



UNEP Finance Initiative
Innovative financing for sustainability



UNEP FI 2005

at a glance

UPCOMING EVENTS:

2005 Annual General Meeting (AGM)
24 October 2005, New York.

2005 Global Roundtable
25-26 October 2005, New York.

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Introduction

UNEP FI's strategic work programme is focused on current and emergent issues which are relevant to its members.

UNEP FI Working Groups are proposed and driven by groups of UNEP FI signatories who want to implement UNEP FI's mission in specific areas of joint interest. They provide a forum for Signatories to work collectively in finding innovative approaches to issues such as asset management, climate change and sustainability reporting. In addition to the issue-oriented Working Groups, UNEP FI runs a series of regional Task Forces. As a global initiative UNEP FI gathers and disseminates information from regions that may have very different economic environmental and social priorities. The Task Forces also serve to ensure the outputs of the Working Groups are adequately disseminated to the regions.

Special Projects are also undertaken to complement the activities of the Working Groups in specific issue-areas.

This document provides a concise outline of all the current UNEP FI Working Groups, Task Forces and Projects, including major activities planned for 2005, as well as detailed membership lists and contact details.

<p><u>UNEP FI Secretariat:</u> UNEP FI's annual work programme and regional activities are coordinated by a Geneva-based Secretariat; they are determined in consultation with the Steering Committee and signed off at the Annual General Meeting.</p> <p>Head of Unit Paul Clements-Hunt</p> <p>Administrator Ken Maguire</p> <p><u>For further information contact:</u></p> <p>Signatory Relations Project Manager Kiki Lawal</p> <p>UNEP Finance Initiative International Environment House 15 chemin des Anémones CH-1219 Châtelaine Geneva, Switzerland</p> <p>Email: kiki.lawal@unep.ch Tel: +41 22 917 8692 Fax: +41 22 796 9240</p>	<p><u>UNEP FI Steering Committee</u></p> <p>UNEP FI is governed by an elected Steering Committee comprised of 13 representatives from its membership and one UNEP representative.</p> <p>Chair Westpac: Martin Hancock (2005)</p> <p>UNEP Representative Monique Barbut, Director, Division of Technology, Industry, and Economics (DTIE)</p> <p>Signatory Representatives Bank of America: Helen Sahi Barclays: Chris Bray Credit Suisse: Otti Bisang Deutsche Bank: Michael Hölz Insurance Australia Group: Pauline Gregg Rabobank: Bart Jan Krouwel</p> <p>Working Group Representatives Dresdner Bank: Armin Sandhoevel (CCWG) Groupama: Carlos Joly (AMWG)</p> <p>Regional Task Force Representatives ABN Amro: Chris Wells (LATF) Banking Council of South Africa: Cas Coovadia (ATF) European Bank for Reconstruction and Development: Mark King (CEETF) <i>To be announced</i> (APTF)</p>
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Asset Management Working Group

AIM

Explore whether social, environmental and governance considerations are sufficiently incorporated into asset management.

SPECIFIC GOALS

- Understanding the Materiality of Key Environmental and Social Criteria for equities pricing and stock picking;
- Engagement with Pension Funds;
- Exploring how socially responsible investing could be applied in Emerging Markets.

OBJECTIVES FOR 2005

2005 focus will be on “Mat2”, a second invitation to brokerage houses to produce reports on the financial materiality of environmental, social and governance issues to equity pricing for the following sectors: financial services, automobile, aero-defence, food and beverage, chemicals, pharmaceuticals, basic materials (forestry, iron and steel, other extractives).

Reports must be global, focussed, and in-depth analyses. They should incorporate both sell side reports by brokers and buy side descriptions/narratives/analyses of how investment managers internalize and apply valuations of environmental, social and corporate governance information. The group will obtain fewer reports than last year and aim to launch each one at small, invite-only events.

The group will also continue its outreach to North American institutional investors in collaboration with Citigroup and Calvert and solicit a 2005-2006 expert statement on the state of fiduciary law globally from a leading legal firm.

CHAIRS

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KEY MEMBERS

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BNP Paribas Asset Management
Calvert Group
Citigroup Asset Management
Groupama Asset Management
Hermes Pensions Management
HSBC Asset Management
Insight Investment Management
Morley Fund Management
Nikko Asset Management
RCM (UK)
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Climate Change Working Group

AIM

Engage the financial sector on the risks and opportunities climate change presents and enable it to play a key role in delivering market solutions that mitigate its effects.

SPECIFIC GOALS

- Identify and communicate the financial sector's role in mitigation and adaptation to climate change;
- Raise awareness of the global and regional challenges of climate change not only within the sector but across all sectors and industries, including policymakers and the public at large;
- Position the financial sector as a credible and proactive partner by catalysing concrete action within the institutions;
- Provide input to the United Nations Framework Convention on Climate Change (UNFCCC) process through support of the Kyoto Protocol flexible mechanisms – international emissions trading, Joint Implementation (JI) and the Clean Development Mechanism (CDM), and other initiatives;
- Continue to develop strategies to overcome political and regulatory barriers which hinder a more proactive role for the finance industry on climate change issues.

OBJECTIVES FOR 2005

- Further embed the materiality of carbon in capital markets and the Financial Services Industry's (FSI) policies and practices;
- Continue work to identify and disseminate the risks and opportunities related to climate change for the FSI, with specific focus on the development of new products and services, as well as extending markets for existing products and services;
- Seek to educate policymakers and regulators on the drivers and barriers for the FSI in drafting and delivering policies and products to bring about Climate Change solutions;
- Through UNEP FI's Regional Task Forces raise awareness on issues relating to climate change taking into account regional contexts.

CHAIR

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MEMBERS

Abbey
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Insurance Australia Group
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UNEP FI-GRI Working Group on Performance Indicators

AIM

UNEP FI and GRI (Global Reporting Initiative) joint implementation of a piloting process of the GRI Financial Services Sector Supplements (Environmental and Social performance) and development of a final version of a combined Supplement.

SPECIFIC GOALS

- Establish a structured feedback process to generate specific recommendations for refining the environmental and social performance indicators that compile the Supplements;
- Prepare technical protocols (i.e. guidance notes) to interpret and enhance ease of use of the indicators;
- Produce a basic guidance manual targeted at financial institutions on how to become a sustainability reporter, particularly in developing countries and emerging economies.

OBJECTIVES FOR 2005

- Workshops for project orientation and discussion of feedback;
- Mentoring of new reporters/pilot testers;
- Drafting of a basic reporting guidance manual;
- Development of a GRI Financial Services Sector Supplement that combines environmental and social performance.

MEMBERS

The membership of the UNEP FI - GRI Working Group will be restructured for the 2005 work programme.

For further information on the Group's members in 2004 and 2005 please see:
www.unepfi.org/gri

KEY PARTNERS

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Sustainability Management and Reporting Forum

AIM

Communicating the benefits of sustainability management and reporting for financial institutions in developing countries and emerging economies.

SPECIFIC GOALS

- Produce case studies demonstrating the benefits of sustainability management and reporting guidelines for financial institutions in developing countries and emerging economies;
- Raise awareness of sustainability management and reporting amongst financial institutions in emerging markets.

OBJECTIVES FOR 2005

In 2004-5, the focus of UNEP FI's Sustainability Management and Reporting project is to produce a *CEO Briefing* on Sustainability Management and Reporting which collates strong and clear business cases for financial institutions to operate sustainability management and reporting in emerging market. The 2005 objective is to follow up on this publication through launch events and a series of awareness-raising and capacity-building workshops.

The strategic values of these work programmes for UNEP FI are:

- Establishment of UNEP FI as a provider of training for financial institutions in developing countries;
- Creation of an all-embracing Training Work Programme which runs across different UNEP FI work programmes and the regional taskforces;
- Provision of the new publication as a useful tool amongst financial institutions in developing countries through follow-up activities to ensure sufficient dissemination and use;
- Improvement of services and outreach towards Spanish-speaking regions.

CHAIR

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General Insurance Working Group (to be launched in 2005)

BACKGROUND

Following the Annual General Meeting (AGM) of UNEP FI in 2003 there was a general consensus that, after the merger of the Financial Institutions Initiative (FII) and the Insurance Industry Initiative (III), a healthy balance should remain between the two sectors. The formation of a “General Insurance Working Group”, to be made up of Insurance and Re-Insurance companies only, has therefore been initiated.

OBJECTIVES FOR 2005

A work programme and strategy will be formulated following a survey of insurance signatories to the Initiative regarding key areas of interest and potential focuses for this new Working Group.

POTENTIAL MEMBERS

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Insurance Australia Group

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African Task Force

AIM

Support and expand sustainable financial practice in Africa.

SPECIFIC GOALS

- Set sustainability priorities for the African financial sector;
- Establish general standards or codes of conduct on finance and sustainability in Africa;
- Encourage the integration of a triple bottom line approach to African financial sector operations.

OBJECTIVES FOR 2005

- Risk management & corporate governance standards and guidelines project;
- Development of an African partnership proposal on sustainability investing in Africa;
- Development of a Francophone Africa work programme on microfinance;
- Forging closer links with international and regional governmental sectors for future work programmes;
- Encouraging participation of new members through its membership drive.

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Investec Bank (South Africa)
Corporation (South Africa)
Nedbank (South Africa)
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Standard Chartered (South
Africa)

ASSOCIATES

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University of
Stellenbosch (South
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African Investment
Advisory (UK)
AICC Centre for
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(South Africa)
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Corporation (South
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Asia Pacific Task Force

AIM

Support and expand sustainable practices in financial institutions in the Asia Pacific Region.

SPECIFIC GOALS

- Setting of "sustainability" priorities for the Asia Pacific financial sector;
- Creation of a critical mass of Asia Pacific signatories that are able to exchange ideas and best practice, facilitated by a UNEP FI network;
- Overall integration of a triple bottom line approach in the operations of the Asia Pacific financial sector.

OBJECTIVES FOR 2005

2005 will be a year of formation and consolidation for the APTF. Primarily, the focus will be on formulating aims and objectives, strategies and mid-term work programmes through a UNEP FI survey on finance and environment in Asia Pacific, targeting both UNEP FI signatories and non-signatory financial institutions. An evaluation and comparison of the current issues and trends in the region will be drawn from the results which will be collated in the form of a report and also communicated through seminars and workshops. The survey results will also help to frame APTF activities in the years to come.

KEY PARTNERS

Association for Sustainable & Responsible Investment in Asia
Association of Development Financing Institutions in Asia and the Pacific
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Australian Outreach Programme

AIM

- To provide a forum to encourage and assist the Australasian finance sector to integrate best sustainability management practices across all aspects of their businesses.

SPECIFIC GOALS

- To manage Australasian specific working groups in the following areas: environmental credit risk, operational environmental management and reporting, asset management and insurance;
- Publication of regular Australasian UNEP FI newsletters;
- Research and other service provision for financial institutions on sustainability best practice;
- Support to Australian based UNEP FI signatories and outreach to non signatories in the region.

OBJECTIVES FOR 2005

- Awareness-raising and promotion of research undertaken by UNEP FI working groups;
- Participation in activities conducted under the Asia Pacific Task Force.

CHAIR

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FINANCIAL INSTITUTIONS

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Aviva Australia
BT Financial Group
Commonwealth Bank
EFIC
Insurance Australia Group
Macquarie Bank
Members and Education
Credit Union
National Australia Bank
QBE
SAM Sustainable Asset
Management
Savings & Loans
Swiss Re
VicSuper
Westpac

OTHER

PARTICIPANTS

Australian Bankers
Association
Department of Environment
and Heritage
Ethical Investment
Association of Australia
Institute of Actuaries of
Australia
Macinante Consulting
Monash Sustainability
Enterprises
SIRIS

Central and Eastern European Task Force

AIM

- Expand sustainable finance practice in Central and Eastern Europe;
- Create a forum of signatories in the region that are able to exchange ideas and best practice, facilitated by the UNEP FI network.

SPECIFIC GOALS

- Engage with UNEP FI signatories in the region and integrate them into the UNEP FI network, recruit new UNEP FI signatories;
- Raise awareness in the region's finance sector of sustainability and environmental issues;
- Develop training and capacity-building plan and potentially start implementation.

OBJECTIVES FOR 2005

- Awareness-raising conference on March 16 in Warsaw, Poland ("Sustainability- Risks and Opportunities for the Polish Financial Institutions");
- Awareness-raising event in Zagreb, Croatia in May/June;
- Developing a web-based information platform to facilitate the management of environmental credit risks in Central and Eastern Europe;
- Establishing a region-specific training program for sustainable finance.

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Latin American Task Force

AIM

Support and expand sustainable practices in financial institutions in Latin America.

SPECIFIC GOALS

- Setting and promotion of "sustainability" priorities for the Latin American financial sector, namely through capacity building and training;
- Creation of a critical mass of Latin American signatories that are able to exchange ideas and best practices, facilitated by a UNEP FI network;
- Integration of a triple bottom line approach in the operations of the Latin American financial sector.

OBJECTIVES FOR 2005

- Training workshops on environmental and social risk in credit lending and investment:

Quarter 1, March 9-10, Bogotá, Colombia
 Quarter 2, Buenos Aires, Argentina (tentative)
 Quarter 3, Lima, Peru (tbc)
 Quarter 4, San Salvador, El Salvador (tentative)

- Workshop on Sustainability Management and Reporting, Quarter 3 (tentative);
- Latin American representation at the UNEP FI Global Roundtable in New York;
- Seek additional funding for the "Defining a Peace-building Role for the Colombian Financial Sector" Project.

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 Fundação Getulio Vargas(FGV) / CES, Brazil
 Fundación Social, Colombia
 Grupo BBVA
 Grupo Santander
 INCAE – CLACDS, Costa Rica
 Suleasing Internacional, Colombia
 Unibanco, Brazil

ADVISORY GROUP

Cleaner Production International LLC
 Enterprising Solutions
 Global Consulting
 FIDES - Desenvolvimento Sustentavel
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North American Task Force

AIM

Provide leadership in the integration of sustainability principles into business practices throughout the North American financial sector.

SPECIFIC GOALS

- Reputation Management and positioning as an expert group;
- Support the UNEP FI working groups;
- Analyse structure of SD governance systems within banks;
- Promote environmental disclosures in financial statements;
- Outreach to non-signatory North American banks.

MAJOR 2005 ACTIVITIES

“Lending Clarity” Is Climate Change a Risk for the Financial Sector?

This study will analyse:

- the four major risks posed by climate change to debtors;
- the macro impact of climate change on financial risk;
- the specific debt sectors which will be most impacted;
- the likely impact in the short-term versus the long-term, and the impact of perceived risk versus actual risk.

“Footprints of Finance” Strategies for Reducing the Future Environmental Liabilities of Financial Products

This study will focus first on the impact of future environmental liabilities on specific debt products, and how this is likely to affect the financial institutions that offer these debt products. Next, the study will review the many strategies available to mitigate the risks of environmental liabilities on debt products. Third, the study will make practical recommendations as to actions that can be taken by financial institutions to address the impact of environmental liabilities on their debt products.

CHAIR

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WATER PROJECT

AIM

UNEP FI's work on water builds on the need to create awareness and capacity in the financial community in order to promote engagement in the water sector, by identifying potential challenges and opportunities of water related issues, which can bring benefits both to financial institutions' core business and to water sustainability.

MAJOR 2005 ACTIVITIES

Activities in 2005 will concentrate on six major identified areas:

- Assessment of opportunities for financial institutions within the water sector;
- Guided Workshop with financial institutions, export credit agencies and policy makers;
- Produce Risk Management Guidelines for financial institutions;
- Produce Risk Management Guidelines for policy makers;
- Policy brief with SIWI / Swedish Water House;
- Communications with the financial sector.

KEY PARTNERS

UNEP Global Programme of Action
for the Protection of the Marine
Environment from Land-based
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Stockholm International Water
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Principles for Responsible Investment (to be launched in 2005)

BACKGROUND

In 2004, a UNEP FI Pension Fund Roundtable held in Paris identified the need for investors to share experiences and work together on Environmental, Social and Corporate Governance (ESG) issues. The UNEP FI “Materiality” report and the Global Compact (GC) “Who Cares Wins” report, presented at the GC Leaders’ Summit in New York, further showed the importance of integrating these issues. As a result, UNEP FI and the GC have decided to develop a set of “Principles for Responsible Investment”.

AIM & OBJECTIVES

The Principles for Responsible Investment are aimed at defining responsible investment by institutional investors. This will be led by the world’s largest pension funds and advised by a team of ESG experts.

A handbook providing guidance on the Principles, as well as tools and strategies for implementation, will also be prepared. Another handbook for policymakers, on aligning investment regulatory frameworks with the Principles, is also planned.

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Emerging Market Project

AIM

This project aims at creating a global forum to align the interests of investors and governments to overcome the principal barriers for stable and sustainable investment in emerging markets.

SPECIFIC GOALS

The Project will seek to determine how capital markets and policy makers can act to meet international development priorities and resolve the global pensions crisis through responsible investment in emerging markets. The drivers and barriers for institutional investors globally to increase stable and sustainable investment in emerging markets, and the changes needed to overcome these barriers, will be identified. The project will also investigate the benefits of applying social, environmental and corporate governance criteria as a risk reduction tool for such investments.

KEY PARTNERS

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Signatory Relations

ROLES & OBJECTIVES

The Secretariat's Signatory Relations Team strives to provide all UNEP FI Signatories with the necessary support for them to reap the full benefits of membership to the Initiative. The Team plays a key role in actively engaging Signatories in UNEP FI's activities and endeavours, as well as in attracting new Signatories.

- Attending UNEP FI Signatory general queries regarding UNEP FI activities and procedures;
- Promoting exchanges and networking among Signatories by providing day to day liaison services and by organising special thematic and/or regional events;
- Communication and liaising with key partners such as financial associations;
- Compilation and dissemination of information on UNEP FI activities:
 - Information Packages
 - Monthly E-Bulletin
 - Quarterly Signatory Bulletin
- Research and identification of potential Signatories, outreach and engagement of new members.

2005 GOALS & HIGHLIGHTS

Documents & Publications:

- UNEP FI Overview 2004
- UNEP FI 2005 at a glance

Events:

- 19 May - First Western European Forum, Barcelona.
- 24 October - Annual General Meeting, New York.
- 25-26 October - UNEP FI Roundtable, New York.

Other Services:

- Signatory Extranet – creation of a new, Signatories-only feature on the UNEP FI website. Will provide detailed information on members and their ESG profiles.

Outreach:

- Expanding Signatory base in the Middle East;
- Supporting the Regional Task Forces in expanding UNEP FI's Signatory base in their respective regions.

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