Closing Plenary
“The Road Ahead – Sustainable Finance for Tomorrow’s Global Markets”

16:30pm – 17:30pm

Speakers:

- Professor Li Junfeng, Deputy Director General of Energy Research – Institute & Secretary General of China Renewable Energy Industries Association
- Mr. Michael Ullmer, Deputy Group Chief Executive Officer – National Australia Bank
- Mr. Leo Johnson, Co-Founder and Partner, Sustainable Finance
- Moderator: Mr. Paul Clements-Hunt, UNEP FI

In the Roundtable’s final plenary Session, Michael Ulmer, Deputy Group Chief Executive Officer, National Australia Bank (NAB), explained how the financial sector could help others, through a sharing of skills, knowledge and experience.

Sustainable finance has always been the cornerstone for any successful financial services company. “The differences today”, said Mr Ulmer, “is that the challenges are infinitely more complex”.

Mr. Ulmer said that financial institutions first had to get their own house in order if they were to understand the issues that their customers were facing and the opportunities that this presents.

Many financial organisations, including National Australia Bank, have had environmental credit risk assessments built into their processes and procedures for many years. But the question is – have they gone far enough?

Mr. Ulmer announced from the podium that the NAB had that very day adopted the Equator Principles, which demonstrated the bank’s continued commitment to be a responsible lender in the global project finance market. Adopting the Principles was
a formalisation of the rigor, which the bank has applied in the market for many years.

NAB has also joined the Renewable Energy and Energy Efficiency Partnership, which engages the public and private sector in promoting renewable energy and efficient markets. As a financial institution, NAB adds value by facilitating business dialogue as well as investment opportunities. Renewable energy has been a particular focus of the NAB in Australia.

Where the bank can really make a difference is by leveraging its skills, knowledge and experience to help others who are tackling critical issues such as climate change and drought. It is only by cultivating long-term relationships and riding through the bumps that these challenges represent that the NAB can build a depth of experience and a depth of relationships with its customers.

The NAB’s focus is on building long-term relationships with its customers and seeing them through difficult times. It has learned from its own difficult times, when its customers offered their support through that difficult period.

The financial services sector has a major role to play in dealing with the challenge of climate change. For example, NAB was the first Australian bank to announce it would go carbon-neutral across all its operations globally; it is committed to achieving that by the year 2010. A number of the bank’s operations are already very well advanced on this project. This will make a difference to NAB’s operations worldwide, and the experience the bank acquires in developing the capability to be carbon-neutral will provide an opportunity for it to deploy those skills across its customer base.

It’s also an opportunity for NAB to influence a wide range of people that it comes into daily contact with – it has 40,000 employees around the globe, 10 million customers and 50,000 suppliers.

So NAB hopes the example it is setting is very much an encouragement to others. The bank now has a well-established carbon solutions group within its institutional bank, nabCapital that is dedicated to understanding the risks and opportunities arising from the impacts of climate change. This allows NAB to advise its customers on all aspects of carbon financing, which is clearly going to be a growing market.
And that is how the bank extends the work it is doing in the area of renewable energy, energy efficiency and other clean technologies.

Developed economies, whose responses to emissions are becoming increasingly more sophisticated, need to help developing economies reduce their carbon impact, without restraining their economic growth. Already, the world is witnessing a transfer of experience, technology and knowledge, which will contribute to that outcome.

As part of its carbon-neutral program, NAB is looking at ways of making its buildings more sustainable; its Head Office in Melbourne is about to commence a total refurbishment which will be updated to a 5-star green rating. In New Zealand, NAB has three offices under development, each aiming to achieve a minimum 4-star rating, and one has already achieved a 5-star rating. That experience flows over into the bank’s commercial property business where it advises its clients, property trusts and property developers - all are increasingly keen to improve the sustainability of the buildings they are responsible for.

From a global perspective, considering the amount of space financial services buildings occupy, there is a real opportunity for leadership in that area.

NAB is the second largest agri-bank in the world, and Australia is experiencing the longest drought in its history. Mr. Ulmer explained that the skills, knowledge and experience that NAB has developed in the agri-sector could be deployed into other geographies. When NAB tries to assess farming communities’ needs from a credit risk point of view, it is able to take a long-term perspective.

As the relationship between the financial sector and society becomes more intertwined, it is increasingly important to consider the social and economic wellbeing of the communities in which the sector operates.

Micro-finance is a concept from the developing world – providing small-scale loans for people who would otherwise not have access to finance, usually because they are marginalised or poverty-stricken.

Micro-finance is having a dramatic impact in lifting people in the developing world out of poverty. NAB has taken the micro-finance concept and employed it in Australia. It is halfway through a 3-year commitment to provide $30 million by way of small, safe, affordable loans to individuals and families who are marginalised financially – and doing it on a not-for-profit basis. The program is much more than
a loan – it aims to build a customer’s financial capability, and help them with budgeting, saving skills and – in some cases – small business know-how.

NAB is about to write its 450th loan in this “StepUp” loan program, conducted in partnership with the Good Shepherd Youth and Family Service.

From a business perspective, NAB has established a Micro-enterprise Loans Programme, which is being delivered complete with business training and mentoring support from a broad range of Government and community partners, and has already assisted 30 new and existing businesses under that programme.

This is a unique programme for mainstream banking in this country, and NAB is happy to share its experience and what it has learned — it is not about competitive advantage, it is about making a difference.

Summing up, Mr. Ulmer said that it was of the utmost importance for financial institutions to get their own houses in order by addressing their own impacts, showing how their own environmental/risk assessments are a fundamental part of the way they do business.

Financial institutions can, and should, play a bigger part in the broader agenda, through sharing the skills, knowledge and experience that they gain through the nature of their engagements in the economies they operate in. It’s more than just sharing within the financial services industry – it’s about making the most of financial institutions’ spheres of influence with employees, customers, suppliers and the communities they operate in.

Mr. Ulmer stressed that financial institutions do not possess all the answers – the institutions have a lot to learn, and often from unlikely places. “The innovative ways the financial sector has already contributed to sustainability are impressive, but I suspect they are only beginning,” he said.

In a short address, Mr. Leo Johnson, Co-founder and Partner, Sustainable Finance, used slides of New Orleans to depict poverty, lack of Government intervention, bio-diversity impacts, water resources being squandered, systematic waste, decaying urban infrastructure, and no provision of services for the poor, to illustrate the globalisation of problems associated with climate change.
Mr Johnson congratulated the finance sector for engaging in a “Darwinian struggle”
to bring the problems of sustainability and sustainable finance to the fore, and
endorsed the view that there was still a great deal to be done.

The release in New York of the United Nations Global Environment Outlook – 4
report (GEO 4) during the final Plenary Session gave added emphasis and urgency
to UNEP FI’s agenda. Participants in the session heard an address by Achim
Steiner, Executive Director of the United Nations Environment Program, via a
video-link with New York.

The report – recognised as the most authoritative report-card on the health of the
planet – revealed unprecedented ecological damage worldwide, and warned that
water, land, plants, animals, fish and air are all in “inexorable decline”. It gave
added emphasis and urgency to UNEP FI’s agenda.

In his summing up of the final Plenary Session, Martin Hancock, outgoing Chair of
the UNEP Finance Initiative, said that the current business-as-usual model is
definitely not an option. In the two days of this Roundtable, long strides had been
taken in the journey from Awareness to Action, but there was still a long way to go.

Mr Hancock listed four key outcomes of the Roundtable:

First, the 2007 Roundtable had clearly demonstrated the transition from
“Awareness to Action” of sustainable development. The Carbon Disclosure Project
Report, the Demystifying Responsible Investment Report and the amazing new
Responsible Investment slide show were not just information. All will play a
valuable role in transforming the way financial institutions think and hopefully do
business, and how global financial and capital markets work.

Second, the extensive range of sustainability issues that financial institutions now
face from different parts of the world, and are expected to understand and deal
with, are a tremendous challenge. Working groups within the UNEP FI are working
exceedingly hard to address these challenges. UNEP FI has actually raised the
bar, and very quickly, UNEP FI will continue to provide leadership on sustainability
issues for the finance sector. It will empower its members with the means to
identify and address those environmental and social risks and opportunities in their
operations. In short, the UNEP FI can help its members deal with this complexity
through the development and provision of practical and pragmatic guidance, and
as well as engineered training courses.
Third, the UNEP Finance Initiative enjoys a very unique positioning, which greatly assists it to promote sustainable development and bring about desired financial and environmental reforms. It has a foot in both the multilateral world that is the United Nations, and another within the financial services sector and capital markets community. This allows the UNEP Finance Initiative to see early—emerging developments and priorities in public policy that will affect the operating context for financial institutions worldwide. Whether this occurs in the environmental or social areas, it provides a critical early insight into coming changes, and is a unique advantage of UNEP FI.

Fourth, the vibrancy of the UNEP FI Regional Task Forces network is tremendous, especially in Africa, Latin America, North America and certainly Asia, which accounts for about 30 percent of our membership now. This indicates the growing interest and importance of sustainable finance and responsible investment worldwide. However, it is clear that different regions have a variety of challenges and sustainability priorities. UNEP FI’s future investment in, and support for, the regional task forces is critical to its overall growth and future success.

Mr Martin Hancock concluded the final Plenary Session with a quote from Mahatma Ghandi: “We must be the change that we want to see in the world”.

The next UNEP FI Global Roundtable will be held in Africa in 2009.