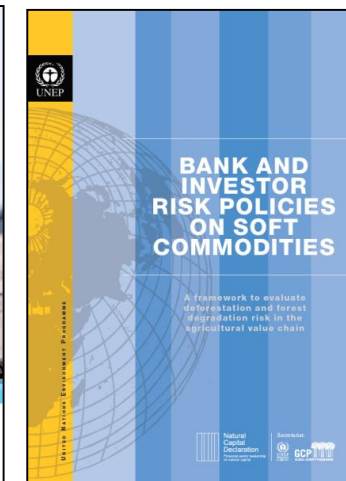
# INDUSTRY INITIATIVES

NCFA via the Natural Capital Declaration commits members to four key commitments:

1. **understand** the impacts and dependencies of natural capital relevant to operations, risk profiles, customer portfolios, supply chains and business opportunities.
2. **embed/integrate** natural capital considerations in financial products and services (via development of new tools and methodologies);
3. work towards a global consensus on integrated **reporting/disclosure**; and
4. work towards a global consensus for the integration of natural capital in private sector **accounting** and decision making.



Secretariat:

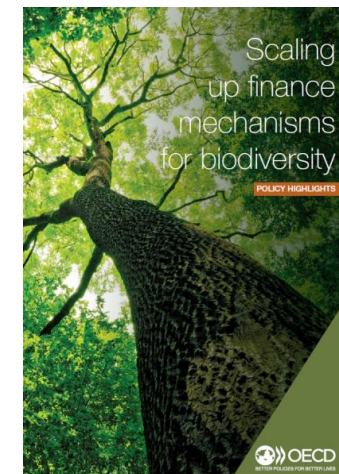


# OPPORTUNITIES

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Product innovation in the finance sector:

- Green bonds – covering climate mitigation and adaptation
- Sustainability performance-based revolving credit facilities
- Risk based pricing
- Biodiversity-based funds –payments for ecosystem services – combining carbon and biodiversity
- Lending for green infrastructure



# CONTACT DETAILS

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