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REDD+ Perspectives from a Global Bank

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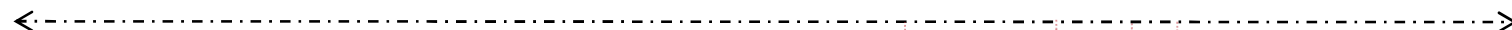
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Banks

Finding the right balance

Risk

Opportunity



- ESRM – focus of most international ‘banks’, applied across sectors/countries based on internal policies and/or industry standards

- Client advisory - position ‘conservation’ as a client relationship topic, support strategy development/implementation

- 2014 Conservation Finance Research – market size, constraints, opportunities

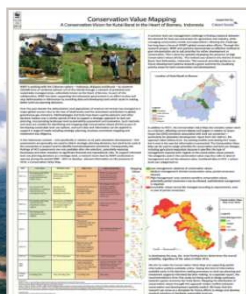
- Green bonds – New issuances in 2014 >USD 36 billion; increasing numbers of corporate issuers

- Credit Suisse launches Nature Conservation Notes focused on forest conservation and sustainable agriculture

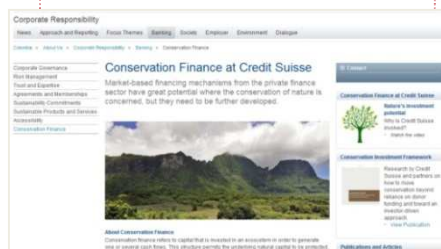


- Industry standards - working with the Climate Bonds Initiative on standards for Ag., Forestry and Other Land Use (AFOLU) related sectors

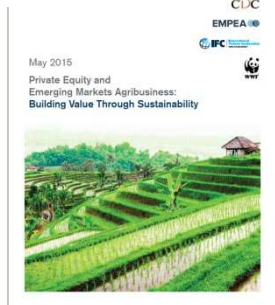
- HCV Mapping – land value mapping in Indonesia



- Disclosure – sharing insights



- ESG Guides – for emerging market banks, private equity investors and agribusiness companies



Reputational Risk

Key Aspects

- The **Reputational Risk Policy**:
 - Applies globally to all Divisions of the Bank
 - Applies across all regions
 - Is supported by a formal **Reputational Risk Review Process (RRRP)**
- The RRRP exists to ensure global consistency in reputational risk evaluation and to decide whether or not to pursue or execute a particular action or transaction
- Actions or transactions that are referred to the RRRP may be:
 - Declined / Terminated
 - Approved with conditions, or
 - Approved with no conditions

Sustainability Risk Management

Forestry and Agribusiness Policy

- Responsible management of key issues, including habitat depletion; fragmentation and degradation; water contamination and usage; hazardous materials management; air emissions; worker and community health and safety; public involvement, consultation and disclosure
- No financial services for operations in High Conservation Value (HCV) areas, or on land cleared of HCV after 2005, unless fully certified or unless progress towards certification can be demonstrated
- No financial services for companies against which there is credible evidence of involvement in grave human rights abuses or for operations that require the resettlement of substantial numbers of people
- No financial services for operations in protected areas (such as UNESCO World Heritage Sites, Ramsar wetlands)
- No financial services for activities involving illegal logging or uncontrolled and/or illegal use of fire

<https://www.credit-suisse.com/hk/en/about-us/responsibility/banking/risk-management.html>

Sustainability Business Support

Advisory services to front office and clients

Training and Awareness on key issues



- General awareness and/or more structured training on key industry issues delivered to client

Fostering dialogue with civil society



- Introductions to collaborative NGOs, IGOs and consultants on a case-by-case basis
- Enabling broad stakeholder dialogue

Strategy and Policy Development



- Support on developing a general sustainability policy or industry / issue policies or guidelines as a key component of broader strategy development

Communications and Reporting



- Credit Suisse produces numerous internal and external communications on sustainability / corporate responsibility initiatives, and is able to share this expertise

NGO Collaboration

WWF Sustainable Finance Report 2015

Purpose of the report:

- First step in assessing and addressing the gaps between domestic financial practices and the processes needed to contribute to a sustainable economy
- Aims to help financial institutions and regulators in Singapore, Indonesia and Malaysia to understand the rationale for taking part in the transition and the steps necessary to do so
- Uses **forest risk commodity production** as a central case study in setting out the more general argument for financial institutions to adopt ESG practices
- Review of ESG integration by banks and regulators
- Review of ESG adoption by institutions
- Review of ESG Disclosure by operating companies



http://d2ouvy59p0dg6k.cloudfront.net/downloads/wwf_frc_forest_risk_commodities_report_2015_online_3.pdf

Responsible Investment

Specialist advice, products and solutions

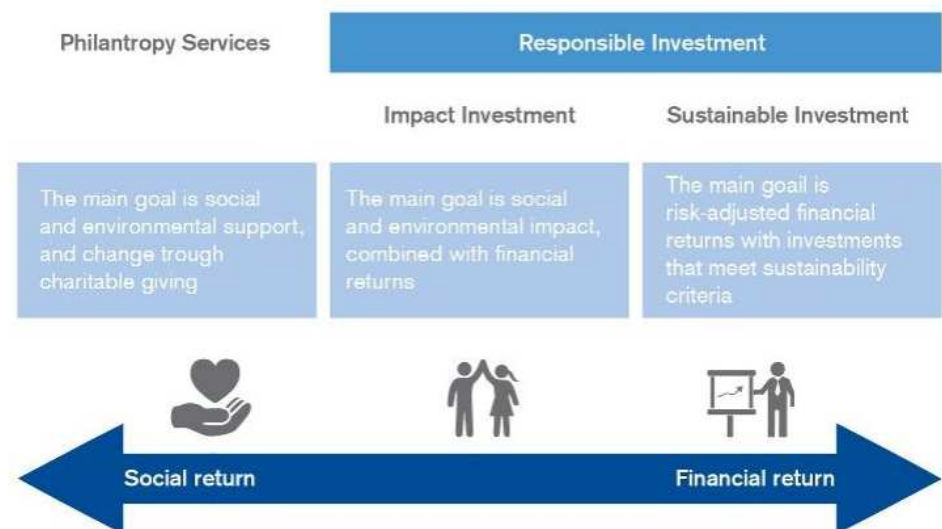
Impact Investment:

Microfinance: Over 2.4 million people provided with access to improved financial services through our funds and initiatives

- Sustainable Agriculture: Direct support to more than 50,000 small farmers
- Social enterprise: Financial support for small and medium-sized businesses with social objectives
- Conservation Finance: initiated by thematic research through the Sustainability Affairs team

Sustainable Investment

- ESG Integrated products: Green Property, Global Responsible Equities, Sustainable Bond Fund
- Sustainability Thematic Indexes
- Sustainable Research



REDD+

The role of private sector finance

- ❑ There is ~US\$ 225 trillion currently allocated through the World's capital markets, but private sector finance needs public policy to create long-term, clear and credible policy signals
- ❑ Public finance is often non-commercial in nature while private sector finance tends to be commercial, so appropriate risk-adjusted returns are expected
- ❑ Financial markets are generally not aligned with the needs of forests or a non-extractive, low-carbon and climate-resilient economy
- ❑ We need a better understanding of effective and efficient ways to strategically deploy public funds through different financial mechanisms (e.g., the Green Climate Fund)
- ❑ In the longer term, we need to reform financial markets to become enablers and catalysts of private sector REDD+ finance

REDD+

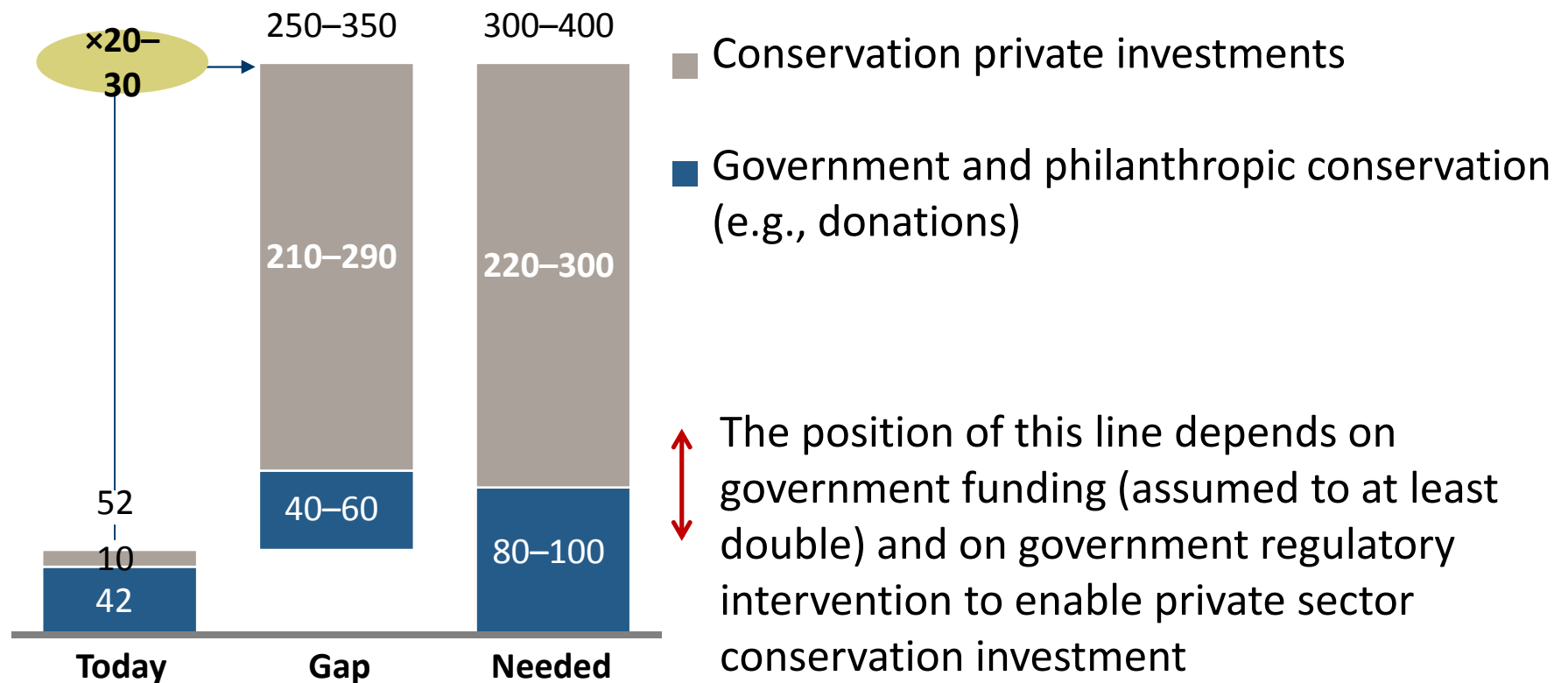
Finding the right scale: Green Bonds?

- Investors want large-scale investment opportunities: investment grade bonds of half a billion dollars and upwards
 - This will help money managers to increase green capital allocations within existing liquidity and creditworthiness constraints
- We need public funds to improve the attractiveness of the products and develop an investment track record, but we need to avoid development banks providing 100% of project financing and crowding out private finance
- We need to be clear and rigorous about what green growth means, so we need standards and third party verification
- We need to use incentives. A little treasury loss can be a very big boost to investment

Conservation Finance

A Clear Need for Private Sector Participation

(USD billion)



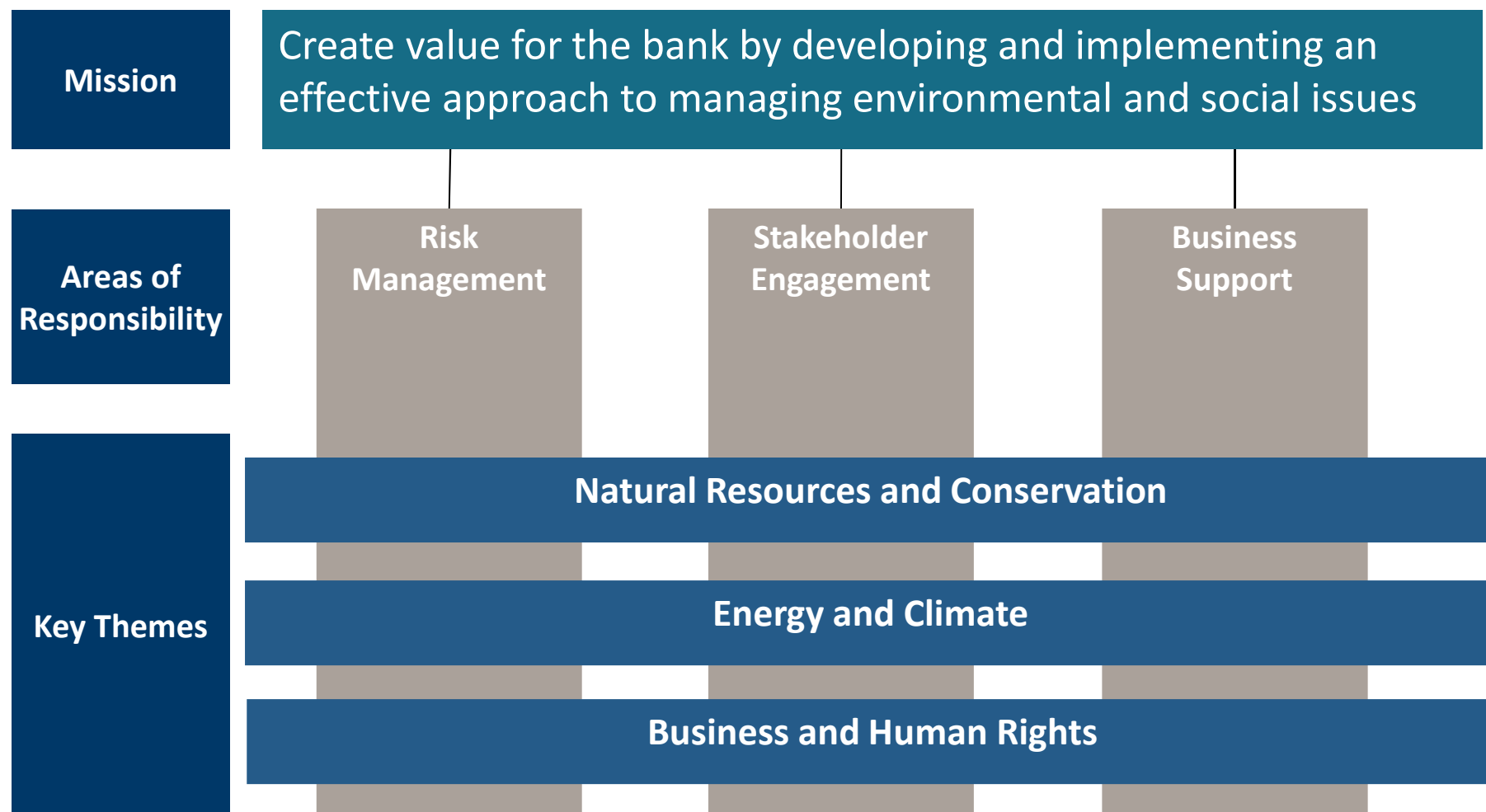
- Significant unmet demand for funding of nature conservation globally – to meet global need private sector investment needs to be scaled up at least 20–30 times to USD 200–300 billion per year
- Sufficient capital available if main investor segments allocated 1% of new/reinvested capital to nature conservation

Source: Credit Suisse/WWF/McKinsey (2014)

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Sustainability Affairs

A global mandate to manage sustainability issues for the bank



Sustainability Risks

Risk Management Process

