



# 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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# PRESS RELEASE

## PROTECTING PENSIONS AND THE PLANET

**New UNEP report warns of threat to stock markets if social and environmental questions ignored**

**NEW YORK/NAIROBI, 24 June 2004** - In capital markets across the globe companies will see their share price suffer in the long term unless proper attention is paid to environmental and social issues, warns a group of the world's most powerful financial institutions.

In a new report with the United Nations Environment Programme (UNEP), a group of 12 fund managers (see below) representing USD 1.6 Trillion of assets under management call on investors, government and business leaders to embed environmental, social, and governance best practice at the heart of our markets.

Without bold steps taken now these issues will threaten long-term shareholder value concludes the summary report, "The Materiality of Social, Environmental and Corporate Governance Issues to Equity Pricing," which is being launched today at the United Nations Global Compact Leaders Summit in New York.

Speaking from the Summit UNEP Executive Director Klaus Toepfer said, "This new report is a crucial recognition from major financial institutions that the environmental and social components of sustainable development, as well as the economic considerations, should sit at the heart of investment and capital market considerations."

"The financial analysts who undertook the research believe sustainability issues impact long-term shareholder value. It is clear, however, that to protect shareholder value the response must start with action today by companies serious about our environment and that wish to contribute to thriving communities worldwide," said Toepfer.

The summary report is based on eleven sector reports by brokerage house analysts and was produced for the UNEP Finance Initiative Asset Management Working Group. It is the first time the financial impact of environmental, social and corporate considerations and criteria as they relate to the portfolio management of mutual, pension and other institutional funds have been studied in this way.

The leading brokerage houses that undertook the work for the UNEP FI group concluded that aviation, insurance, oil and gas, and utility companies already face material threats linked to climate change while some sectors were witnessing evolving opportunities in the form of new "Carbon Markets."

Industry sectors covered by the brokerage research included: aviation; clothing; electronics; oil and gas; insurance; pharmaceuticals; and utilities. The resulting eleven reports covering eight industry

sectors provide a rich insight into how mainstream financial analysts are tackling a range of complex new threats and opportunities in their assessments of corporate performance.

Some of the key findings include:

- Environmental, social and corporate governance issues affect long-term shareholder value. In some cases those effects may be profound.
- Financial research is hindered both due to the paucity of reporting on the part of many companies concerning environmental, social and corporate governance issues and because of insufficient disclosure of these issues in annual reports.
- Financial research is greatly aided when there are clear government positions with respect to environmental, social and corporate governance issues. In some cases analysts were not able to provide in-depth reports due to a lack of certainty regarding government policy.

“The analyst findings demonstrate clearly that consideration of environmental, social and corporate governance factors are essential to prudent investment management and therefore essential to the fiduciary responsibility of pension fund trustees and investment managers,” said Carlos Joly, Co-Chair of the UNEP FI Asset Management Working Group, and representative of Storebrand Investments. “It is to be expected that regulators will take this into account when updating fiduciary law, and that institutional investment consultants will also take notice,” he said.

Anthony Ling, of Goldman Sachs, one of the brokerage houses that contributed to the report commented: “We strongly believe in a full and consistent disclosure of Corporate Social Responsibility data by companies so that they can be included in fundamental company analysis, where we believe they belong.” Ling added: “We see such issues as being an integral part of successful management in the modern world and that they should be taken into account in financial analysis and therefore investment considerations.”

Brokerage houses contributing sector research for the UNEP FI report included: ABN AMRO Equities (UK); Deutsche Bank Global Equity Research and South African Equity Research; Dresdner Kleinwort Wasserstein Europe and UK; Goldman Sachs European Equity Research; HSBC; NikkoCitigroup Japan Equity Strategy; Nomura Japanese Equity Markets; UBS Global Equity Research; and West LB Equity Markets.

The 12 financial institutions that worked with UNEP on the report include:

Acuity Investment Management, Canada  
BNP Paribas Asset Management, France  
Calvert Group Ltd., USA  
Citigroup Asset Management, USA  
Groupama Asset Management, France  
Morley Fund Management, UK  
Nikko Asset Management, Japan  
Old Mutual Asset Managers, South Africa  
San Paolo IMI Asset Management, Italy  
Storebrand Investments, Norway  
ABN AMRO Asset Management, Brazil  
HSBC Asset Management, Europe

The findings of the new UNEP FI report were presented to participants attending the New York Global Compact Leaders Summit in the form of a letter.

The results of the report were earlier presented to senior managers of 17 of Europe's largest pension funds on 16 June during a closed door session in Paris ahead of the UN Global Compact Summit. The meeting discussed the implications of the UNEP report for their more than USD 400 billion in assets.

Today's call for action in New York by UNEP and the 12 financial institutions coincided with an announcement by stock exchanges of their support for the principles of the UN Global Compact.

Welcoming the commitment from financial institutions at the Summit, Georg Kell who heads the UN Global Compact Office stated that their message is a timely reminder that "financial markets are awakening to the fact that environmental and social issues have a important financial impacts." He said the UN Global Compact office also commissioned a report giving recommendations to mainstream financial analysts that is closely aligned with the findings of the UNEP FI work.

The UN Global Compact Leaders Summit was hosted by UN Secretary General Kofi Annan to mark the fourth anniversary of the creation of the Compact. The Global Compact is a set of voluntary UN principles, launched in year 2000, for business covering environmental, human rights and labour issues. A tenth principle on corruption has been added at the Summit.

The Leaders Summit also included the launch of the Global Compact Source Book, entitled "Raising the Bar".

At the New York event hundreds of corporate leaders joined ministers, the heads of international NGOs, labour organisations and key UN agencies to explore the progress made in advancing the environmental, labour and human rights principles of the Global Compact initiative.

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**Note to journalists:** A press conference to launch the new UNEP FI report will be held on June 24 at 11:30 in UN headquarters, New York. Expected participants include: Klaus Toepfer, Executive Director UNEP, Anthony Ling, Co Head European Research, Goldman Sachs, Espen Klitzing, CEO Storebrand, the Swiss Minister of Foreign Affairs and a representative (to be confirmed) from either UBS or Credit Suisse.

Copies of the report (after 12.00 on 24 June 2004) are available on the web at:  
<http://www.unepfi.net/stocks>

Information about the UN Global Compact can be found at: <http://www.unglobalcompact.org>

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