



**UNEP Finance Initiative**  
Innovative financing for sustainability

**The Materiality of Social, Environmental and  
Corporate Governance Issues to Equity Pricing**

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**Sanpaolo AM**

**UNEP FI Asset Management Working Group**



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# UNEP Finance Initiative Governance and Implementation Overview

PARTNERSHIP FRAMEWORK

**UNEP**

(UN Member Governments)



**Finance Initiative**

(160 banks, insurers, asset mgrs)



**Elected Steering Committee**

Resulting Cooperative Work Streams

IMPLEMENTATION PATHWAYS

**Issue Based Work Groups**

**Asset Management**

Climate Change

Env. Mgmt., Reporting & Indicators

Insurance

Property

**Special Projects**

Biodiversity

Finance & Conflict

PRI

Water

**Regional Programmes**

Africa

Asia-Pacific

Central and Eastern Europe

Latin America

North America

## Asset Management Working Group – the genesis

- An increasing number of investors becoming more interested in Environmental, Social and Governance issues
- Little consideration from brokerage houses, analysts and policy makers



April 2003: twelve asset management firms launch an AMWG under UNEP FI to explore and document the materiality of ESG criteria as they relate to the portfolio management.

- Sent letter to more than 50 international brokerage firms requesting special sector reports on extra financial issues
- 14 reports from 11 brokerage firms confirmed
- June 2004: launch at UN Global Compact Leaders Summit
- Enthusiastic welcome from the financial community: over 100.000 downloads from the UNEP site

## ... more on the Asset Management Working Group

The purpose of the Asset Management Working Group is to address the integration of and correlations between corporate governance/sustainability and stock selection. This is accomplished by encouraging action and providing research in:

1. Reviewing corporate governance practices and the relationships between shareholders and companies in different markets.
2. Identifying and analysing relationships between strategic investment drivers and sustainability drivers.
3. Providing evidence of links between corporate sustainability performance and business performance.
4. Highlighting investment opportunities and risks associated with climate change and biodiversity conservation.



# Asset Management Working Group: **MATERIALITY 1**

International Leverage and Expertise:

Twelve firms, Nine Nations, 1.6 trillion \$ AUM

- |     |                              |                |
|-----|------------------------------|----------------|
| 1.  | Acuity Investment Management | Canada         |
| 2.  | BNP Paribas Asset Management | France         |
| 3.  | Calvert Group Ltd.           | USA            |
| 4.  | Citigroup Asset Management   | USA            |
| 5.  | Groupama Asset Management    | France         |
| 6.  | Morley Fund Management       | United Kingdom |
| 7.  | Nikko Asset Management       | Japan          |
| 8.  | Old Mutual Asset Management  | South Africa   |
| 9.  | SANPAOLO IMI group           | Italy          |
| 10. | Storebrand Investments       | Norway         |
| 11. | ABN AMRO Bank N.V.           | Brazil         |
| 12. | HSBC Asset Management        | Europe         |



# MATERIALITY 1

## sectors:

APPAREL  
CHEMICALS  
CONSUMER ELECTRONICS  
OIL AND GAS  
PHARMACEUTICALS  
INSURANCE  
UTILITIES

## Contributors:

Deutsche Bank Securities  
Citigroup Asset Management  
Nikko Citigroup Limited  
Royal Bank of Canada  
Goldman Sachs International  
ABN AMRO  
West LB Panmure  
Dresdner Kleinwort Wasserstein  
Nomura  
HSBC Securities  
UBS



## The reports would:

- Identify the ESG issues that are likely to impact company competitiveness and reputation in a particular industry.
- Identify and, to the extent, possibly quantify their potential impact on stock price.



The Materiality of Social,  
Environmental and  
Corporate Governance  
Issues to Equity Pricing

18 Sector Studies  
by Brokerage House Analysts at the  
Request of the UNEP Finance Initiative  
and other international investors



The Materiality of Social,  
Environmental and Corporate  
Governance Issues  
to Equity Price

[www.unepfi.org](http://www.unepfi.org)



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# Asset Management Working Group: **MATERIALITY 2**

14 companies, 7 countries, 2 trillion \$ AUM

- |   |        |
|---|--------|
| 1. ABN AMRO Bank N.V.                         | Brazil |
| 2. Acuity Investment Management               | Canada |
| 3. BNP Paribas Asset Management               | France |
| 4. Calvert Group Ltd.                         | USA    |
| 5. CAM Legg Mason                             | USA    |
| 6. Groupama Asset Management                  | France |
| 7. Henderson Global Investors                 | UK     |
| 8. Hermes Pensions Management                 | UK     |
| 9. HSBC Asset Management                      | Europe |
| 10. Insight Investment Management             | UK     |
| 11. Mitsubishi Trust                          | Japan  |
| 12. Morley Fund Management                    | UK     |
| 13. RCM ( a company of Allianz Glob. Invest.) | UK     |
| 14. Sanpaolo IMI group                        | Italy  |



## **MATERIALITY 2** – on the wave of the great success of MAT1, more names from the most prestigious brokerage firms

1. ABN AMRO
2. CM-CIC
3. Deutsche Bank
4. Dresdner Kleinwort Wasserstein
5. Goldman Sachs International
6. JP Morgan
7. Merrill Lynch
8. Morgan Stanley
9. West LB Panmure
10. UBS



## some thoughts on ESG

Corporate governance and social responsibility - by definition - include an organization's environmental and health & safety management activities.

Therefore, corporate governance and social responsibility are essential components of sustainability, and prerequisites for a sustainable organisation.



## ...more thoughts on ESG

‘Corporate governance will become increasingly important in the global economy and integral to the operations of every company, large and small, public and private’<sup>1</sup>.

*‘In the next decade social responsibility will continue to grow in importance ... and become the standard by which all organisations are judged’.*

‘Corporate governance and social responsibility affect the whole of the world economy down to the individual worker or pension holder’<sup>1</sup>

PD 6668 Managing Risk for Corporate Governance, Robbins, M & Smith, D, BSI 2000.

1. Leipziger, D (2001) *SA8000: The definitive guide to the new social standard*, p. 26.



## A socially responsible organisation can expect:

- an enhanced reputation;
- improved stakeholder trust; and
- will be rewarded in the marketplace and their communities.



*"In today's world, where ideas are increasingly displacing the physical in the production of economic value, competition for reputation becomes a significant driving force, propelling our economy."*

**- Alan Greenspan**

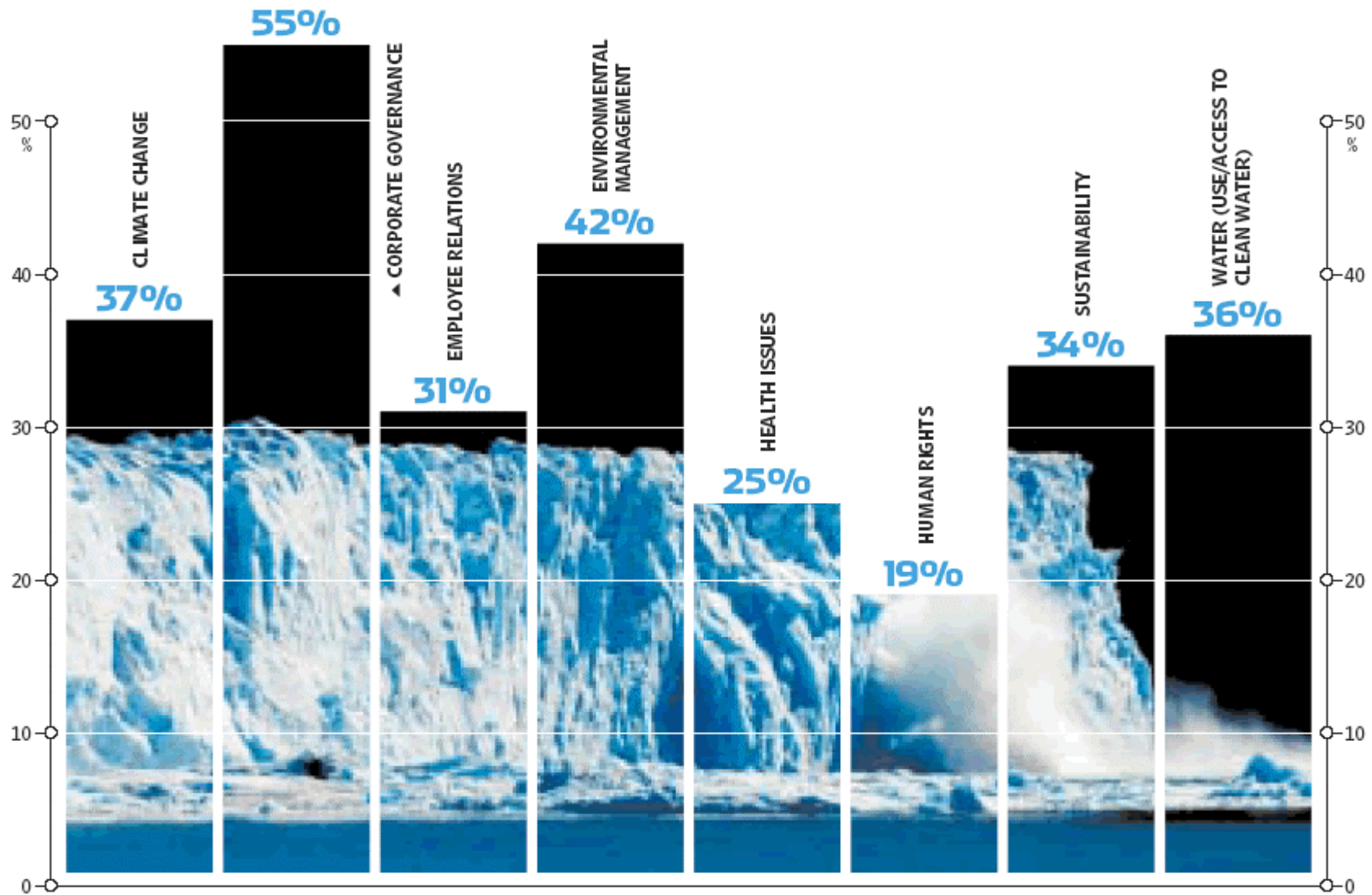


36380	DJ MARKET TALK:	
36300	DJ INTERBANK FOR	
INDU	-195.14	VOLU 1.13
INDP	9646.26	UVOL 288,
UTIL	+1.90	DVOL 823,
TRAN	-84.40	TRIN 1.18





Global poll of managers who feel that the following factors will become or will remain important in five years, average, per cent



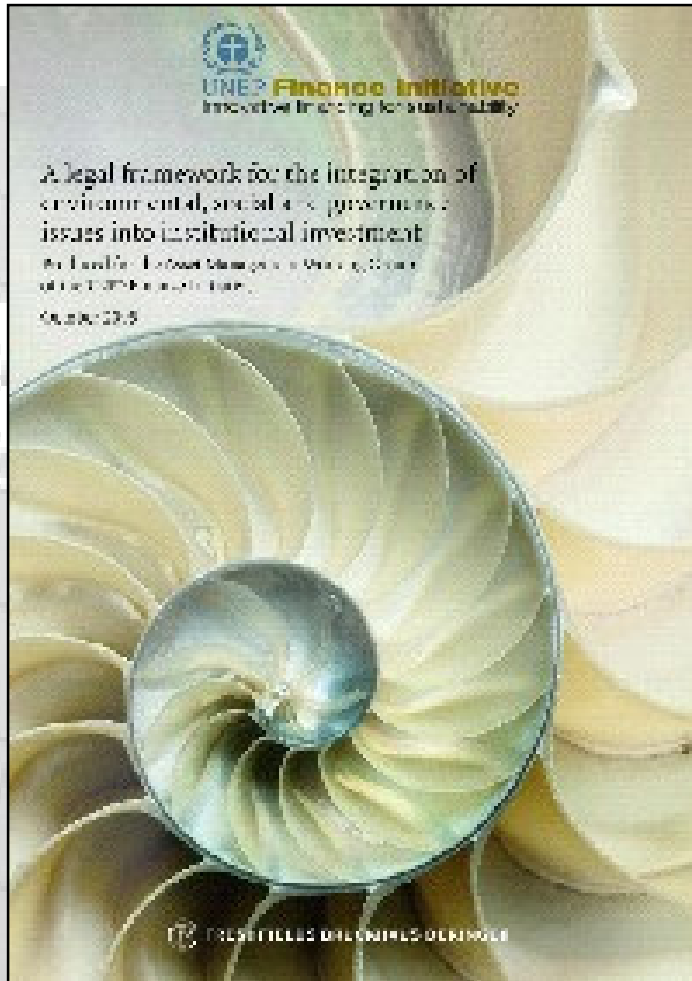
Source: Mercer Investment Consulting; The Observer (UK) - 7 May 2006

# Conclusions

Transparency, good governance and reputation are all crucial to company performance. This is particularly relevant in the financial sector, where trust in capital markets and loss coverage is sensitive to both stakeholders and customers. Linking your company to the United Nations Environment Programme through UNEP FI is a sign of your commitment to identify, promote and realize the adoption of best sustainable practices at all levels of organizational operation. UNEP and the UNEP FI name carry significant economic value, and in partnering with us your organisation will gain worldwide exposure.







A legal framework for the  
integration of environmental,  
social and governance issues  
into institutional investment  
*Freshfields Bruckhaus Deringer*

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We receive the assets from our clients,  
but they belong to our clients



Thank you

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