"It's like subprime mortgages ... one of longest-kept secrets of uncalculated risk. By not acting on climate change ... we face the same kind of [risks] with what we're seeing in subprime."

- Mindy Lubber, President of Ceres -

***HIGHLIGHT***

UNEP FI SUSTAINABILITY BEAT
1. UNEP FI Welcomes 3 New Signatories
2. Things UNEP FI Signatories are doing …

TOOLS & TRAINING FOR SUSTAINABLE FINANCE IMPLEMENTATION
3. E-Learning Programme on Environmental & Social Risk Analysis (ESRA) 2008
4. Coming Soon: Environmental & Social Responsibility Observatory (ESRO)

SPREADING SUSTAINABLE FINANCE ACROSS THE GLOBE
6. Africa
7. Latin America
8. North America

INVESTMENT
9. Addressing the ESG inefficiency of Capital Markets
10. FTSE Launches Global Eco Index

INSURANCE
11. Insurers and Academics Examine the Sustainability-Insurance Nexus

CLIMATE CHANGE
12. UNEP FI E-learning Course on Climate Change

BIODIVERSITY & ECOSYSTEM SERVICES
13. UNEP FI Work Programme 2008: Looking Ahead

WATER

HUMAN RIGHTS
15. UNEP FI & Human Rights – The Road Ahead

***HIGHLIGHT***

Paul Clements-Hunt, Head, UNEP FI: "It's been an action-packed and vibrant period for sustainable finance and responsible investment since the UNEP Finance Initiative Global Roundtable held in Melbourne, Australia in October 2007. In just four short months since the UNEP FI gathering, we have seen a series of pivotal international meetings that are starting to forge a new agenda and frame new challenges for the financial services sector in coming years. These meetings reflect the fact that, increasingly, we are seeing greater engagement by a broader swathe of the policy community – ranging from environment ministries, to finance and
trade ministries, and bodies such as the Organization for Economic Cooperation and Development (OECD) and the World Economic Forum – looking more directly at the role of private finance and capital markets in mobilizing finance for sustainable development. Three significant meetings, at which UNEP FI has been represented, are outlined below:

In December 2007 in Bali, Indonesia, in meetings held parallel to the United Nations Framework Convention on Climate Change (UNFCCC), some 37 of the world's finance ministers and, separately, a similar number of trade ministers, met for the first time ever to discuss climate change. In particular, the two days of discussions held by the finance ministries and treasuries, have catalysed a process that will significantly influence the formation of the post-Kyoto Protocol policy framework which will be developed as the climate change negotiations head for Poznan, Poland in late 2008 and then on to Copenhagen, Denmark in 2009. Governments have committed to deliver on the so-called "Bali Roadmap", a plan that outlines steps needed to create a climate policy framework to replace the Kyoto Protocol, by the time of the 2009 meeting in Denmark.

Various actors and initiatives across financial services at the global, regional and national level are keen to ensure that a pro-market policy framework emerges from the climate negotiations and that it incentivises markets to boost carbon finance in all its aspects.

In February 2008, UNEP convened its 2008 Governing Council and, at the same time, the Global Environment Ministerial Forum, for three days in the Principality of Monaco. The focus of the gathering, which brought together some 150 governments, was on "Mobilizing Finance for Climate Change." In addition to the Ministerial plenaries and Governing Council meetings, a series of 17 side events explored a broad range of environmental and sustainability issues. In Monaco, UNEP FI convened a roundtable entitled, "Harnessing the Power of Private Finance." Rob Tacon, Chair of UNEP FI from Standard Chartered Bank, represented UNEP FI in Monaco and joined a panel that presented to government ministers.

In late February 2008, UNEP FI was invited to participate in a meeting co-convened by the OECD and the World Economic Forum (WEF), looking at the complex issues around "Banking for Development." The focus of this two-day gathering was on how multilateral financial institutions and the finance-focused policy community can boost financial flows into effective development activities.

Again, the role of private finance and capital markets, and the need for mechanisms allowing public and private to work together, were scrutinised in a series of roundtable sessions and smaller focus meetings. UNEP FI presented on its work related to the Principles for Responsible Investment (PRI), now backed by 300 institutions representing USD 13 trillion in assets, and also on its work related to the high net worth (HNW) community and the private banks that serve them.

The findings of this event will feed into the United Nations Financing for Development process that will host a major international meeting in Doha in late 2008.

In the midst of these meetings, the UNEP FI Global Steering Committee held a two-day meeting in Geneva (7-8 February 2008) to frame the strategic direction of the partnership for the coming five years. UNEP FI Chair Rob Tacon will be writing to the entire UNEP FI membership to brief them on the important and positive decisions taken at the meeting in Switzerland.

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**UNEP FI SUSTAINABILITY BEAT**

1. UNEP FI Welcomes 3 New Signatories

Industrial Bank, China
Founded in August 1988, Industrial Bank is one of the first joint-stock commercial banks approved by the State Council and the People's Bank of China. On 5 February 2007, Industrial Bank was listed on Shanghai Stock Exchange with a total registered capital amount of RMB 5 billion. By September 2007, the Bank's total assets achieved RMB 857.615 billion, while shareholders' equity amounted to RMB 36.996 billion, and net profit reached RMB 6.024 billion.

For further information, please visit: http://www.cib.com.cn/netbank/en/

**Vancity, Canada**
Vancity is Canada's largest credit union. Formed in 1946, it has $12.3 billion in assets. Vancity and its subsidiary companies are guided by a commitment to corporate social responsibility, and to improve the quality of life in the communities.

For further information, please visit: https://www.vancity.com

**Aquila Capital, Germany**
Aquila Capital is an independent investment house managing selected financial investments and developing tailored investment solutions. Aquila is also a financial service provider, and currently manages over 1.5 billion Euros in assets.

For further information, please visit: http://english.aquila-capital.de/

**2. Things UNEP FI Signatories Are Doing...**

**Joint Effort to Develop 'The Carbon Principles'**
Citi, JPMorgan Chase and Morgan Stanley have drafted The Carbon Principles – a framework for assessing carbon risks in the financing of coal-fired power plant projects. Under the principles, financial institutions will encourage energy efficiency for potential clients, as well as cost-effective renewable energy projects.

**Green Investing in Canada**
The fund arm of Bank of Nova Scotia has launched the Scotia Global Climate Change Fund. The fund is the first of its kind in Canada, designed for investors looking for exposure to environmentally responsible companies, without compromising solid returns.
http://micro.newswire.ca/release.cgi?rkey=1602045741&view=85223-0&Start=0

**TOOLS & TRAINING FOR SUSTAINABLE FINANCE IMPLEMENTATION**

**3. E-Learning Programme on Environmental & Social Risk Analysis (ESRA) 2008**
This Programme is a product of the United Nations Environment Programme Finance Initiative (UNEP FI), Capacity Building International (InWent), and the INCAE Business School, with the support of the Ecobanking Project (and FMO for the English-language courses).

Up-coming courses:
Africa: 7-25 April
Latin America (Spanish): 12-30 May (for CAF clients & partners)

For further information & applications, please visit: http://www.unepfi.org/training/index.html

**4. Coming Soon: Environmental & Social Responsibility Observatory (ESRO)**
A joint project of UNEP FI and the Ecobanking Project, the Environmental & Social Responsibility Observatory is an online database that will provide information about real situations faced by financial institutions as a result of environmental and social risks caused or confronted by their clients, as well as cases of financial operations that have embraced the opportunities offered by climate change, water/sanitation, and biodiversity & ecosystem services.
5. Ethical Performance Corporate Social Responsibility Directory
The CSR Professional Services Directory 2008 lists 604 organizations worldwide under 56 different service categories, from consultants to academic institutions, rating agencies to ethical auditors, and training providers to research bodies. The directory, now in its third year, is published by Ethical Performance.

To get your copy, please visit: http://www.ethicalperformance.com/directory/ordercopy.php

SPREADING SUSTAINABLE FINANCE ACROSS THE GLOBE

6. AFRICA

UNEP FI West Africa Roundtable
Q2 2008, Lagos, Nigeria

Organised by UNEP FI's African Task Force (ATF), this West African Roundtable on "Sustainable Finance: Opportunities and Challenges" is kindly supported by Citigroup and will welcome over 50 financial sector, government and NGO delegates from the region. Roundtable discussions will focus on concepts of sustainable finance and enable delegates to deepen their understanding of actions the finance sector can take.

The results of a UNEP FI study on the barriers and drivers to commercial microfinance in Africa will be released, along with reports and case studies on innovative financing and risk mitigation mechanisms for sustainable small and medium enterprises (SMEs).

It is hoped discussions will provide a fruitful platform for financial institutions in West Africa so they can embrace their role in sustainable development.

For further information, please visit: http://www.unepfi.org/regional_activities/africa/index.html

Africa Investor Infrastructure Investor Awards
To be held in October 2008 in Johannesburg, South Africa, the Awards are targeted at senior representatives from Africa’s leading infrastructure companies, project developers, sponsors, investment banks, investment/asset management firms, municipalities, infrastructure funds, institutional investors, privatisation and investment promotion agencies, legal advisers, regulators & government agencies. The event will bring together decision makers from Africa's institutional investment community to engage with infrastructure project sponsors, financiers, arrangers and developers to discuss current opportunities.

Africa Investor Launches French-language Magazine
The new magazine provides investment news, comment and analysis and will be distributed across the French speaking world, both within and outside Africa.

For further information, registrations and subscriptions, please visit: http://www.africa-investor.com

7. LATIN AMERICA

Up-Coming UNEP FI Latin American Task Force (LATF) Training Workshops

UNEP FI’s Latin American Task Force will be staging further training workshops in the region in 2008, including a first-ever workshop in the Caribbean. Addressing carefully targeted groups of no more than 40 risk managers from countries’ main financial institutions, the LATF’s workshops provide hands-on introductory training on how to identify social and environmental risks. Participants are provided examples of international best practice and do-it-yourself exercises to help them design their own risk management systems for their respective institutions.

LATF Workshops also include a brainstorming session on the needs and priorities of the countries’ financial sector, the results of which are fed into an ensuing CEO Breakfast, gathering
high-level FI representatives and relevant stakeholders, and inviting them to take executive action around sustainability issues.

To date the LATF has held Workshops in eight countries, training over 200 people.

For further information, please visit: http://www.unepfi.org/regional_activities/latin_america/training/index.html

Summit of the Americas 2008 - Financing Natural Resources & Sustainable Development
1-3 April 2008, Puerto Vallarta, Mexico

Hosted by Global Investment Conferences, the Summit is an all-professional, by-invitation-only mining investment conference. Financial Institutions including Banco Real/ABN Amro, Citi, HSBC, WestLB and Standard Chartered, will be presenting on how they integrate environmental, social and governance (ESG) factors into decision making. Featured Guest Speakers include Ruben Chavez, Director, Credit Portfolio Management, HSBC/Mexico and Co-Chair, Latin American Task Force, UNEP Finance Initiative.

For further information, please visit: http://wwwgicevents.com

8. NORTH AMERICA

GLOBE 2008
12-14 March 2008, Vancouver, Canada

The 10th Biennial International Conference and Trade Fair on Business and the Environment is focusing on the themes of: Corporate Sustainability, Climate Change & Energy, Finance & Sustainability, and Building Better Cities.

For further information, please visit: http://www.globe2008.ca

Biodiversity & Ecosystem Finance
27-28 March 2008, New York, USA

Endorsed by UNEP Finance Initiative and the Secretariat of the Convention on Biological Diversity, this two-day conference will explore all the issues relating to the developing area of biodiversity finance. Speakers will be a balance of industry experts; financial institutions’ and early adopter best practice case studies. Day one of the conference will introduce the biodiversity finance challenge and corporate biodiversity considerations and day two will focus more closely on the financial service sector and biodiversity.

For more information, please visit: http://www.greenpowerconferences.com/carbonmarkets/biodiversity_ny2008.html

INVESTMENT

9. Addressing the ESG Inefficiency of Capital Markets

Despite the surge in corporate social responsibility (CSR) reporting and the emergence of various collaborative initiatives advocating the promise of sustainable finance and responsible investment, company valuation mechanisms of capital markets appear to remain indifferent to the sustainability performance of publicly listed companies. Are capital markets still not convinced of the financial materiality of environmental, social and governance ESG issues, or do they simply lack the information and instruments needed to price in and capture the true value of sustainability?

To address these questions, UNEP FI and the World Business Council for Sustainable Development (WBCSD) jointly organized a two-day pilot workshop in London, that brought together a select group of investors, which included members of the UNEP FI Asset
Management Working Group, and investee companies brought by WBCSD. The broad aims were to develop a common view on sustainability value, to understand the current gaps in communicating ESG information, and to improve the integration of sustainability into company valuation.

Due to the success of the London pilot event, scaled-up events are being planned in Montreux, Switzerland this March, and in New York, USA this July.

For more information, please visit: http://www.unepfi.org/work_streams/investment/amwg/index.html

10. FTSE Launches Global Eco Index
The FTSE ET50 Index is made up of 50 of the largest green tech companies around the world, the latest in a growing wave of environmentally-focused investment products.
For more information, please visit: http://www.ftse.com/Indices/FTSE_ET50_Index/index.jsp

INSURANCE

11. Insurers and Academics Examine the Sustainability-Insurance Nexus
17 January 2008, London, UK

The UNEP FI Insurance Working Group and recognised academics exchanged views on a ground-breaking project involving the integration of environmental, social and governance factors into core insurance processes such as underwriting and product development. The project will entail a first-of-a-kind global survey and benchmarking exercise. The meeting was hosted by Lloyd's and was part of the preliminary process to achieve a holistic industry-academic view on sustainability and insurance.

The initial gathering was attended by representatives from Allianz, HSBC Insurance Brokers, Lloyd's, Munich Re, Norwich Union, Swiss Re, the UNEP FI Secretariat, the University of East Anglia, the University of Edinburgh, and the Technology Strategy Board of the UK. Other academic institutions that have expressed early interest in the project are the Glasgow Caledonian University, Temple University in the US, the University of Karlsruhe in Germany, and the University of Verona in Italy.

For more information, please visit: http://www.unepfi.org/work_streams/insurance/index.html

CLIMATE CHANGE

12. UNEP FI E-learning Course on Climate Change
2-27 June 2008

Block your diaries to push your environmental skills ahead of the curve with the next edition of UNEP FI’s E-Learning Course on “Climate Change: Risks and Opportunities for the Finance Sector”.

After experiencing an unsatisfiable wave of demand for its first course in 2007, the Climate Change Working Group, together with its partner UNITAR – the United Nations Institute for Training and Research - will be running a second and updated course in June 2008.

The course seeks to help participants better understand the basics of climate change and its effects on economic systems and its financial sectors, know what greenhouse-gas markets, carbon finance, cat-bonds and weather derivatives are all about, and find out how their institution could optimally minimize the resulting risks and embrace the opportunities.

For more information, please visit; http://www.unepfi.org/work_streams/climate_change/working_group/index.html

BIODIVERSITY & ECOSYSTEM SERVICES
13. UNEP FI Work Programme 2008: Looking Ahead

As a follow-up to the Biodiversity & Ecosystem Services Work Stream's (BESW) inaugural report “Bloom or Bust”, which analyses a wide array of financial linkages between banks and investors and ecosystem-dependent industries, the work stream will be looking next into the business case for the insurance industry.

The BESW will continue to focus on the Natural Value Initiative – a benchmark for companies with agricultural supply chains. This benchmarking tool, a joint project of UNEP FI, Fauna & Flora International, FGV (a Brazilian business school) and the Principles of Responsible Investment (PRI), is aimed at raising awareness of the links between biodiversity, investment value and the finance sector. The final benchmark report is scheduled for completion in Q4 2008, and will analyse the results ranking company performance as well as provide detailed examples of best practice in managing impacts and issues associated with biodiversity.

The work stream will also contribute to the development of UNEP FI’s “Environmental and Social Responsibility Observatory”, an interactive online database focusing on opportunities for financial institutions in environmental, social, and governance issues.

For more information, please visit: http://www.unepfi.org/workstreams/biodiversity/index.html

WATER & FINANCE


After the development of the Water-Related Risk Management Guidelines in 2007, in 2008 UNEP FI’s Work Stream on Water and Finance (WSWF) will address the diverse aspects of the water-finance interface and, moving “from Awareness to Action”, deliver practical products for implementation.

The WSWF, which consists of 12 financial institutions with worldwide operations and a wide range of relevant non-financial entities (ranging from the consultancy firms ICF and Connexis, to intergovernmental bodies like UN Water and the Stockholm International Water Institute, and governmental agencies such as EPA Victoria, Australia), has agreed to focus on three core activities.

Firstly, the WSWF will seek to develop a set of sector/geography-based water footprint standards for financial due diligence processes.

Secondly, the work stream is envisaging a water-sector contribution to UNEP FI’s Environmental and Social Responsibility Observatory, an online tool which will collate case studies of real transactions that have made per se environmentally and/or socially beneficial projects possible. (See Item 4 in this Ebulletin).

Finally, the WSWF will deliver a publication providing an up-to-date assessment of the Universal Ownership Theory from a practical and water-related perspective.

For more information, please visit: http://www.unepfi.org/workstreams/water/index.html

HUMAN RIGHTS

15. UNEP FI & Human Rights – The Road Ahead

In 2007, UNEP Finance Initiative’s Human Rights Work Stream (HRWS) was formed with the aims of clarifying how human rights relate to the activities of financial institutions and developing practical tools and guidance that can be used by the sector to better assess and manage its human rights-related risks.
In 2008 the HRWS will seek to produce a CEO Briefing which provides an introduction to the business and human rights debate and sketches out some of the key human rights challenges presently faced by the finance sector. This document will be released in Q2 2008.

The work stream will further seek to develop an on-line guidance tool for front-line lending managers, to assist them in identifying, evaluating and mitigating human rights risk when considering new business relationships or transactions. A pilot version of the tool has already been made available to UNEP FI Signatories; in 2008 it will be reviewed and refined through consultation process within the finance sector, as well as with other industries and with NGOs. To access the pilot version, please visit: http://www.unepfi.org/humanrightstoolkit/

For more information, please visit: http://www.unepfi.org/work_streams/human_rights/index.html