



UNEP Finance Initiative
Innovative financing for sustainability

Values to Value



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UNEP **Finance Initiative**
Innovative financing for sustainability

Introduction

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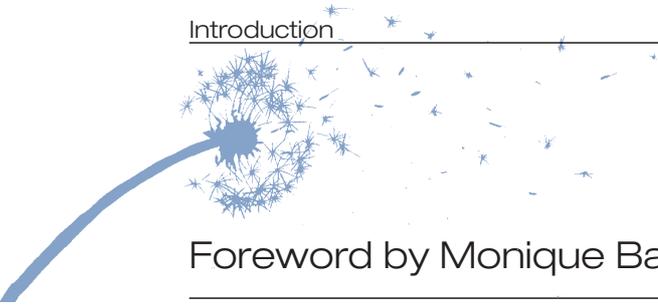
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Foreword by Monique Barbut

The financial services sector and the world's capital markets can play a pivotal role in making sustainable development a reality. There are many encouraging developments in the banking, insurance and asset management sectors to highlight how leading institutions recognise that a sustainability approach protects long-term asset values and ensures an earlier understanding of new commercial opportunities that support sustainable development.

During the past decade leading financial institutions have developed and integrated sophisticated environmental management systems and environmental risk assessments. Now, pioneering institutions are tackling the complexity of broader sustainability and corporate social responsibility challenges. The emergence of the Equator Principles, the Carbon Disclosure Project, the Collevocchio Declaration and new disclosure requirements for stock markets are further signs of the coming sea-change in how sustainability will be embedded into the workings of our markets. Yet, all these new initiatives must show concrete results if they are to retain integrity.

Many observers, while welcoming these developments, highlight the need for an accelerated uptake by a much larger section of the financial services industry worldwide. I believe that the Values to Value report will be an important contribution to that outreach and education process, enabling more financial institutions to appreciate and then enact a sustainability approach. UNEP also intends to challenge a much broader segment of the financial services sector to invest the creativity, energy, and financial support that will enable sustainability-oriented markets to flourish. First movers and leaders in the finance-sustainability field can set even higher standards of sustainability related innovation, transparency and integrity.

The opportunities for the finance sector to become the leading promoter of sustainable development are manifold and increasing. UNEP wants the financial sector to "walk the talk" on sustainability. Credible environmental risk and sustainability supporting processes, as a minimum, must underpin all lending, insurance and investment activities if the private finance sector and capital markets are to truly support our collective goals captured by the "People, Planet, Prosperity" concept.

This Values to Value report highlights the most promising developments taking place in the global financial services sector but also reinforces the scale of the challenge if our financial institutions and the whole architecture supporting modern finance, are to honestly embed sustainable development thinking into their operations in a manner that yields results in the real world. In UNEP Finance Initiative (FI), our twelve-year-old partnership with banks, insurers and asset managers, UNEP is working with some of the leading institutions that have committed themselves to change. UNEP FI itself is undergoing an exciting period of transition as the partnership seeks to support sustainable development in a more tangible manner. Values to Value provides a road map for action.

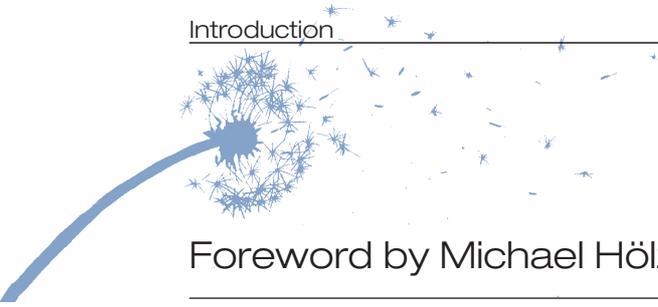
I wish you a fruitful exploration as you turn the pages of this, the first edition of Values to Value, and we look forward to receiving your comments and thoughts on the publication.

Critically, we want Values to Value to stimulate you to action in making your financial institution a leading agent of change as we seek development through sustainability.

Yours sincerely

Monique Barbut

Director, United Nations Environment Programme Division of Technology, Industry and Economics



Foreword by Michael Hölz

UNEP Finance Initiative's "Values to Value (V2V)" report represents the very best in thought leadership on the issue of finance and sustainable development. Whether your financial institution is just beginning on its environmental and sustainability management journey or it is tackling the most complex challenges of corporate social responsibility, I believe V2V has sound practical advice for you.

We have tailored V2V, purposefully, as a practitioner's manual covering both thematic as well as regional finance and sustainability issues. With contributions from scores of the leading thinkers in this field, many of whom are executives working for leading financial institutions, we believe the publication will bring insight and add value to your work.

As we prepare for the United Nations Global Compact Leaders Summit in June 2004, UNEP Finance Initiative is determined to continue our work exploring best practice issues on sustainability and corporate citizenship for the finance sector and then identifying the most effective ways for companies – of all sizes worldwide – to integrate these approaches into their policy and practice operations. We will be delighted to represent the finance sector at the UN Global Compact summit in June 2004 in New York to highlight the steps we have taken and the challenges that lie ahead for the finance sector as it addresses the imperative of sustainable development.

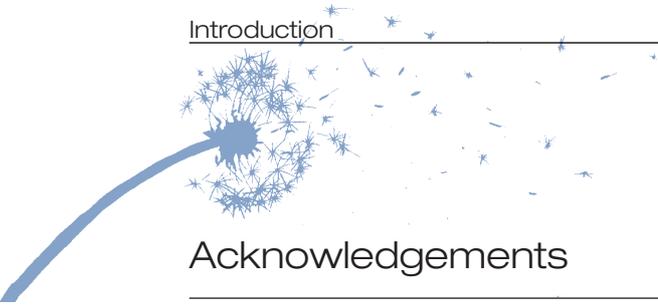
We plan to keep V2V a living document and you will have the opportunity, each year, to add to the V2V manual and increase your store of wisdom on the fascinating challenges and opportunities for the finance sector and capital markets posed by our collective goal of sustainability.

As well as having the honour to chair the new, merged UNEP Finance Initiative (October 2003), Deutsche Bank has been a proud supporter of many of the regional events covered in the V2V publication. We look forward to receiving your comments and any feedback you may have with respect to this, the first edition of V2V.

Yours sincerely,

Michael Hölz

Global Head Corporate Citizenship and Sustainable Development, Deutsche Bank Group
Chair, UNEP Finance Initiative



Acknowledgements

The United Nations Environment Programme (UNEP), the member institutions of UNEP Finance Initiative (FI) and the UNEP FI Secretariat would like to extend our sincere thanks to all those hundreds of people who have contributed to or assisted with this Values to Value (V2V) Report.

Naturally, we owe a great debt to those governments who so kindly hosted many of our regional UNEP FI events and to the scores of institutions – public, private and academic – who so generously sponsored our conference activities during 2001-2002. The individuals from these organizations and institutions who committed themselves to the UNEP FI activities described in V2V, quite simply, enabled the development of this first V2V Report.

From the UNEP FI Secretariat standpoint, the work of Regina Kessler, Robert Reid and Mareike Hussels has been untiring in ensuring V2V came together. The editing team at Environmental Finance, London and our design consultants, Rebus, Paris, should also be thanked for their professionalism and patience as the team brought V2V together. Marni Robinson also played a critical role by proof reading V2V.

Please see following a list of those governments, institutions and companies who provided financial support and support in kind to the UNEP FI regional conference series convened in the build up to the World Summit for Sustainable Development (WSSD).

In an exercise of this scale it is always likely that omissions by way of acknowledgement occur. For any omissions I apologize in advance.

Again, please accept our sincere thanks to all of those involved in the development and publication of the 2004 edition of the Values to Value report.

Paul Clements-Hunt
Head of Unit
UNEP Finance Initiative

Sponsors and Supporters of the UNEP FI 2001-2002 Regional Conference Series and UNEP FI Events at WSSD

Manila, Republic of the Philippines :

Department of Environment and Natural Resources, Republic of the Philippines
Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
Financial Executives Institute of the Philippines (FINEX)
Management Association of the Philippines (MAP)
Environment Australia
Hanns Seidel Foundation, Germany
HSBC Holdings plc
Asia-Pacific Roundtable on Cleaner Production (APRCP)

Santiago, Chile:

Corporación Andina de Fomento (CAF)
Instituto Centroamericano de Administración de Empresas

UN Economic Commission for Latin America (ECLAC)

Midrand, South Africa:

HSBC Group

Citigroup

Development Bank of Southern Africa

African Institute of Corporate Citizenship (AICC)

Rio de Janeiro, Brazil:

Banco Nacional de Desenvolvimento Economico e Social (BNDES)

ABN-AMRO Asset Management

Corporación Andina de Fomento (CAF)

Deutsche Bank

Business Action for Sustainable Development

Belgrade, Federal Republic Yugoslavia:

Ministry for the Protection of Natural Resources and the Environment, Republic of Serbia (workshop organizers)

UNEP Post Conflict Assessment Unit

Budapest, Hungary:

Citigroup

International Finance Corporation (IFC) (Supporting partner)

European Bank for Reconstruction and Development (EBRD) (Supporting partner)

WSSD, Johannesburg, South Africa:

Corporation of London

World Business Council for Sustainable Development (WBCSD)

IUCN – The World Conservation Union

UNEP FI African Task Force Members and Associates

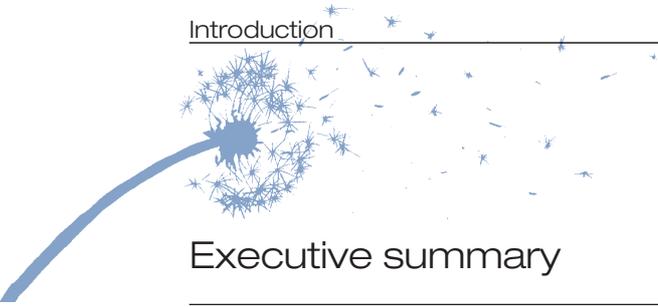
Export Credit Agencies Workshop, Hamburg, Germany:

Hermes Kreditversicherungs-AG

Sustainable Venture Finance, Fontainebleau, France:

INSEAD

CDC Capital Partners



Executive summary

Introduction

During the period late 2000 to early 2003, the UNEP Finance Initiative (FI) facilitated a global exploration of finance and sustainability. UNEP FI global roundtables in Frankfurt (November 2000) and Rio de Janeiro (March 2002) were supplemented by a series of regional conferences in Manila, Santiago, Midrand, Budapest, Belgrade, and Paris. More than 2000 people joined these various UNEP FI conferences. A strong UNEP FI delegation represented the Initiative at the August 2002 World Summit for Sustainable Development (WSSD) in Johannesburg, South Africa.

At the same time as the global conference series, UNEP FI convened new working groups and refocused earlier workstreams to create a core work programme – covering asset management; climate change; and sustainability management, reporting and indicators – at the cutting edge of the complex sustainability-finance interface. UNEP FI has also been approached by the UN Global Compact office to collaborate on sustainability issues related to financial systems, investment and capital markets.

The Values to Value (V2V) report has been published to bring you the best practical information and expertise drawn from UNEP FI's regional work, its core work programme and its partnerships with various international bodies.

Values to Value

V2V reveals that the breadth, depth and scope of sustainable financing activity is growing dramatically worldwide. New products, services and an appetite for innovation in the way finance is secured to support the goals of sustainable development are increasingly apparent.

Also, an understanding is growing that sustainability is an approach that: firstly, enables financial institutions to better understand new 'qualitative' risks that are emerging in a globalising economy; and, secondly, provides an alternative lens through which to see new commercial opportunities.

On the downside, however, and despite a burst of activity from leading financial institutions in the late 1990s, mainstream finance – across all its facets – remains reluctant to embrace sustainability as a guiding principle for its core business activities. Sustainability is, at best, a distant but persistent blip on the radar screens of the vast majority of actors making up the world of mainstream finance and of those active in the capital markets.

The diversity of the financial services sector, both geographically and functionally, is immense. Different institutions at different stages of development have a range of priorities with respect to sustainable development. For many institutions, particularly those in the developing world and economies in transition, the internal environmental management agenda remains paramount as they work to introduce, and then operationalise, environmental management systems. Meanwhile, in OECD countries, major financial institutions are being challenged on their role as corporate citizens and their international lending activities are also under the spotlight.

Within the OECD nations, however, there remains real reluctance among some companies to accept that environmental or sustainability issues have any relevance to their business operations. A significant European financial services firm told UNEP FI: "We feel that environmental issues are not particularly important in our business (i.e., investment services) and are therefore not interested in participating in UNEP's activities."

Equally, there are real beacons of light in some non-OECD countries where some financial institutions have accepted sustainability as a key business issue and are taking strong leadership positions as they adopt and adapt a

responsible approach to business that addresses the sustainability issues specific to their own regional or national context.

UNEP FI's worldwide exploration of sustainability and finance in the run up to, and since, the WSSD, has identified a number of significant trends. These include:

- The sustainability and corporate governance agendas have started to merge, particularly since the corporate and capital market scandals of recent years. Increasingly, financial institutions will be viewed on how they import the ethos of sustainable development into their governance approach and, most importantly, how they then drive it through their core activities. Governance, accountability, transparency and reporting are coming to the fore in the world of finance and sustainability.
- The case is building for the link between sustainability issues – often regarded as qualitative or non-traditional risks by the finance sector – and financial materiality. As recognition of the financial materiality of such issues spreads, serious questions are emerging as to how companies, and the financial institutions that support them, manage, report and disclose the associated risks and opportunities.
- NGOs and other stakeholder groups have significantly scaled up their understanding of the business parameters within which the private financial sector operates and the number of organisations with considerable expertise on business issues is growing rapidly. On both sides, attitudes are changing from communication to stronger engagement and collaboration and an increasing number of NGO-business partnerships are proving the benefits of constructive co-operation.
- Accountability, transparency and sustainability issues surrounding project financing activities by the world's largest banks operating in the developing world and transition economies have come under the spotlight. The emergence of the Equator Principles, a voluntary sustainability code for banks engaged in financing projects costing more than USD50 million, testifies to the increasing attention being given to banks lending for major projects.
- Despite the political uncertainty around the international climate change negotiations, global warming is increasingly capturing the attention of the finance industry – although starting from a low awareness base within the sector. The reinsurance and insurance industries, most directly exposed to losses from natural disasters, are the most engaged sectors although asset managers are waking to the potential exposure related to investment in carbon-intensive industries.
- A raft of legislation in various countries related to disclosure of sustainability investments by public and private sector pension funds is shifting the way in which major institutional investors consider environmental, social, and ethical issues.
- Interest in financing renewable and clean energy is growing rapidly. This market has the hardest commercial edge in the sustainability field and, given the track record of successful projects, proven technologies, and in some countries government support to catalyse a sound market for clean and renewable energy, we expect to see rapid growth in demand and, with it, the supply of finance for such power sources.
- There are ongoing liability issues for financial institutions associated with soil/water/air contamination as a number of countries are planning or introducing legislation to address historical and present day pollution issues.
- Efforts to understand and scale-up successful micro-finance initiatives are also underway, marked by the International Year of Micro-Credit in 2005.

In addition to these trends, there are an increasing number of positive examples of institutions or groups of institutions taking a leadership position on finance and sustainability in different regions of the world. A number of these are highlighted below:

- Worldwide sustainable finance issues are being explored, dissected, and – slowly – factored into financial sector thinking. Regional examples include:
 - UNEP FI's Sustainability Banking in Africa report has captured best practice in six African countries. In South Africa, the King Report and the Johannesburg Stock Exchange's introduction of an SRI index are changing the way in which investors think about corporate governance and investment in the continent.
 - In Asia-Pacific, ASrIA – the Association for Socially Responsible Investment in Asia – is galvanising a deepening interest in sustainability investment across the region.
 - In November 2001, ABN AMRO-Banco Real launched the first socially responsible investment (SRI) fund for Latin America and the Eco-banking initiative of the Costa Rica-based business school, INCAE, is bringing practical sustainability training to bankers across the continent.
- Work undertaken by the world's largest reinsurers – Munich Re and Swiss Re – as well as Dresdner Bank, on climate change is a strong example of business thinking ahead in terms of liabilities and, at the same time, exploring the business upside through innovative new products and services for the market.
- The Social Investment Forum (SIF) movement, the global heads of which met for the first time in Tokyo in November 2002, is gaining momentum and the various SIF groups around the world will become, increasingly, a cohesive force for change in the investment community and capital markets globally.
- The work of Calvert Group (US), Rabobank (Netherlands) and Public Sector Superannuation Scheme/Commonwealth Superannuation Scheme and the BT Financial Group (Australia) in championing responsible investment worldwide was recognised in October 2003 by the Royal Award for Responsible Investment. (www.royalawards.org/menu_2/tokyo).
- The pensions industry, in part reflecting an exploration of how to protect long-term value in the wake of corporate governance scandals, is now assessing how sustainability can be used as a new lens through which to view non-traditional risks.
- Moody's, Fitch, Standard & Poor's and A.M. Best – mainstream financial rating organisations – are exploring a critical need to consider non-traditional, qualitative risk issues in their analysis of companies' credit quality.

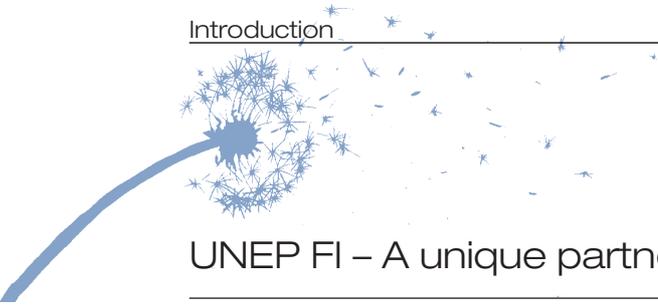
These are just a few of the many positive examples of sustainability activity driven by the financial services sector which are captured in V2V.

UNEP FI is supporting these pioneering initiatives and aims to stimulate many more in the future. Its efforts will be channelled primarily through the three UNEP FI working groups, its regional task forces and international partnerships with various organisations. The working groups currently focus on asset management; climate change; and sustainability management, reporting and indicators; while the task forces cover Africa and North America and, starting in 2004, Latin America and Central and Eastern Europe. Plans to explore options for the creation of a UNEP FI task force for Asia-Pacific were announced at the October 2003 UNEP FI Global Roundtable in Tokyo, Japan.

The papers and conference proceedings collected in this report show the impressive work already undertaken by these dedicated teams of forward-thinking finance professionals. They bring together the ideas, opinions and expe-

rience of a wide range of institutions from around the world that are dedicated to understanding and implementing sustainable finance.

But Values to Value remains a work in progress. As the working groups and task forces continue their efforts, their findings and views will be made available for inclusion in the report to ensure it remains up-to-date as a global dialogue on finance and sustainability.



UNEP FI – A unique partnership

UNEP Finance Initiative (FI) has developed the Values to Value (V2V) report to help financial institutions understand the complex interface between sustainable development and the financial services sector. Before providing greater detail on the approach and goals of V2V, it is worthwhile providing some context with respect to the unique UNEP FI partnership.

Background to UNEP Finance Initiative

The UNEP Finance Initiative is a public-private partnership between the Nairobi-headquartered United Nations Environment Programme (UNEP) and more than 260, mainly private, financial institutions worldwide. Member institutions are drawn from the banking, insurance and asset management industries. In addition, a number of public sector and multilateral financial institutions are active in UNEP FI.

At the heart of the partnership between UNEP and the world of private finance are three statements of commitment to the environment and sustainability. Upon joining the initiative, an institution elects to become a signatory to one of the following statements:

- the 1992 UNEP Statement by Financial Institutions on Environment and Sustainable Development (revised May 1997); or
- the 1995 UNEP Statement of Environmental Commitment by the Insurance Industry (September 1995).

In addition, member institutions have committed to promote the actions advocated by the UNEP FI statement to the World Summit for Sustainable Development (WSSD) held in Johannesburg, South Africa (August 2002).

For the complete statements please see the Appendix in the V2V report.

Core work areas

UNEP FI's core activities are driven by working groups typically made up of eight to 12 financial institutions and a UNEP representative. In addition, UNEP FI works with groups such as the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC), to further specific projects. Examples of UNEP FI working group activity are highlighted below and greater detail is given in the relevant sections of the V2V report.

Asset Management

UNEP FI's Asset Management Working Group (AMWG) was initiated in April 2003. Its initial focus involves work with mainstream financial analysts to better understand the impact of key sustainability issues on eight sectors of business and industry. The general focus of the group is to explore whether social, environmental and governance considerations are sufficiently incorporated into asset management. Specific issues covered by the group include:

- understanding the materiality of key environmental and social criteria for equities pricing and stock picking;
- engagement with institutional investors to understand how they incorporate sustainability issues into their activities; and
- exploring how socially responsible investing can be applied in emerging markets.

The AMWG is made up of 12 firms hailing from 6 continents. The combined firms managed 1.6 Trillion US Dollars in assets as of December 2003.

2003 Focus:

The members used their global economic clout to encourage institutional research firms to deliver reports exploring the links between environmental and social information and movements in share price.

February 2004 progress:

The group has secured 18 reports from leading analysts on 7 sectors. Group members will be commenting on the reports and summarizing the results in a short publication.

2004 Focus:

The group will be lobbying institutional investors and regulators to take note of the results of the 2003 process. The process will include a series of meetings, news articles, and press conferences.

Climate Change

Following involvement in the December 1997 negotiations which saw the establishment of the Kyoto Protocol, UNEP FI's Climate Change working group was re-activated in June 2001 and has been represented at all major international climate change negotiations since then.

In December 2003, the group presented its first opinion paper, covering emissions trading (<http://www.unepfi.net/cc>), at the international climate change negotiations in Milan, Italy. This paper built on the UNEP FI landmark study on climate change and the financial services sector presented to the November 2002 inter-governmental negotiations in New Delhi, India.

The working group strives to promote awareness and practical progress across the finance sector around the following issues and positions:

- Russian ratification of the Kyoto Protocol will be a critical step in establishing a credible international emissions trading scheme. The finance sector has a key role to play in supporting ratification and implementation of the flexible mechanisms which will follow.
- The products, tools and services the finance sector could provide to mitigate climate change risk and maximise opportunities are critical if vibrant and liquid carbon markets are to develop.
- With growing global energy demand, it is imperative to look to alternative 'carbon lite' sustainable energy options. The finance sector will play a significant role in facilitating the massive investment required to meet future demand for renewable energy.
- The working group supports efforts towards greater carbon disclosure by the world of business. A company's exposure to climate change could have a significant bearing on its risk exposure. Shareholders are beginning to wake up to this fact. As a result, a growing group of the world's largest companies have begun to respond to the risks climate change presents by taking stock of their potential carbon liabilities.

Sustainability Management, Reporting and Indicators

In the area of sustainability management, reporting and indicators, UNEP FI is involved in two distinct workstreams.

Firstly, UNEP FI and the Global Reporting Initiative (GRI) have co-convened a multi-stakeholder working group to develop a set of environmental performance indicators for the finance sector. The aim is to publish, during 2004, a pilot version of these indicators that will be globally applicable and will address the environmental impacts of international financial sector activities.

In addition, the UNEP FI-GRI group aims to:

- transform environmental issues into core business concerns for the finance sector's main business lines; and
- enhance due diligence, pro-activity and reporting by financial institutions globally.

Secondly, UNEP FI has initiated an Environmental Management and Reporting (EMR) Forum – a multi-stakeholder group – to assist the UNEP FI Secretariat finalise a set of EMR guidelines for financial institutions in the developing world and economies in transition. These guidelines, to be published in 2004, are tailored to help financial institutions just starting, or at an early stage of, their environmental management and reporting journey.

Regional outreach

To extend its work internationally, UNEP FI has created regional task forces and has partnered with various organisations focused on finance and sustainability. Existing or nascent UNEP FI task forces include:

- North American Task Force, established December 2001;
- African Task Force, established January 2002;
- Central and Eastern European Task Force, starting in early 2004; and
- Latin American Task Force, starting in early 2004.

In addition, following the October 2003 UNEP FI Global Roundtable in Tokyo, Japan, it was agreed to explore the prospect of a UNEP FI Task Force for Asia-Pacific.

Regional partnerships

UNEP FI has a number of regional partnerships with non-UN bodies, based on Memorandums of Understanding (MoUs). These partnerships are created in order to disseminate UNEP FI's work more effectively and to enable UNEP FI to better understand issues of regional concern. Existing partnerships include:

ASrIA

Through an MoU signed in November 2002, ASrIA and UNEP FI collaborate on matters related to SRI and sustainability related corporate governance issues in Asia-Pacific. ASrIA is a not-for-profit, membership association dedicated to promoting sustainable investment practice in the Asia-Pacific region.

EPA Victoria

Through an MoU signed in November 2000, the Environmental Protection Authority (EPA) of the State of Victoria, Australia, provides the UNEP FI Secretariat for all activities in Australasia.

INCAE (Instituto Centroamericano de Administración de Empresas)

UNEP FI works with INCAE, a business school based in Costa Rica, to further sustainability capacity building and training exercises for financial institutions in Latin America.

Links with the UN Global Compact

The UN Global Compact is a voluntary statement of commitment to advance responsible corporate citizenship by mainstreaming nine key principles – expounded by the UN – related to environment, human rights, and labour. With a signatory base of over 1,200 institutions, the Global Compact brings together senior level stakeholder groups to engage in dialogue to advance these issues.

In 2003, UNEP FI was approached by the UN Global Compact office to assist on issues related to investment and sustainability. The ongoing goals of this workstream are to:

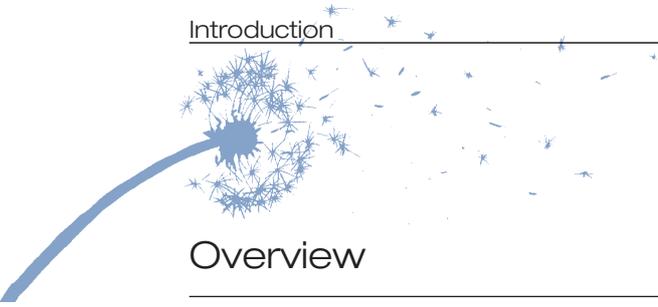
- integrate environmental and social risk considerations into financial management strategies;
- increase the level of corporate disclosure of environmental and social risk;
- improve communication of sustainable investment concepts to the mainstream financial services community; and
- leverage systemic players such as stock exchanges, rating agencies and regulators to promote better environmental and social performance by corporations.

Co-operation between UNEP FI's Asset Management working group and the UNGC financial systems stream, which share many issues of common interest, will develop further in 2004.

Getting involved

Financial institutions wishing to become active members of UNEP FI can do so by becoming a signatory to one of the two UNEP FI statements of commitment and by abiding by the standard conditions, roles and responsibilities assigned to member companies.

For more details contact Ken Maguire at the UNEP FI Secretariat in Geneva (E-mail: ken.maguire@unep.ch or Tel: +41 22 917 8178).



Overview

“When corporations want to change, they can do so very effectively. But change must be led by someone who is willing to accommodate societal concerns.”

Robert Monks in ‘The New Global Investors’, 2001

About the Values to Value report

The objective of this UNEP Finance Initiative’s Values to Value (V2V) report is to encourage and assist financial institutions – whatever their size and wherever they operate in the world – to adapt their activities to support the goals of sustainable development.

The V2V report promotes the idea that financial institutions which seek to realise the ‘People, Planet, Prosperity’ ethic in their operations will become powerful drivers of change for the benefit of the environment and of the communities in which they operate.

The concept of sustainable development, however, is a complex one with many different facets. Recognising this fact, the V2V report is framed as a practitioner’s manual to:

- enable executives working in financial services companies to understand why sustainability is relevant to their institutions; and
- demonstrate what policy and practical actions their institutions can take to integrate sustainable development thinking and actions in their into core activities.

Values to Value and concrete sustainability actions

In August 2002, UNEP FI presented recommendations to the World Summit for Sustainable Development (WSSD) in Johannesburg, South Africa (see Appendix 3). The WSSD statement built on the earlier commitments captured in the original UNEP FI statements by financial institutions on environment and sustainability (see Appendix 1&2).

In the WSSD statement, UNEP FI committed itself to promoting five actions among its member financial institutions. Highlights of the five actions included:

- linking core competencies of the financial sector to the sustainable development agenda;
- increasing the use of sustainability criteria when investing and lending;
- annual reporting of member’s progress in implementation of environmental management systems and corporate social responsibility;
- increasing the access of underserved people (poor) and countries (out of capital flows) to financial services; and
- raising awareness of key players in the financial markets towards financial risks related to non-sustainable behaviour.

The V2V report will assist financial service institutions understand why and how they can implement these five actions.

Additionally, it should be noted that the five actions are fully supportive of the UN's Millennium Development Goals set out by the UN Secretary General in 2000 (For more on these goals, see www.un.org/millenniumgoals/). If the Millennium Development Goals are to be achieved, then the financial services sector has an important role to play in bringing its creativity, energy and drive to address the environmental and social challenges that confront the global community.

Of fundamental importance for financial institutions, as they adopt sustainability thinking and adapt their core activities to its demands, is the V2V contention that an approach to business that embraces sustainable development and corporate social responsibility is, in itself, good business.

If V2V has one core message it is this: sustainability, built into the governance and operational mechanisms of financial institutions and capital markets, can become a powerful driver that rebuilds ecological integrity, deepens our social fabric, and guarantees a responsible approach to business based on sound values.

Critically for business, we are learning that a sustainability approach also means better risk management, improved capture of intangible values and, increasingly in the future, the prospect of easier access to capital, as the importance of the effective management of qualitative risks is recognised.

The leading member companies in the UNEP FI partnership recognise that, increasingly, our global community's concern about how business impacts the environment and society – for good or for bad – is a pivotal issue of our time. Corporations that do not align themselves with changing societal values will put themselves, in the mid- to long-term, at a competitive disadvantage.

What the Values to Value report covers

The V2V report seeks to highlight, through examples provided by finance sector executives and expert contributors, the many benefits of a responsible approach to business and investment by financial institutions. Also, V2V offers insights into how financial institutions can serve the whole range of stakeholders associated with their corporations.

The report is divided into two main sections. These cover:

- 1** The thematic activities undertaken by UNEP FI, such as the work of the UNEP FI working groups on Asset Management; Climate Change; and Sustainability Management and Reporting; as well as UNEP FI's co-operation with the UN Global Compact.
- 2** UNEP FI's regional task force activities, regional conferences and activities leading up to and during WSSD.

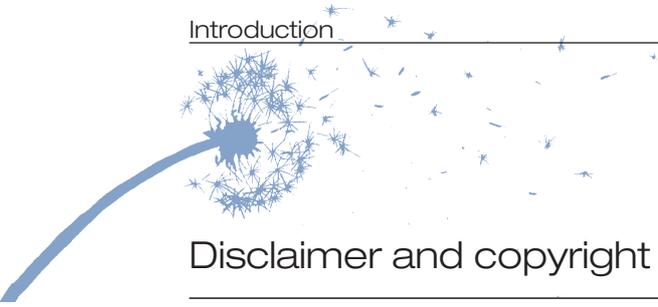
The V2V report is supplemented by a CD Rom containing more than 150 presentations on finance and sustainability collated over 30 months. The CD Rom also contains a list of worldwide contacts of key actors in the finance and sustainability field.

V2V, and the supporting CD Rom, should not be considered as a stand-alone report which must be read from start to finish but rather as a practical package allowing executives to explore issues relevant to their institutions, current projects, and upcoming challenges.

Add to Values to Value on an annual basis

The V2V team intends to offer updates on an annual basis to ensure the document stays at the cutting edge of the sustainability-finance debate.

As UNEP FI's work progresses, the V2V community will have access to the latest thinking and best practice responses of the financial services sector. With your support we intend to grow the V2V report over time to enhance its utility as a practical tool enabling financial institutions to become drivers of sustainability.



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