



# United Nations Environment Programme

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PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE  
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

## Finance Initiative

Innovative financing for sustainability

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### *UNEP – UNEP Finance Initiative* **UNEP DTIE Offices, Paris**

**1030hrs – 1600hrs, 16 January 2004**

#### **1. Introduction: Director UNEP DTIE and Chair UNEP Finance Initiative**

Michael Hoelz, Chair UNEP Finance Initiative (FI) and Deutsche Bank, welcomed participants and stressed the need for concrete results from the day's discussions to provide clear signals to the meeting of the new UNEP FI Steering Committee scheduled to take place in Boston, US, in March 2004. He reminded the group that the meeting was an informal brainstorming session to encourage openness and frankness. The Chair also thanked Monique Barbut for hosting the meeting and offered the Initiatives sincere wishes for her new role as Director of UNEP DTIE.

Monique Barbut, UNEP Division of Technology, Industry and Economics (DTIE) Director, stressed the importance of UNEP FI as one of the leading voluntary partnerships between UNEP and the professional sector. UNEP DTIE works with 22 business sectors. Mme Barbut's expectations for the day's discussion included:

- Exploring options to re-examine the UNEP FI declarations to update them and make them clearer;
- Identifying and implementing effective mechanisms so that UNEP, in its partnership with private finance, is seen to be disseminating lessons learnt and best practice to financial institutions in developing countries and transition economies;
- Establishing the fact that minimum benchmarking standards are a necessity for UNEP FI member companies.

#### **2. General Discussion: The Strategic Future for UNEP FI**

An initial open discussion highlighted a broad range of strategic and operational themes that were of importance for participants. Inter alia, the main issues raised for further discussion during the day included:

- Work is required to reduce overlaps with respect to sustainability initiatives within the finance sector and there is a need to make UNEP FI the undisputed premier initiative globally;
- The "UNEP FI free riders" issue must be dealt with including a strict imposition of annual payments and a deadline on payment clearly communicated to all members. (The issue of "must pay annual fees" and enforcement by the partnership of minimum standards remained a contentious discussion point throughout the meeting);
- A need for UNEP FI to focus on a limited number of issues with concrete deliverables;
- A need to reinforce the feeling of ownership of UNEP FI by the member companies;

- A clearer communication of what UNEP FI is and what it is trying to achieve.
- UNEP FI must not be seen to be club of OECD-based member institutions imposing their standards on financial service organisations in the developing world and transition economies. Training should become a central focus of UNEP FI's work in non OECD regions;
- Build on UNEP's strong mandate and links with the private sector and use this strength as the basis to further explore innovative public-private financing mechanisms with bodies such as the Global Environment Facility (GEF);
- UNEP FI needs better core funding and must work to retain key consulting staff for a longer time period to build continuity and consistency within the work programme;
- Need to identify the space where UNEP FI can be most effective moving forward the sustainable development agenda;
- A need to explore new topics and refresh working groups on a regular basis;
- UNEP FI's achievements of the past should not be ignored and we need to continue communicating what's been done already;
- UNEP FI should focus on the practical not the ceremonial.

Two new members raised their concerns with respect to their initial experience of membership and expectations regarding the partnership:

- There appears no history of "concrete deliverables;"
- There is not a great deal of transparency or information with respect to past activities and successes.
- There is not enough access to practical information.

The UNEP FI Secretariat clarified the fact that all the current working groups were relatively recent in inception and were only just beginning to build a track record and forge deliverables. Starting dates for the groups were: Asset Management April 2003; Climate Change June 2001; UNEP FI/Global Reporting Indicators September 2003 and a reconvened group on Environmental Management and Reporting (EMR) September 2003.

Furthermore, the Secretariat clarified that UNEP FI had only moved to a system of mandatory payment in 2003. Fees collected in 2002 were USD 481,996 while, post introduction of mandatory payment, fees collected in 2003 were USD 713,646. Although there has been an increase in the number of institutions paying fees (39% of banking members paid in 2003 compared with 18% in 2002) there remains scope for a great deal of improvement in collection of fees.

The Chair took the opportunity to mention all the positive activities carried out by the Initiative over the last 11 years with particular reference to the publication "Industry as a partner for Sustainable Development: Finance and Insurance", released at the World Summit for Sustainable Development, in Johannesburg which focused on the work the financial services sector has done over the last 10 years on sustainable development.

In the general discussion, Dan Siddy of the International Finance Corporation (IFC) proposed four options for future UNEP FI activity. Participants agreed the four options provided a framework which was used for the remainder of the day to guide the discussion in terms of UNEP FI positioning and where the initiative's efforts should be prioritised. The four options for UNEP FI activity included:

- UNEP FI, as originally conceived, as a network for information exchange and a voice for the finance sector;
- UNEP FI as a setter and 'policer' of business standards enabling a formalisation of the UNEP FI "badge" as a mark of quality for the financial services sector;

- UNEP FI focusing on outreach and capacity building activities;
- UNEP FI as a facilitator of capital flows for sustainable development projects.

A critical question was posed as to whether it was realistic, desirable or possible for UNEP FI to attempt all four roles and, if not, what roles should be prioritised.

Mme Barbut, Director UNEP DTIE, stressed that 95% of financial institutions did not have a developed and integrated environmental management system. The critical challenges was not for those institutions “in the room” with UNEP but rather for those who remained outside the room. Many banks and institutions remained at the point of asking basic questions about how to integrate environmental and social considerations into the work of their risk management committees or at what point should they undertake an impact assessment. The institutions either unaware of the need to integrate sustainability factors into their work or just commencing on the process are a key constituency that UNEP FI must reach. The Chair proposed that the Secretariat should collate a summary of the key environmental management procedures and project lending approaches, from an environmental and sustainability standpoint, of leading institutions in order to identify both state of the art approaches and to assist with the exercise to define what is the minimum acceptable standard of behaviour for UNEP FI members.

Participants agreed that the gap between global leaders and the rest of the financial services sector in terms of environmental and sustainability management and practice must be closed and that UNEP FI should play lead role in that process.

The meeting invested considerable time discussing how UNEP FI could improve its Information Exchange/Networking services. Key points raised included:

- New members ought to be assisted in a “buddy/pairing” arrangement as part of their initiation;
- Offer by the Chair that members of the Steering Committee would visit workshops hosted by new signatory institutions to present to them ‘Best Practice’.
- More succinct, tailored communication from the UNEP FI Secretariat and optimisation of the web site was a critical need to boost the efficiency and impact of communications;
- Different segments of the diverse financial services sector have varying communication and information needs as well as different things to offer the partnership. The work of the Asset Management working group in catalysing change within the mainstream analysts community was highlighted as an example of what was possible when UNEP FI companies work together collectively. It was estimated that the commitment for research work the Asset Management working group has secured would be valued at between USD 500K and USD 1 million if paid for commercially;
- UNEP FI’s ability to deepen good relations and understanding amongst NGO and Civil Society groups should not be underestimated;
- The utilisation of the latest communications technologies e.g. video conferencing should now be seriously explored to allow more effective outreach by UNEP FI for critical meetings, particularly where regional partners are not in a position to join directly.

Monique Barbut summarised the discussion from the UNEP perspective:

- UNEP FI should stay flexible and it must be a broad church i.e. inclusive in order to stay aligned with the basic UN global mandate.
- A distinct, clear sign of quality is required for UNEP FI members and mechanisms need to be established to ensure new members can adjust quickly to the standards and minimum requirements of the partnership. The partnership needs to demonstrate that member institutions

deliver on the minimum standards in an unequivocal way. The partnership needs to establish a minimum standard with respect to information and best practice approaches to be shared. The partnership cannot oblige all members to engage with the same commitment and to use information to maximum effect throughout their operations but it can provide all the tools necessary for institutions to achieve a minimum acceptable standard of practice. All stakeholders need to know there are minimum acceptable standards associated with the partnership and there is an honest effort by the UNEP FI partnership to enforce these standards amongst members.

- UNEP FI must remain inclusive and UNEP cannot be expected to act as a rating agency or “Commissariat de Compte”. UNEP FI must not be in a position where it disbars institutions, large or small, when their goodwill and commitment to change for the better is clearly demonstrated.
- UNEP FI, and the private financial institutions making up its membership, have a critical role in implementing sustainability and the UNEP FI partnership is a strong platform upon which innovative approaches to public-private financing models can be explored and trialled.

Commenting on the broad discussion and the UNEP summary, Michael Hoelz, UNEP FI Chair stressed there were different opinions with respect to the need for a redrafting of the UNEP FI statements but there was a common view on the need to share experience of different organisations within UNEP FI more effectively. There was a clear need for an easy to understand management tool that can be utilized by all banks/insurers/asset managers within any organization. There was a need, therefore, to open the “practical books” of the leading member companies to share approaches and practice with respect to environmental management and sustainability systems.

It was noted that a certain amount of caution is required with respect to Corporate Environmental Reports (CERs). Rather, the strength of the network was in sharing experiences of challenges and difficulties and how to overcome them not just in the good news stories often captured by CERs. Buddy systems and information exchange should be a core UNEP FI offering to enable members to extract value.

In light of the discussion, the Secretariat proposed that a project for 2004 become a web-based exercise to capture good and best practice approaches to both environmental and sustainability reporting as well as highlighting the operational, decision-making and governance procedures that leading institutions take to ensure they are “walking the talk” when it comes to environmental and broader sustainability matters. This project would assist with UNEP FI’s on-going effort to define and communicate both best practice approaches and minimum acceptable standards for member organisations to undertake.

Post lunch it was agreed to again focus on the four-option framework proposed by the IFC. Dan Siddy gave his prioritisation of what activities UNEP FI should focus on. There was a general consensus in the room that the IFC prioritisation was a good basis on which to continue the discussion. The focus of the discussion was whether the current UNEP FI model, in terms of finances, resources, and approach could support a work programme to that drives the chosen priorities forward. Key points from the discussion are captured in table 1.

Table 1: Priority Activities for UNEP FI

| Options for UNEP FI Activity   | Priority              | What members want   |
|--|-----------------------|---|
| <b>Network/<br/>Information<br/>exchange/voice for<br/>financial sector</b>                          | <b>1</b>              | Continue to build the business case for sustainability in the financial services sector;<br>Engage govt and other supranational agencies;<br>Identify the govt and market failures as these are the barriers to success;<br>Identify the business drivers not just making the case through a sustainability lens; |
| <b>Setter of<br/>standards/Policing<br/>role</b>   | <b>4</b>              | Such a focus would take UNEP FI into areas of activity not properly considered by member institutions previously;   |
| <b>Outreach/ Capacity<br/>Building</b>   | <b>2</b>              | A natural fit for UNEP FI and a critical need for improvement and better resourcing if the regional task forces and partners are to be effectively integrated into UNEP FI activities and if their views and priorities are to receive appropriate consideration;   |
| <b>Role of UNEP FI as<br/>a facilitator of<br/>financial flows to<br/>support<br/>sustainability</b> | <b>3</b><br>(distant) | Don't focus on promoting flows but on finding solutions to sustainability issues;<br>GEF can finance activity to remove barriers for the private sector;  |
|  |                       |   |

Two additional subjects – Steering Committee Mechanisms and Finances - became the focus of discussion. The key points raised related to each of these issues are highlighted below. They include:

### **Steering Committee Mechanisms:**

- It was proposed that the new Steering Committee should be regional task force defined not defined by working groups. There was strong disagreement amongst members over this point with some arguing for a key central role for working groups while others made the case for a leading Steering Committee role by regional task forces and partners;
- The current working groups create difficulties by mixing jobs, topics and issues. It was agreed that the term “working group” creates difficulties with respect to nomenclature;
- Many participants supported the suggestion that working groups should not be “set in marble” but they should receive a clear mandate and timetable. Working groups should be wound up when their goals/projects are achieved;
- It was proposed that there should be permanent themes on the Steering Committee. However, the appropriate mechanism for ensuring key themes are considered by the Steering Group remains open;
- The Secretariat clarified the fact that many of the discussion items formed a central part of the on-going efforts to create a new constitution and that there was plenty of scope for participants to express their specific views on e.g. the make up of the Steering Committee, representation of regional task forces on the Steering Committee etc as part of the drafting process.
- The Secretariat said that the aim of the current consultative process for a new constitution for the merged UNEP FI was to finalize a draft for consideration by an interim steering committee that would meet in Boston, USA, in March 2004. The interim committee would be made up, as a minimum, of a Chair (already elected), a Treasurer (already appointed), and representatives of the current core working groups and regional task forces. Additionally, three “open positions”

will be available for members wishing to nominate themselves for election to the Steering Committee. The election process for the three open positions on the interim Steering Committee would start in the week January 19. Participants expressed their preference for the “open positions” to be allotted to (a) a Insurance Representative (b) a Banking Representative (c) a Asset Management Representative. The interim Steering Committee, as agreed by the October 2003 Annual General Meeting, would direct the business of UNEP FI until the October 2004 AGM and would also present to that AGM the final draft for approval of the new constitution.

### **Finances:**

- The UNEP DTIE Director said UNEP DTIE contributes USD 150K a year to UNEP FI making it the most expensive voluntary initiative for UNEP. That figure will not be increased. In effect, UNEP FI pays ten times that of any of the leading banks into the partnership. There are activities that UNEP can lead with government money but these would be under the UNEP name not, necessarily, UNEP FI. Studies that individual institutions make undertake can be greatly reduced in cost per institution by the process being undertaken collectively by UNEP FI.
- The UNEP FI Chair said it was important that UNEP maintained its USD 150K annual contribution to UNEP FI for the spirit of the partnership. He requested the Secretariat to prepare a revised financial report that highlights clearly the way in which money, and consultancy expenditures, are allocated to specific work programme activities. He also requested participants to comment on the meeting package, which included the briefing from Q4 2003 on current UNEP FI activities. He asked them to consider whether this could provide the basis of a UNEP FI annual report to further support the financial report prepared by the Treasurer in conjunction with the Secretariat. The financial reporting system was improved but there remained a need to bring further transparency to UNEP FI’s financial and budget processes.

The Secretariat promised to produce a meeting summary for distribution to all participants no later than Wednesday, January 21, 2004.

The Chair closed the meeting thanking all participants for their valuable contributions throughout the day, and stated that the meeting, which was very productive and informative, would provide strong input towards the gathering of the Steering Committee in Boston.

Minutes prepared by:  
Paul Clements-Hunt  
Head of Unit, UNEP FI

Minutes reviewed by:  
Monique Barbut, Director, DTIE UNEP  
Michael Hölz, UNEP FI Chair

### **List of Participants**

- 1) **Chris Bray, Barclays**
- 2) **Elisabeth Guingand, Caisse des depots**
- 3) **Carlos Joly, Co-Chair UNEP FI Asset Management Working Group**
- 4) **Otti Bisang, Credit Suisse**
- 5) **Michael Hölz, Deutsche Bank & Chair UNEP FI**
- 6) **Masatoshi Kuratomi, Development Bank of Japan**
- 7) **Kenneth King, Global Environment Facility**
- 8) **Vincent Zeller, Groupama**
- 9) **Imoni Akpofure, IFC**

- 10) Dan Sidy, IFC**
- 11) Jose Alemany, La Caixa**
- 12) Dirk Reinhard, Munich Re**
- 13) Marieke Chouchana-Riesmeijer, ORSE Representative**
- 14) Bart Jan Krouwel, Rabobank**
- 15) Michel Laviale, Société Generale**
- 16) Rob Tacon, Standard Chartered**
- 17) Yann Kermodé, UBS**
- 18) Martin Hancock, Westpac**

**UNEP**

**Monique Barbut, Director DTIE**  
**Hussein Abaza, Chief ETB**  
**Paul Clements-Hunt, Head of Unit UNEP FI**  
**Ken Maguire, Administration, UNEP FI**