



**UNEP Finance Initiative**  
Innovative financing for sustainability

## Signatory Bulletin

Issue 5, Quarter 2, 2004

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### 1. IMPORTANT DATES

- **1-2 July 2004** First Latin American Task Force kick off meeting in Lima
- **17 August 2004** World Water Week in Stockholm
- **27 September 2004** Launch of Central Eastern European Task Force in Budapest
- **21 October 2004** UNEP FI Annual General Meeting (AGM) in Paris
- **24-25 October 2005** UNEP FI Global Roundtable in New York

### 2. WORKING GROUPS

#### ASSET MANAGEMENT

<http://unepfi.net/am/index.htm>

<http://unepfi.net/stocks>

Chaired by Mr. Carlos Joly, Storebrand & Mr. Vincent Zeller, Groupama

#### UNEP FI at the UN Global Compact (UNGC) Leader's Summit

UNEP Finance Initiative was well profiled at the UNGC Summit - Chaired by Secretary General Kofi Annan at UN Headquarters, New York - thanks to the participation of UNEP Executive Director Klaus Toepfer, Monique Barbut, UNEP DTIE Director, and UNEP FI Chair Michael Hoelz, in the day-long event. The focus of UNEP and UNEP FI participation was related to the launch of the UNEP FI Asset Management Working Group report: "The Materiality of Social, Environmental and Corporate Governance Issues to Equity Pricing".

Klaus Toepfer presided at a Press Conference at UN Headquarters where the report was co-launched with a second document, "Who cares Wins", prepared by the UNGC Secretariat. The UNGC report provides recommendations for financial analysts with respect to environmental, social and corporate governance

issues. The UNEP FI and UNGC reports were well aligned and mutually reinforcing in terms of their findings and recommendations.

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### **UNEP FI Asset Management Working Group members brainstorm responsible investment strategies with leading pension funds**

16 June – Paris, France, Groupama Asset Management – Seventeen of Europe's largest pension funds met with the members of the UNEP FI Asset Management Working Group in Paris to discuss ways to take social and environmental issues into consideration in investment decision making.

Discussion was based around four themes:

- 1) The materiality of social and environmental issues
- 2) Fixed interest responsible investment
- 3) Best-practice shareholder engagement
- 4) Responsible investment in emerging markets

Goldman Sachs and West LB presented findings from their recent research on materiality, clearly outlining the importance of social and environmental issues in valuing companies, especially over the long-term. Agenda, presentations and outcomes are online at: [www.unepfi.net/pensions](http://www.unepfi.net/pensions)

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### **CLIMATE CHANGE**

<http://unepfi.net/cc/index.htm>

Chaired by Mr. Thomas Loster, Munich Re

### **Sustainable Energy Finance Initiative (SEFI) and the Climate Change Working Group Creating the Climate for Change**

On 1-2 June 2004, the Sustainable Energy Finance (SEF) Event "Creating the Climate for Change" (organised by SEFI, a joint initiative between UNEP FI, UNEP Energy and BASE) brought together 260 members of the finance community, government officials and project developers from 37 countries in Bonn, Germany as part of the International Conference for Renewable Energies.

Work sessions were held on the following topics: risk management, venture capital, consumer lending and microfinance, export credit, carbon, infrastructure, and SME finance, as well as public-private partnerships. Each session produced specific recommendations for unlocking investment in sustainable energy, which were submitted to the International Conference for Renewable Energies. Presentations made at the SEF event are available online at [http://www.sefi.unep.org/sef\\_bonn](http://www.sefi.unep.org/sef_bonn)

The SEF event recognized that a global transition to a sustainable energy mix based on renewable energy (RE) and energy efficiency (EE) has significant potential to mitigate climate change, address regional and local environmental concerns, reduce poverty, and prevent future resource conflicts. The challenge is to provide the right policy frameworks and financial instruments that will enable RE and EE to achieve their market potential and move from the margins of energy supply to the mainstream.

Many countries and organisations have formulated targets for the uptake of RE, but achieving set goals requires a coordinated and credible process for delivery. Strength, clarity, and stability are decisive characteristics of the policy framework that attracts capital to renewable energy: that framework must be specific enough to improve the bankability of projects and provide conditions for steady market growth in the renewables sector.

## UNEP FI's CEO Briefing on Renewable Energy

UNEP FI's Climate Change Working Group launched its *CEO Briefing on Renewable Energy* at the SEF meeting during a press conference at the main renewables event. The briefing presents the business case for renewable energy, calling for more leadership from policymakers and action by financial institutions. One of the briefing's major recommendations is for governments to create "tough targets and 15 year schedules for the production of renewable energy". It also details several important case studies highlighting both the opportunities and challenges in renewable energy finance.

Finally, the briefing emphasizes that the "most important thing that policymakers can do is create confidence in the long-term future of the renewable energy market by policies that make the 'deal on the table' financially attractive". The briefing formed part of the key summary of the Renewables 2004 conference on the Environment News Service (ENS) website. The briefing is available online at [http://unepfi.net/cc/CEO\\_Briefing\\_renewables.pdf](http://unepfi.net/cc/CEO_Briefing_renewables.pdf).

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## SUSTAINABILITY MANAGEMENT REPORTING AND INDICATORS (SMRI)

### The SMRI Work Streams are:

- A. UNEP FI – GRI Working Group on Performance Indicators (Environment) for the International Finance Sector.
- B. The Sustainability Management and Reporting (SMR) Guidelines Forum

### A. UNEP FI – GRI Working Group on Performance Indicators (Environment) for the International Finance Sector

<http://unepfi.net/gri/index.php>

Chaired by Mr. Martin Hancock, Westpac, Financial Sector Co-Chair and Ms. Esther Garcia, Core Ratings Ltd, Non-Financial Sector Co-Chair

### UNEP FI & GRI Working Group Launch a 90 Day Public Consultation Period

UNEP FI and GRI, have the pleasure to invite you to contribute to the development of the GRI Financial Services Sector Supplement (Environmental Performance).

In September 2003, UNEP FI and the GRI convened a Working Group to develop a pilot version of the GRI Financial Services Sector Supplement (Environmental Performance). The goal of the Working Group is to develop a set of globally applicable indicators that will address the environmental impacts of financial sector products and services to be used in conjunction with the GRI Guidelines.

The project has sought to build upon existing work on environmental performance indicators and help advance harmonization within this field by using the global platforms of UNEP FI, and the expertise inside and outside the UNEP FI signatory institutions, and the multi-stakeholder process of the GRI and its reporting framework.

For more background information on this Working Group Project and Working and Observer Group member organisations please visit [www.unepfi.net/gri](http://www.unepfi.net/gri)

### How You Can Get Involved:

The set of 15 draft indicators, designed to assist financial institutions worldwide to report on the environmental impacts associated with retail banking, commercial and corporate banking, asset management and insurance, have now been released for public comment on [www.unepfi.net/gri/public](http://www.unepfi.net/gri/public).

UNEP FI and GRI are seeking your comments upon this draft set of indicators and encourage you to submit your comments through the web-based consultation form available from the afore mentioned link until 5

September 2004. The Working Group will then meet for a fourth time to review the feedback from this public consultation process in October 2004, which will lead to the first pilot version of this GRI Financial Services Sector Supplement.

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## **B. The Sustainability Management and Reporting (SMR) Guidelines Forum**

<http://unepfi.net/smr/>

Chaired by Mr. Robert Tacon, Standard Chartered

The SMR Guidelines project office has made significant progress in the drafting of the Guidelines document this quarter. In Quarter 3, the first review will be made by the Forum members. The document provides:

- 1) a clear insight into the commercial and environmental benefits of adopting the sustainability management and reporting principles and
- 2) tips on capacity building in introducing SMR.

The guidelines are to be backed up by real case studies that the reader can relate to and find inspiration from. The search for consultants in the regions of Africa, Central & Eastern Europe and Latin America is well underway. These consultants will bring back case studies of domestic banks in the region that are practicing sustainability management and reporting. We have secured a contract with the Regional Environmental Center for Central and Eastern Europe ([www.rec.org/](http://www.rec.org/)) for their work in Central and Eastern Europe, and are in discussion with other consultants in Africa and Latin America.

The first version of the Guidelines is scheduled to be out at the end of 2004 after public consultations in the autumn.

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## **3. REGIONAL TASK FORCES**

### **AFRICA**

<http://unepfi.net/atf/index.asp>

Chaired by Mr. Cas Coovadia, Banking Council of South Africa

The Sustainability Banking in Africa Report, produced by the African Institute of Corporate Citizenship (AICC) Centre for Sustainability Investing, in association with UNEP FI ATF and supported by IFC, Finmark Trust, Nedbank and Deutsche Bank will be launched in late July 2004 (details on the launch to be announced). For an overview on the Report, please see the Executive Summary available on [www.unepfi.net/atf](http://www.unepfi.net/atf)

In 2004, along with an ongoing membership drive, the ATF have been in the process of developing a risk management standards project for the South African financial sector and a Frequently Asked Questions Guide on finance and sustainability in Africa. In addition, ATF members have been active in broader UNEP FI projects where vital African perspectives have been required e.g. the SRI in Emerging Markets project, the UNEP FI – GRI Working Group on Environmental Performance Indicators and the SMR Guidelines Forum to name a few. Furthermore, the ATF Chair and Co-Chair have been establishing closer links with governmental sectors, to increase the general awareness and strategic positioning of the ATF at a regional and international level.

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### **CENTRAL AND EASTERN EUROPE**

<http://unepfi.net/ceetf/>

Chaired by Mr. Mark King, European Bank for Reconstruction and Development (EBRD) & Co-Chaired by Ms. Stella Kovlaka, Emporiki Bank

The newly formed Central and Eastern European Taskforce had their first meeting on 11-12 May 2004 in Sofia, Bulgaria, which was kindly hosted by Emporiki Bank. The aim of the meeting was to define the taskforce's work programme as well as communication and working mechanisms for the group.

Participants were Hypovereinsbank, Bank Austria Creditanstalt, Raiffeisen Zentralbank Austria AG, Bank Pekao SA, Emporiki Bank, Komerčni Banka, OTP Fund Management, Encouragement Bank, ING Hungary, European Bank for Reconstruction and Development (EBRD), Regional Environmental Centre for Central and Eastern Europe (REC) and Environmental Investment Partners. The taskforce elected Mark King (EBRD) as the Chair of the Task Force and Stella Kovlaka (Emporiki Bank) as the Co-Chair.

The 2004 work programme will focus on:

**Developing a research report about the business case for sustainable finance in CEE.**

To highlight positive examples of implemented sustainability approaches in the region's finance sector, the task force has developed a questionnaire that was sent to over 100 financial institutions in Central and Eastern Europe. The analysis is expected to be finished end of August.

**Implementing a web based information platform for environmental credit risk management in the CEE countries.**

The tool will inform about country and sector specific environmental credit risks and offer support in risk mitigation. Features of the information platform will be links to existing environmental credit risk management resources, checklists for credit specialists and links to useful experts. The development of the platform will focus on environmental credit risks first, but can be extended to cover social and CSR issues at a later stage. A supplementary training programme on environmental credit risk management will accompany the implementation of the platform.

The next meeting of the taskforce will be 27-28 September 2004 in Budapest, where the taskforce will be launched at the Renewable Energy Finance Forum for the CEE countries.

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**LATIN AMERICA**

<http://unepfi.net/latf/>

Acting chair: Ms. Maria Teresa Szauer, Corporación Andina de Fomento (CAF)

The Latin American Task Force had its first meeting on 1-2 July 2004 in Lima, Peru. The event was attended by 19 participants – LATF members, observers, and invited guests – another 5 joined by conference call for part of the meeting.

The meeting served to consolidate the LATF, which had not met previously, and to agree on its Terms of Reference. It also provided an excellent opportunity to start building a local network in Peru, and most importantly to further define focus and work programme of the group. A range of presentations providing perspectives on sustainable finance in various countries in Latin America such as SRI, microfinance, and sustainability ratings provided plenty of food for thought and lively discussion.

Concrete outcomes of the meeting include:

- A slightly revised version of the LATF Terms of Reference to be approved within the next two weeks
- Agreement on 4 priority areas for initial activities: Communication, Training, Standards for Credit Risk, and Communicating the Business Case
- A network of contacts in the Peruvian financial sector, including regulators and the Peruvian Bankers Association

Over the coming weeks the Secretariat will coordinate with members of the group to identify appropriate individuals/institutions to fulfill the role of LATF chair, co-chair, and project chairs to drive activities in the

above mentioned priority areas. Furthermore, the secretariat will solicit applications for the formal establishment of the LATF advisory group.

The LATF secretariat would like to thank all participants for their engaged participation. A special thanks goes to CAF for their excellent support in working towards this meeting over the past months, and for providing the venue at their offices in Lima. Documentation of the meeting will be online shortly.

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## **NORTH AMERICA**

<http://unepfi.net/natf/index.htm>

Chaired by Ms. Helen Sahi, FleetBoston

### **USA and Canadian Signatories Agree 2004/2005 Action Plan**

UNEP FI signatories from the US and Canada agreed on a plan of action for ramping up UNEP FI's presence in North America in a 22 June 2004 strategy session at Deutsche Bank's Wall Street offices.

A two-pronged strategy of CEO and Board level engagement combined with research and professional development products will be the focus of the UNEP FI North American Task Force in the coming months.

Research on the implications of climate change for portfolio management, financial sector perspectives on best-practice in environmental and social ratings (to be conducted in partnership with Yale University), and raising awareness across internal business lines within banks will be among the planned activities on the product side.

Bank of America has confirmed its participation in the NATF as chair. We also expect that they will sign on to UNEP FI shortly.

### **Merrill Lynch / HSBC / Deutsche Bank Renew Commitment to the NATF**

In a welcome step from one of the world's top financial firms, Merrill Lynch has announced their commitment to the UNEP FI North American Task Force. Merrill will be appointing an executive to actively work with UNEP FI to implement the NATF 2004/2005 action plan. Non-signatory firms can currently participate in UNEP FI's work on a trial basis to a maximum of 12 months.

HSBC and Deutsche Bank have also renewed their commitment to the NATF following meetings with the UNEP FI Secretariat in New York. These two institutions have been long-term, active supporters of UNEP FI. Their support strengthens the already dynamic alliance of firms developing practical and efficient strategies to integrate environmental, social and governance issues into the operations and services of the North American banking and insurance sectors.

NATF members now include: Bank of America (chair), Citigroup, Royal Bank of Canada, Canadian Imperial Bank of Commerce, HSBC (NA), Deutsche Bank (NA), and Merrill Lynch.

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## **OTHER PARTNERS**

### **AUSTRALIA**

<http://www.epa.vic.gov.au/Programs/UNEP/default.asp>

UNEP FI welcomes one new Australian signatory to the initiative. In March 2004, *mecu* (Members and Education Credit Union Limited) became the first Australian credit union to sign up to the Initiative. *mecu*'s membership brings the number of Australian signatories to seven. These are:

- ANZ, Insurance Australia Group; *mecu*; National Australia Bank; QBE; VicSuper; and Westpac.

*mecu*'s new products include the recently launched *goGreen*<sup>TM</sup> Car Loan. The car loan offers customers a reduced interest rate when they purchase the most fuel-efficient cars on the market. To complement this, for every car it finances *mecu* is offsetting 100 per cent of the car's greenhouse gas emissions, by planting and maintaining 17 native trees annually for the duration of the car loan. *mecu*'s product range will soon expand with a socially responsible approach to home lending.

Other initiatives by Australian signatories during Quarter 2, 2004 include the Australian launch of the Carbon Disclosure Project. In conjunction with EPA Victoria and Insurance Australia Group, VicSuper hosted the launch in Melbourne in June. Over 250 finance and general business sector representatives attended the event with the aim being to raise awareness of the project amongst the business and investment community.

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## 4. ADDITIONAL ISSUES

### MULTISTAKEHOLDER COLLABORATION

#### Investing in Stability - Conflict Risk, Environmental Challenges and the Bottom Line

The revised and extended version of the joint UNEP FI – International Institute for Sustainable Development (IISD) publication "Investing in Stability - Conflict Risk, Environmental Challenges and the Bottom Line" is now available at [www.unepfi.net/conflict](http://www.unepfi.net/conflict)

The paper provides a preliminary analysis of the linkages between financial institutions' activities and conflict. It identifies conflict related risks for financial institutions and offers first stepping stones for financial institutions to reduce their exposure to negative linkages with conflict, as well as contributing proactively to conflict prevention and peace-building.

The publication includes contributions from John Bray, Control Risks Group; Jason Switzer, IISD; Mareike Hussels, UNEP FI; Daniel Wagner, ADB and Michael J Kelly, KPMG LLP UK. The funding for the project was provided by the German Federal Ministry of Environment, Nature Conservation and Nuclear Safety (BMU).

We would like to thank the many individuals that have provided such helpful input for their support. Special thanks goes to the contributing authors, to Harald Neitzel, BMU, for funding and support, to Andreas Dally, Academy Loccum, for hosting the first presentation of the paper, and to Ivor Godfrey-Davies, HSBC, for kindly hosting the expert workshop in London.

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#### Risks of Water Scarcity: A Business Case for Financial Institutions

UNEP FI is currently collaborating with the Stockholm International Water Institute (SIWI) in a project to investigate potential risks for financial institutions that could arise from water scarcity and water related social conflict in the regional context of Africa and Latin America.

The main objective of the project is to learn and expand on the financial risks related to water scarcity and water related conflicts by:

- 1) Identifying potential risks for financial institutions arising from water scarcity and from social conflicts that might occur under such a scenario.
- 2) Providing local studies and experience on financial risks as a consequence of water scarcity.
- 3) Identifying positive approaches for financial institutions to mitigate risks related to water scarcity.

- 4) Strengthening knowledge about water scarcity and its potential effect on financial institutions.

A presentation of project will be held during the World Water Week in Stockholm, at the City Conference Centre, on 17 August 2004, from 9:00 am to 12:00 pm.

UNEP FI and SIWI are inviting a number of experts from financial institutions, development agencies and other stakeholders to join them for discussions, exchange of expertise and experiences, and brainstorming for future research.

Signatories interested in participating at this meeting on 17 August 2004 should please contact:

Alberto Pacheco Capella: [alberto.pacheco@unep.ch](mailto:alberto.pacheco@unep.ch)

## **NEWS FROM THE CHAIR**

Mr. Michael Hoelz, Chairman of UNEP Finance Initiative (UNEP FI)

### **Next Roundtable in New York:**

Acting sustainably is an issue that is relevant for the whole world. It is therefore important to strengthen and expand the global network of UNEP FI members; in particular in North America. This is one of the primary reasons why we have chosen New York as the venue for our next UNEP FI International Roundtable (date: 24-25 October, 2005; to be finalized with steering committee).

### **Inauguration of UNEP FI Asia Pacific Task Force:**

One year after the UNEP International Roundtable in Tokyo we are in the process of establishing a UNEP FI Task Force for the Asia Pacific region. Discussions are currently underway with our signatories in the region with a view to set up in the Quarter 1, 2005. As part of our current activities in the region UNEP FI will be assisting the Development Bank of Japan with a Workshop they are hosting in Tokyo on 22-26 November (tbd).

### **UN Global Compact Leaders Summit:**

With nearly 500 participants, including many UNEP FI members, the summit on 24 June 2004, New York, was the largest gathering ever of chief executive officers, government officials and heads of labour and civil society on the topic of global corporate citizenship. UNEP FI made an important contribution by drawing up the annual report 2003 and comprehensive brochures prepared by the Climate Change and Asset Management Working Groups. One of the key outcomes of the summit: The Global Compact officially adopted a 10th principle on anti-corruption.

### **Global Reporting Initiative:**

GRI partnered with UNEP FI to develop environmental performance indicators specifically for the financial industry. These will supplement the indicators contained in the 2002 GRI Guidelines and be reflected in the Guidelines 2005. A full Working Group, formed in September 2003, will present results later in the year.

## **FINANCIAL ISSUES**

<http://www.unepfi.net/fii/accounts>.

The UNEP FI Secretariat would like to bring to your attention the following Financial Accounts recently placed on the members only website:

### **UNEP Finance Initiative Financial Report for the Quarter 1, 2004.**

This contains 2004 Signatory Contributions to 31 March 2004 and the Profit and Loss account Quarter 1, 2004.



It is our intention to provide at the end of each quarter the financial report for the previous quarter. We would be interested to learn from our signatories if this level of reporting meets their needs and answers any queries they may have.

Members can access the above accounts by going to the network protected website:

<http://unepfi.net/fii/accounts>

**Username:** unepfisig

**Password:** 4gvach

## **NEW UNEP FI WEBSITE LAUNCHES AUGUST 2004**

UNEP FI will be launching a completely redeveloped and redesigned website in late August 2004.

Following intensive internal and external consultations, the new UNEP FI website has been completely restructured to highlight the activities of the Initiative in a easy to use and accessible format. A new signatory extranet will consolidate all private account and working document information in a central location.

The next phase of development will integrate multi-language content, and increase functionality in the signatory extranet, in order to support our regional activities and external communications more broadly.

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## **SECRETARIAT CONTACT WITH SIGNATORIES**

<http://unepfi.net/sigbull/>

## **UNEP FI ANNUAL GENERAL MEETING (AGM) IN OCTOBER**

The UNEP FI AGM will take place in Paris, France, on 21 October 2004. Invitation letters are currently being dispatched to all signatories. The Secretariat would like to thank Groupama for hosting the AGM.

### **UNEP FI AGM, October 21 2004; Paris, France**

Time: 10.00hrs – 16.30hrs

Groupama Asset Management,  
25 rue de Courcelles,  
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## **END.**

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Economics and Trade Branch  
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