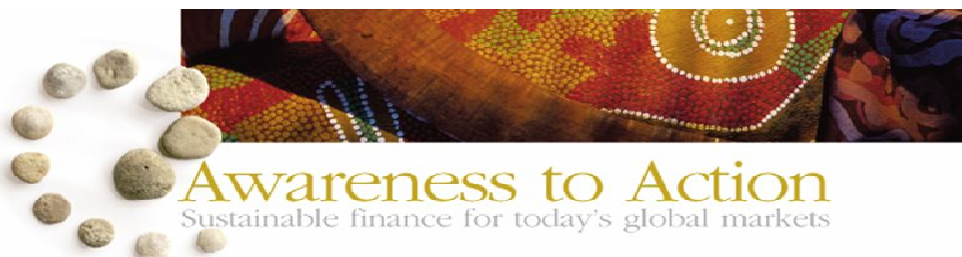


Session Summary

DAY 2 Thursday 25 October	
Session Details	Workshop 2.2.2 “Best in Class: Environmental and Social Credit Risk ” 10:40am – 12:10pm
Speakers	<ul style="list-style-type: none"> • Chris Bay, Head of Environmental Risk Management, Barclays • Takejiro Sueyoshi, Special Advisor to UNEP FI in the Asia Pacific region • Daniela Mariuzzo, CSR Manager, Rabobank Brasil • Anne Maria Cronin, Principal Environmental Specialist, European Bank for Reconstruction and Development (EBRD) • Gavin Murray, Director of Institutional and Corporate Sustainability, ANZ • Moderator: Chuck Berger, Legal Advisor, Australian Conservation Foundation
“Best in Class: Environmental and Social Credit Risk ”	
<p>The Best in Class: Environmental and Social Credit Risk session featured five speakers from Europe, Asia, Australia and South America.</p> <p>The session explored credit risk management by banks and financial institutions (FIs) with regards to environmental and social risk factors. Session moderator Chuck Berger opened discussion with a quote from Dickens, stating that ‘Credit is the process whereby a person who cannot pay gets another person who cannot pay to guarantee he can pay.’</p> <p>The speakers discussed to what extent FIs should base their credit risk assessment on issues that are not overtly financial – such as the potential impact on the environment, and consequently on the FIs’ reputations.</p> <p>Working for an investment bank with public shareholders, owned by 62 countries, Anne Maria Cronin, Principal Environmental Specialist for the European Bank for Reconstruction and Development (EBRD), spoke of her organisation’s aim to promote environmentally sound and sustainable development, despite a popular view that ‘sustainability is seen to actually slow down development.’</p> <p>Cronin asserted that most Western banks incorporate environmental and social factors into their more general credit risk factors.</p> <p>Guest speaker Daniela Mariuzzo is CSR Manager of Rabobank Brazil, the largest agricultural bank in the world, and the biggest financers of soil and plantations. Mariuzzo acknowledged that Rabobank Brazil has in the past been accused of destroying the Amazon and other tropical rainforests – several</p>	

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years ago, the Financial Times accused the bank of destroying Amazonian biodiversity.

However in 2005, after Rabobank Brazil began to offer financial products directly to farmers, and as slave labour issues became increasing factors in the struggle to maintain the Bank's reputation, Rabobank started a CSR Risk Management program, which is now integrated into all its activities.

Qualification and exclusion criteria apply now to all Rabobank clients, from major corporates to farmers, and are proving to be successful in encouraging better CSR practice by Rabobank clients.

"If a farmer has a good CSR score, we will give his money to him for cheaper," said Mariuzzo.

Takejiro Sueyoshi, Special Advisor to UNEP FI in the Asia Pacific region, told the session: "As the number two GDP country in the world, Japanese FIs have a big social responsibility."

Sueyoshi discussed the importance of real and complete integration of CSR codes in all loan procedures on a daily basis. He also mentioned that by reducing interest rates and offering more favorable loan conditions to clients who are, for example, more energy efficient, FIs can encourage better CSR practice from their clients.

Gavin Murray, Director of Institutional and Corporate Sustainability, ANZ, told the session that while every wholesale transaction is screened against environmental and social criteria, 'it is not yet at the point where we are turning down transactions' because they fail to meet certain criteria.

Murray spoke of the importance of moving the focus from CSR considerations being an 'upfront issue' or a hurdle to overcome, to having CSR seen as important for a business's long term and overall success. "Those businesses that outperform in social and environmental areas as well as financially will be more successful in the future," said Murray.

Speaking on behalf of Barclays, Chris Bray, Head of Environmental Risk Management, outlined four key areas he sees as barriers to better CSR.

Firstly, he addressed the issue of transparency, highlighting the public expectation that FIs should be publishing and disclosing the results of their social and environmental risk assessments. "We have a duty of confidentiality to our clients – we can only encourage clients to be more transparent," said Bray.

Secondly, Bray discussed a major reason that banks do not go further in environmental diligence. "We are in the business of managing our own risk. We are not, and cannot act as, regulators from a democratically elected government," he said.

Thirdly, Bray conceded that as highly competitive businesses, responsible banks face competition from other banks who attach no importance whatsoever to environmental and social considerations.

Finally, Bray mentioned the issue of carbon intensity, saying that while there is a large amount of public demand and support for carbon intensity measurement and results, it is an incredibly difficult thing to assess.

"These are the four real difficulties that we face in achieving 'Best in Class'", said Bray, referring to the title of the Session.