

## Deutsche Bank Discussion

### “Sustainability: Adding Value Through Corporate and Multilateral Efforts”

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Deutsche Bank's Activities Center, 3<sup>rd</sup> Floor  
130 Liberty Street  
New York City

#### Talking Points

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Last week, UNEP together with WMO released a report entitled: “Lessons from the 1997-98 El Nino: Once burned, Twice shy? The report contained a comprehensive and sobering assessment of the impact of the El NINO climatic event and warned that thousands of human casualties and of billion of dollars in economic damage will continue to befall the world's developing countries until investment is made to improve forecasting and preparedness against El Nino. Losses from El Nino in 1997-98 included thousands of deaths and injuries from severe storms, heat waves, fires, floods, frosts and drought. Estimates from El Nino related damage ranged from \$32 to \$96 billion

Local weather is the day to day manifestation of global climate. From our most recent scientific assessment there is little doubt that climatic change is a major contributory factor in making natural disasters nightly television news.

So what can be done about it?

Later this month governments will meet in the Hague to decide on the outstanding issues related to the entry into force and implementation of the Kyoto Protocol of the UNFCCC. Also last week, the draft of the scientific study by the IPCC on the most recent research on global warming was leaked and hit the headlines around the world. The report was written by 45 leading scientists and reviewed by several hundred others. It contains the most authoritative and recent scientific consensus on climate change. This is the third report of a series published every five years and the draft is currently with governments for consideration before its finalisation. This latest report asserts that man-made gases have contributed substantially to the observed warming of the last 50 years. It raises the worst case estimate for a temperature rise over the next hundred years from 6.3 degrees to 11 degrees. While it is impossible to predict the exact physical consequences in a scientifically accurate manner, what we can say is that the global environment is comprised of complex systems and the introduction of imbalance has the potential to have consequences that can be truly devastating.

What is discouraging in relation to the Kyoto Protocol is the inaction that has currently characterized government responses around the world. What is encouraging is the response of the private sector. Ford, Daimler-Chrysler, Dow Chemicals, IBM, and others have pledged to make big cuts in the greenhouse gases they produce. BP and Shell have introduced emission trading schemes within their operations and with others have joined in a voluntary plan to reduce the wasteful use of energy and produce cleaner products. There is a *quid pro quo*. They hope that by reducing emissions now, they will get credit later on if and when the Kyoto Protocol is ratified. This brings into perspective the new conditions that face the private sector in an era of globalisation that has brought a new vulnerability. Consumer power and shareholder activism at a time of the explosion of information has led to continuous monitoring of global businesses by pressure groups. If they fall short of widely accepted ethical standards, retribution follows swiftly. Overnight, companies share prices can collapse and their markets disappear.

Business has a vital interest in understanding the values and goals of the broader public. Pressure groups articulate and shape the public mind persuasively and effectively. No business can afford to ignore these realities. The only realistic approach to dealing with this new phenomenon is with a collaborative effort that encompasses business, government and citizens group.

It is in this context that UNEP seeks to foster such broad partnerships. UNEP's uniqueness lies in its advocacy of environmental concerns within the international system. It makes a particular effort to develop partnerships with UN bodies, the scientific community, NGOs and crucially the private sector. Since its inception, UNEP has worked closely with industry to develop corporate environmental strategies. In 1991, we started working with a small group of commercial banks to foster their environmental awareness. Today, we work closely with over 240 financial institutions, including commercial banks, investment banks, insurance and reinsurance companies, fund managers, multilateral development banks and venture capital funds to develop and promote the linkages in the environmental and financial performance. We believe that the more closely the financial services sector integrates environmental consideration into its business strategy, the closer we will move to realizing the economic imperative underlying sustainable development and our duty of environmental stewardship of natural resources.

Instability in our climate system plagued the world with a record number of disasters last year. Munich Re., an active member of our insurance initiative, estimate that 70,000 people were killed in well over 700 disasters last year. Swiss Reinsurance cited similar statistics in its sigma catastrophe list and this is only related to the linkages with climate change. Our latest assessment of the state of the global environment provides additional alarming evidence of global environmental degradation and its implications. One thing is clear we need to do things differently. There are a number of reasons why businesses should pay attention to the environment by practicing sustainable development. The first is that you business people are citizens of the world like everyone else and should care about the kind of world you are going to leave to your children and grandchildren. Second, is that good environmental practices are good for the bottom line. Energy

efficiency, recycling and optimizing the use of raw materials can deliver profitable returns. The Dow Jones Sustainable Group Index which includes 2000 of the world's leading corporations recognized for their commitment to sustainable development have outperformed the Dow Jones Global Index.

The partnerships that UNEP has sought to promote have largely been in the area of voluntary initiatives which have proved extremely effective.

Inspired by the success of this approach, and deeply concerned by the promises and challenges of a globalizing world, the Secretary-General Kofi Annan first proposed the Global Compact to the World Economic Forum in January 1999 during which he categorically stated that globalization as we knew it, was not sustainable. Indeed he predicted the kind of backlash that hit ten months later at Seattle and in various venues since.

The Secretary-General through the Global Compact committed himself and the United Nations to address the global dissent against globalization and consequently to reverse its adverse attributes and consequences. The Global Compact, like UNEP's various voluntary commitments, is not designed as a regulatory instrument. It is an open-ended experiment intended to identify, disseminate and promote good practices based on universal principles.

The Global Compact encompasses nine such principles drawn from the Universal Declaration of Human Rights, the ILO's fundamental Principles on rights at Work and the Rio Principles on Environment and Development. The ILO, OHCHR and UNEP are the core UN partners, along with UNDP to manage operational dimensions.

The global compact is a voluntary instrument, which represents one way to promote corporate social responsibility. In light of the trends of globalization in the world economy with its attendant environmental risks and opportunities, UNEP sees the Global Compact as a promising approach in engaging major actors involved in globalization in a new way. The Global Compact provides an excellent vehicle for the development of a constructive engagement with the private sector. It is UNEP's commitment to continue to enhance its engagement and collaboration with the private sector and to consider the relation between foreign direct investment and the environment with a view to minimizing negative environmental implications.

As recognized and agreed by more than hundred environmental Ministers in Malmoe during our first Global Ministerial Environment Forum on the role of the private sector: The private sector has emerged as a global actor that has significant impact on environmental trends through its investment and technology decisions. In this regard Governments have a crucial role in creating an enabling environment. The institutional and regulatory capacities of governments to interact with the private sector should be enhanced. A greater commitment by the private sector should be pursued so as to engender a new culture of environmental accountability through the application of the

polluter pay principle, environmental performance indicators and reporting and the establishment of a precautionary approach in investment and technology decisions.

We recently had a meeting with representatives of industry, government, labour and environment groups to review lessons learned from voluntary initiatives. We agreed that such initiatives do not undermine the need for an effective regulatory and legislative framework and that key challenges in the future include finding the right policy mix, ensuring workers are involved, and clarifying the role of NGOs and other stakeholders. We are involved in developing a common global reporting framework to make voluntary initiatives more environmentally effective, credible and relevant in today's rapidly globalising world.

Our meeting today asserts the emergence of a new consciousness which is that people all over the world must come to grips with production and consumption decisions in a way that accounts for the fundamental ability of the planet to support and enhance life.

I am eager to listen to your concerns to your expectations in sharing this common vision that at the dawn of this new century we have at our disposal the human and material resources to achieve sustainable development, not as an abstract concept but as a concrete reality. I am eager to exchange views on how from your perspective can we achieve this noble goal not only for altruistic reasons but also to preserve our wealth.