

## **Plenary Keynote**

**Klaus Toepfer, Executive Director UNEP  
UNEP Finance Initiative Global Roundtable  
EcoSoc Chamber, United Nations HQ,  
New York, 25 October, 2005**

**Delivered by Monique Barbut, Director, UNEP DTIE**

Your Excellencies, honoured guests, our partners in financial services, ladies and gentlemen, on behalf of UNEP Executive Director Klaus Toepfer let me welcome you to the United Nations.

I am honoured to be delivering this address on behalf of Dr Toepfer. Our Executive Director greatly regrets not being able to join us at this UNEP Finance Initiative Global Roundtable as pressing intergovernmental business keeps him in Nairobi. He sends his best regards and good wishes for the two days of robust and fruitful discussions he knows that we will have here in New York.

Dr Toepfer asked for me to transmit the following message and accompanying challenges to you:

Gathered here today at the heart of the multi-lateral system that is the United Nations, the agenda shapers and opinion formers from the world of sustainable finance have a rare opportunity to drive change.

Change in the way bankers, insurers and asset managers think. Change in the way financial institutions transact business. And

change in what they achieve. How can a conference make such a thing possible?

Financial institutions worldwide are approaching a once in a generation opportunity and the timing of this UNEP FI Global Roundtable comes at a critical juncture. The opportunity that presents itself is for leading financial service organisations to take the path that, ultimately, elevates Responsibility of Investment as an equal partner to Return on Investment.

The alternative to embracing this opportunity.....? Reject the risks and opportunities associated with the sustainability agenda, stay on comfortable ground and maintain business as usual as.

This is not the risk averse approach that has made so many of the banks, insurers and investment companies - the global leaders in the sectors efforts to Champion sustainability - gathered here the powerful, innovative companies that you are today.

You will undoubtedly recall that in 1997 Lord Brown of British Petroleum split the oil industry a few months before the Kyoto Protocol Climate Change negotiations. He did this in his famous Stanford University speech when BP acknowledged that climate change posed serious risks and warranted precautionary action.

I ask which of the world's largest financial institutions are willing to send a clear, definitive and unambiguous message to their peers and the capital markets that an ethos of Responsible Investment - - in all facets of business - - has to be a key to a better future for

all. Responsible investment, by necessity, must become a foundation stone of a future stable, inclusive and vibrant global economy that brings as much to those at the base of the pyramid - the poorest of the poor - as it does now to us the most privileged.

The signals and markers which herald this rare opportunity for financial services and capital markets are already in place.

Amongst the many, let me highlight just a few:

- The tremendous success of the Carbon Disclosure Project has been a revelation. As part of CDP 2005 asset owners and asset managers representing USD 21 Trillion have again asked the world's largest 500 companies to account for how they manage carbon risks;
- Also in the carbon field, the work by CERES to launch the Investor Network on Climate Risk after their 2003 summit here at the UN has been revelatory in the new thinking it has created amongst institutional investors;
- The arrival of the Equator Principles for the project finance community has sent a clear signal from those banks responsible for more than 80% of the global project finance market. These institutions have committed themselves to thinking long and hard and acting responsibly about the environmental, labour and human rights aspects of the very largest deals. They know also that the Equator Principles performance remains under the most intense civil society spotlight;
- The emergence of the Enhanced Analytics Initiative for our asset managers sees the commitment of serious funds to boost environmental, social and corporate governance

research within the investment chain that will lead to better, more informed investment decision-making;

- Additionally, the engagement of the insurers and re-insurers in the science and policy discussions around the threat of Global Warming reflect the deep concerns that are growing in this sector as the hard evidence of climate change presents itself worldwide.

All these examples point to a period of powerful transition for global financial services.

I believe it was the Anglo-French financier and entrepreneur James Goldsmith who said that: "Once you see the bandwagon it is too late." Well I put to you that the bandwagon of sustainable finance that will herald a fundamental shift is just around the corner.

We know that in a transaction based economy there is the great temptation to trade short-term opportunism for long-term growth, development and innovation. We know that many of the institutions supporting UNEP FI are championing sustainability issues and providing leadership in some of the most complex challenges business faces today and this we commend.

I am asking you today to go further with UNEP in order to forge an agenda for change that is ambitious, effective and dynamic in equal measure. But more than creating the agenda together we must also within our UNEP FI partnership, and in close

collaboration with civil society, formulate and deliver on concrete goals in the real world.

Let me frame five challenges for UNEP Finance Initiative for the coming five year period to 2010:

Firstly, build stronger bridges between financial institutions in the North and those in the South. Concretely, I would challenge our powerful blue-chip global banks to offer short-term training placements - - in their environmental risk, project finance, investor relations and communications departments - - to their colleagues from developing countries and transition economies. UNEP is well placed to facilitate what would become a powerful capacity building exercise as the knowledge, experience and best practice approaches of the leading banks in the field of sustainability is transferred directly to your peers.

Secondly, I would challenge our leading insurers and re-insurers to join with UNEP's long established and well respected APELL initiative that seeks to head off or prevent environmental disasters stemming from industrial or technological accidents. Jointly, UNEP and the insurance sector could explore and roll out innovative awareness building and training programmes targeting better disaster preparation and preparedness. The very hard risk management and technical skills that exist in the insurance world could be put to better direct use within the UNEP FI partnership in this way.

Thirdly, the massive potential of our emerging carbon and climate change related markets is obvious for all to see. A critical part of the success of these markets for the developing and transition economies will be through the effective implementation of numerous Clean Development Mechanism projects. Again, I am asking our banking and insurance partners in UNEP FI to forge mechanisms that engender and accelerate collaboration between institutions in the North and South. The carbon expertise developing in our leading financial institutions must be replicated in Africa, Asia-Pacific and Latin America if CDM projects are to reach the scale where they make a significant difference in terms of emission reductions and improvement of clean industrial and a pro-environment transport infrastructure in those countries where it is most needed. Successfully implemented CDM projects need to be achieved in their thousands in coming years. The expertise embedded across the financial services sector and capital markets will be pivotal in achieving this success in a scaled up manner.

Fourthly, the institutional investors and asset managers active in UNEP FI can play a catalytic role in changing the thinking, practises and decision-making processes that dominate the investment chain. Specifically, the Principles for Responsible Investment that have been negotiated and which will be launched in 2006 provide a strong framework that will enable a much more direct integration of Environmental, Social and Corporate Governance issues into the dynamic activities that govern investment processes. UNEP and the UN Secretary General's Global Compact, joined by some 20 asset owners representing

USD 1.7 Trillion and 60 global experts, worked throughout 2005 to see these Principles born. They have created a unique engine for change. UNEP FI members working collectively can become a powerful group of ambassadors to drive effective change as ESG is embedded across the investment industry.

Finally, the power of partnership between business, government and civil society will be fundamental in the successful delivery of the Millennium Development Goals. The scale and scope of the challenges presented by the scourges of ecological destruction, poverty, and injustice cannot be addressed without a clear will from both public and private sectors to work together in creative partnerships. And let me stress these need to be partnerships that deliver concrete results in terms of poverty alleviation, tackling health threats head on, opening the precious door of education for the children of the poorest and rolling back the type of relentless, careless resource exploitation that destroys our precious natural capital. The financial service sector needs to be a powerful force for good at the very centre of effective partnerships and you have no better vehicle than UNEP Finance Initiative through which to achieve it.

Companies which join UNEP FI are now far clearer than ever before of their role and responsibilities in this unique public-private partnership. Again, I am asking and challenging you as the world's most forward thinking financial institutions in the field of sustainability to join with UNEP to make our partnership action oriented in a way that delivers real world results in the period 2006-2010.

In closing let me say that a simple question which any financial services institution, whether from banking, insurance or asset management can ask itself, and continue to ask itself as it embraces the sustainability agenda is "Are we doing enough?" Asked by the most senior people in the institution - - often enough - - and this simple question becomes a powerful engine of change across an institution.

I wish you well for two days of robust and vibrant discussion around these complex issues at our UNEP Finance Initiative Global Roundtable 2005.