

UNEP FI Roundtable – October 2005

Project Finance: A practical approach to environmental policy

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National Australia Bank -- Overview

- Among the world's top 40 financial services companies*
- Operations in Australia, Asia, New Zealand, UK, US
- 8 million banking customers and 2 million wealth management customers
- As at 31 March 2005 (half year):
 - Cash Earnings AUD1.62 billion
 - Net Profit AUD2.54 billion
 - Total Assets AUD402 billion

* By revenue – *Fortune Magazine, July 2004*

Australia's Share of the Global PF Market

Year to 30 Sept, 2005

Rank	Country	Value (\$USm)	Deals
1	United States	14,129	33
2	Qatar	10,911	4
3	United Kingdom	9,179	51
4	Australia	8,093	37
15	China	1,238	3
Total - Global		98,000	

Source: Dealogic

Australia = 8.25% of Global Volume

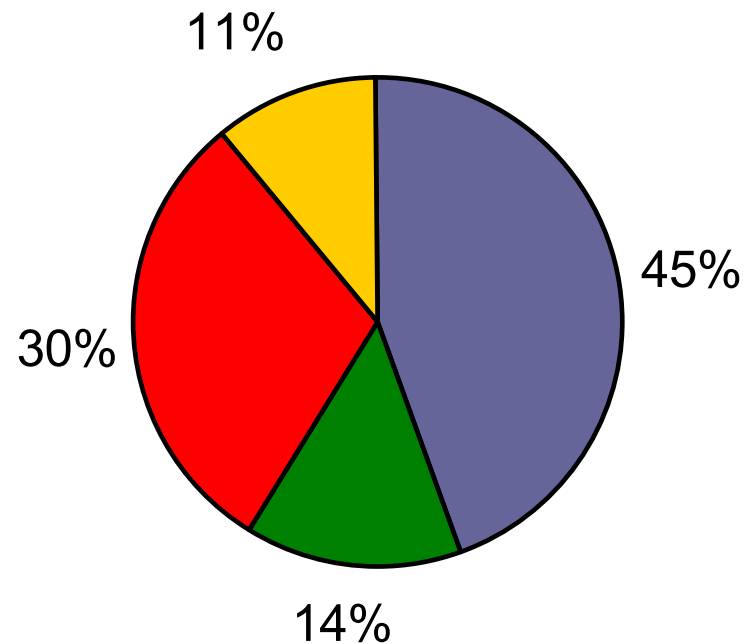
NAB's Share of the Australasian PF Market

Year to 30 Sept 2005

Rank	Nationality	Value (\$USm)	Deals	% Share
1	NAB	1,169	8	22.9
2	CBA	959	9	18.8
3	ANZ	730	15	14.3
4	JP Morgan	621	1	12.2
5	ABN Amro	424	8	8.3

Source: Dealogic

Industry split of PF deals in Australia



■ Electricity & Utilities

■ Industrial

■ Infrastructure

■ Resources, Oil & Gas

Environmental Risk Assessment: why we do it?

To ensure projects we invest in:

- have community and stakeholder acceptance
- don't lead to permanent and irreversible harm to environment
- don't transfer environmental liability to the Bank
- don't reduce a borrower's ability to service their debt or cause loan default
- don't have unexpected constraints or limitations on implementation and growth
- maintain their asset value

NAB Environmental Policy

- Well established General Environmental Risk Policy embodied in Credit Policy
- Environmental Risk Policy provides practical application to encourage NAB customers to manage risks associated with the environment
- NAB has supplemented these policies to provide for specific environmental assessment and management procedures for all project finance

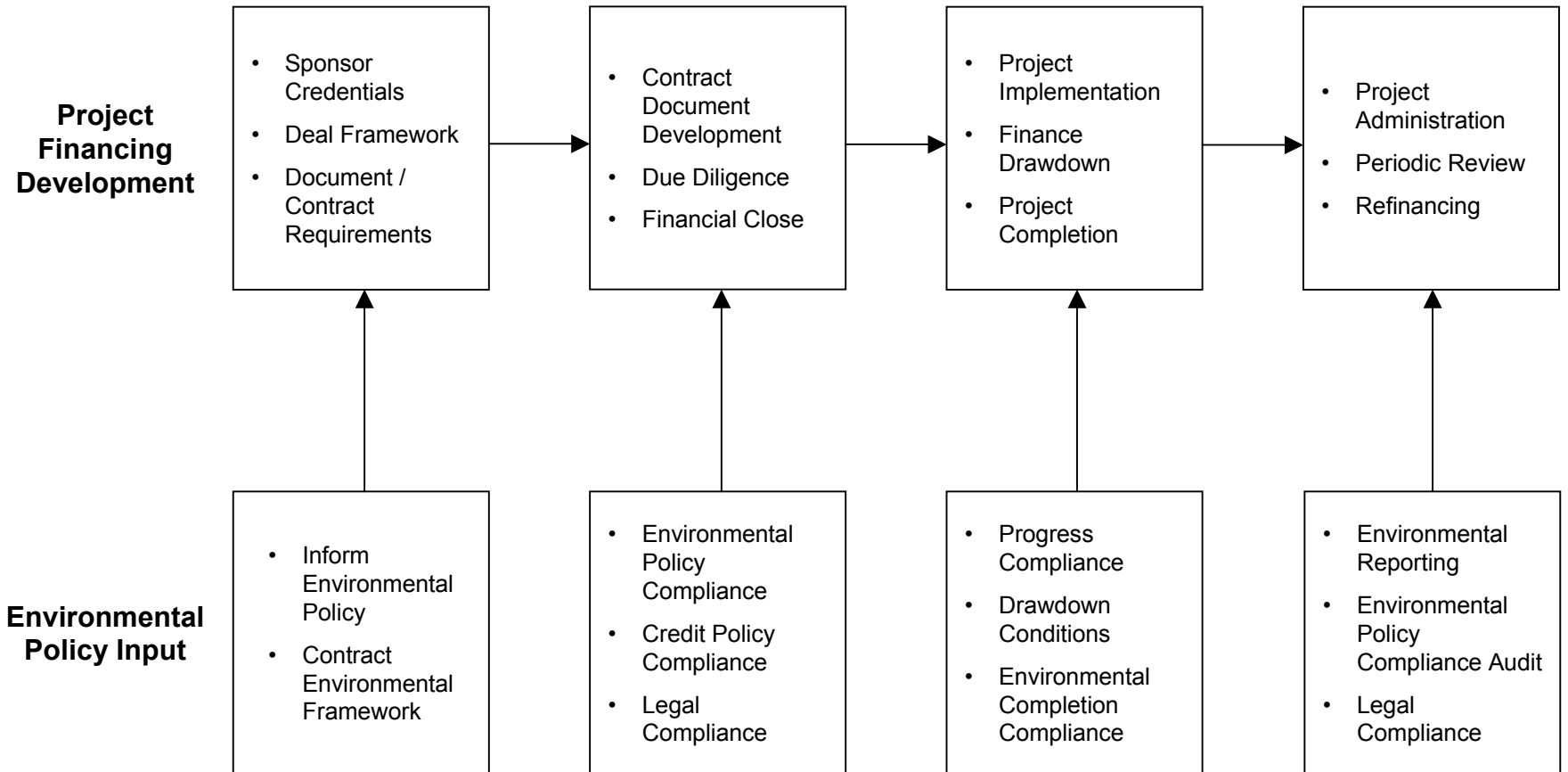
NAB Project Finance Environmental Risk Policy

- Requires review of environmental impacts, regulatory compliance, environmental sensitivities, community acceptance, social issues, appropriate technologies, catastrophic event consequences
- Where the project is in a country classified by the World Bank as Middle Income – Low or Low, the IFC and World Bank Safeguard Policies will apply
- Policy provides for clear requirements to meet social and community expectations for environmental management
- Therefore, direct accord with the IFC Operational Policies

Our environmental credit risk process includes...

- PF team with two Technical (engineers) Directors who review and manage environmental aspects of each transaction
- Commissioning expert third party reports and Environmental Impacts Statements (EIS)
- Review of customer's environmental compliance record
- Site visits and assessment of customer's environmental management policies and procedures
- Assessment of liability transfer risk re environmental issues
- Inclusion of covenants in lending contracts with annual reviews
- Mandatory notification of breaches against environmental licence conditions

Our environmental credit risk process ...



Examples of Environmental Policy Implementation

Construction of a Wind Farm in Tasmania:

- A 65 MW wind farm located in a environmentally and socially sensitive area
- Environmental protection measures in excess of standard legislative compliance to accommodate site specific fauna protection requirements
- Aboriginal archaeological sites affecting turbine siting and power generation
- Requirement to go beyond standard environmental legislative compliance to accommodate site specific requirements, even in a green energy project

NAB's CSR focus on environmental issues

- Public commitment to CSR and participation in UNEP FI and Carbon Disclosure Project
- NAB manages its own environmental and social impacts
- Providing project finance and support for renewable and sustainable energy projects
- Investigating opportunities to develop new financial products and services
- Sponsoring research on carbon risks and opportunities for business