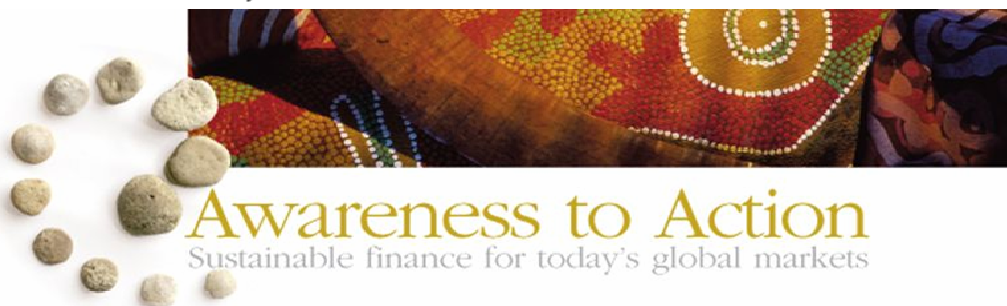




Session Summary

DAY 1 Wednesday 24 October	
Session Details	Workshop 1.5.1 “Voluntary Versus Regulatory: The High Wire Balancing Act ” 16:00pm – 17:30pm
Speakers	<ul style="list-style-type: none"> • Mr. Terry A’Hearn, Director Sustainable Development, EPA Victoria, Australia • Mr. Fotis Kourmoussis, Special Secretary to the Board, Union of Environmental Scientists of Greece • Mr. Osamu Odawara, Global Structured Finance Division, Mizuho Corporate Bank, Ltd. Japan • Paul Hilton, Director, Advanced Equities Research, Calvert Group • Moderator: Mr. Rob Tacon, Head Risk Reporting, Group Risk Management and Reporting, Standard Chartered
Notable Highlights	<p>Key points:</p> <ul style="list-style-type: none"> - Regulation must constantly evolve to meet changing products and markets. - Acceptance of regulation widely varies around the globe. Emerging markets are most challenging. - Voluntary codes may tighten in the near future. - Voluntary codes come first, legislation follows.
“Voluntary Versus Regulatory: The High Wire Balancing Act ”	
<p>Effective regulation depends on continuously improving market and business understanding, the panel in this session at the UNEP FI Global Roundtable in Melbourne concluded today.</p> <p>But with products rapidly evolving, regulation must be constantly updated to avoid irrelevance, the Roundtable found.</p> <p>The discussion, led by a panel of global industry leaders, addressed the risks and benefits of voluntary versus mandatory regulation. Voluntary standard charters have been adopted in over fifty countries, but only a handful of companies are signatories to these in each market.</p> <p>“We’re trying to do all the right things but there’s only so far you can go through a voluntary system,” said Paul Hilton, Director of Advanced Equities Research at Calvert Group.</p> <p>In the United States, five financial companies are signatories to the Equator Principles and only a handful have committed to the Principles for Responsible Investment and the UNEP FI statements.</p>	

UNEP FI Global Roundtable
24-25 October 2007, Melbourne Park Function Centre



“They’re big names but it’s not that many when you think about it,” said Mr. Hilton. “Voluntary measures just aren’t good enough because too few banks are involved.”

Despite confidentiality risks, corporate responsibility reporting would benefit most from mandatory regulation, the panel said. Current consumer regulation of reporting suffers from a “catch-22” situation, said Mr. Hilton. “It can only happen when the market understands the risks of non-disclosure -and that only happens with disclosure.”

“Otherwise, how can you make a comparison around companies?” said Rob Tacon, Head of Risk Reporting at Standard Chartered.

But voluntary measures are the critical precursors, shaping the conditions and systems for later mandatory regulation, the panel said. It warned against hasty government regulation, saying success often depends on taking time to observe the longer effects of voluntary regulation.

Global regulation must also account for market variations, with government and voluntary codes harder to enforce in emerging markets such as India, Brazil and China. In particular in countries with less NGO activism and vibrant media, it is difficult to enforce voluntary principles.

Around the globe, the immediate future may see tighter regulation of voluntary codes. The Equator Principle may soon remove signatories who don’t meet reporting standards for eighteen months, said Mr. Odawara. “The Equator Principles and other (voluntary) codes need to move on again... it is time for them to evolve.”