



UNEP Finance Initiative
Innovative financing for sustainability

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“Climate change, while firmly an environmental issue, is also an environmental threat that impacts on every facet of government and public life – from finance and planning to agriculture, health, employment and transport.”

- Achim Steiner, Executive Director, United Nations Environment Programme (UNEP) -

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HIGHLIGHTS

***UN General Assembly: Global Private Investment & Climate Change

In early June, UNEP Finance Initiative saw the culmination of several months of hard work with United Nations colleagues from New York when senior financiers from the banking, insurance, pensions and hedge fund sectors presented to a Special Session of the United Nations General Assembly (UNGA) at the half-day event at UN headquarters.

Mr Oliver Baete, Member of the Board of Management of Allianz SE, the UNEP FI member company chairing the partnership's climate change working group, was the insurance sector participant. Mr Martin Kuscus, Chairperson of the first Board of Trustees for the South African Government Employees Pension Fund, a signatory of the Principles for Responsible Investment (PRI) and long-time UNEP FI supporter, was also present in NYC. The President of the United Nations General Assembly H.E., Srgjan Kerim, convened the meeting as a follow up to the third Investor Summit on Climate Risk that was convened by the UN Foundation and Ceres, the Boston-based NGO, in February 2008. UNEP Finance Initiative moderated the final session of the UNGA event and made closing comments.

Full details of the event, including a web-cast, can be found at:
<http://www.un.org/ga/president/62/ThematicDebates/gpicc.shtml>

***UNEP FI Members Claim Top FT Honours

UNEP FI member Banco Real (Brazil) was named Sustainable Bank of the Year at the Financial Times (FT) Sustainable Banking Awards ceremony in London, with Rabobank claiming the runner-up spot. This is the first time the top prize in the global contest has gone to an emerging markets bank, competing against a record number of 182 entries from 129 institutions in 54 countries.

Banco Real also won the overall prize in the emerging markets category, with UNEP FI Signatories Nedbank and YES Bank winning the regional prizes. Sustainable Asset Management (SAM) was named runner-up for the Sustainable Investor of the Year Award.

For more information on the FT Awards, please visit:
<http://www.ftconferences.com/sustainablebanking/Home08.asp>

SUSTAINABILITY BEAT

1. UNEP's World Environment Day Celebrations

Celebrating the World Environment Day (WED) on 5 June, UNEP launched "Kick the Habit! Towards a Low Carbon Economy". This latest publication on carbon neutrality highlights resources and initiatives that promote low carbon economies and life-styles, such as improved energy efficiency, alternative energy sources, forest conservation and eco-friendly consumption.

UNEP also launched the website of the Climate Neutral (CN) Network, an initiative that aims to catalyse a global response to combat climate change. The CN Network will assist those interested in achieving substantial cuts in greenhouse gas emissions, and will be a particularly useful guide for UNEP as well as UNEP FI Signatories such as Credit Suisse, HSBC, National Australia Bank, SwissRe and Vancity all aiming to become carbon- or climate-neutral.

For more information on the WED, please visit:
http://www.unep.org/wed/2008/english/About_WED_2008/index.asp

For more information on the CN Network, please visit: <http://www.climateneutral.unep.org>.

2. Munich Re and CarbonRe Set Up Alliance

UNEP FI Signatories, Munich Re and CarbonRe plan to collaborate in a strategic partnership to provide additional direct insurance capacity to the carbon markets. Under the deal, Munich Re will be the preferred partner and reinsurer of CarbonRe in order to offer additional insurance capacity, joint underwriting and risk evaluation.

For further information, please visit:

http://www.munichre.com/en/press/press_releases/default.aspx

TOOLS & TRAINING FOR SUSTAINABLE FINANCE IMPLEMENTATION

3. Environmental & Social Risk Analysis (ESRA) E-Learning Programme

* Up-coming courses

***In English

14 July - 1 August 2008 (Africa)

22 September-10 October 2008 (Central and Eastern Europe)

***In Spanish (Latin America)

11-29 August 2008

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. Initially developed in Spanish in 2006 by the UNEP FI Latin American Regional Task Force, with the support of Bank of America, the English-language edition of the course has been produced thanks to the help of FMO, the Dutch development bank.

Contact us to find out about our new course offerings!

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

* Portuguese edition in the pipeline

The ESRA Programme Partners and Brazilian banking association FEBRABAN are seeking to jointly produce a Portuguese version of the courses. Watch this space in future editions of the ebulletin for further information.

4. WWF One Planet Leaders

One Planet Leaders is a sustainability training programme from WWF seeking to enable business managers and senior executives to explore, challenge and apply the latest thinking on sustainable business practice.

The programme is delivered through intensive workshops plus flexible learning across a three-month period. While it does not replace existing company commitments to sustainability, it broadens options and equips business leaders to implement commitments effectively and strategically.

For further information, please visit: <http://www.panda.org/business/training>

SPREADING SUSTAINABLE FINANCE ACROSS THE GLOBE

5. Africa

Sustainable Finance: Opportunities and Challenges

21-22 May 2008, Lagos, Nigeria

Over 90 financial service executives from West Africa gathered in Lagos to celebrate the new financial successes that the region has enjoyed over the past few years in an event hosted by UNEP FI's African Task Force (ATF) and Citigroup, and co-sponsored by Oceanic Bank and Bank of Industry. The involvement of bankers, asset managers, government officials and academics from West Africa was critical in exploring the latest global developments in sustainable finance.

Participants gathered to welcome five Nigerian financial institutions as the newest UNEP FI Signatories: UBA Foundation, Oceanic Bank, Bank of Industry, Zenith Bank and Fidelity Bank. Roundtable discussions focused on climate change, carbon finance and the CDM in Africa, and environmental and social credit risk management. In addition, the results of a UNEP FI study on the barriers and drivers to commercial microfinance in Africa were released, along with case studies on innovative financing mechanisms for sustainable small and medium enterprises (SMEs).

To learn more about the event and reports launched, please visit:

http://www.unepfi.org/regional_activities/africa

6. Asia Pacific

Changing Landscapes: Towards a Sustainable Economy in Asia

17-18 June 2008, Seoul, Republic of Korea

UNEP Finance Initiative, in association with Eco-Frontier, Korea, co-hosted the "UNEP FI Conference on Sustainable Finance". This event examined the latest trends and developments in sustainable finance and responsible investment with sessions looking into: carbon finance, biodiversity and ecosystem services, water, environmental and social credit risk, sustainability reporting, responsible property investment, and microfinance.

This event was notable as, for the first time, UNEP Finance Initiative teamed up with the Principles for Responsible Investment (PRI) and the UN Global Compact to offer a unique platform for dialogue between financiers, investors and business on the latest issues in the field of sustainable finance, responsible investment and corporate citizenship. Over 600 participants from South Korea and abroad, including leaders in the field of business, politics, academia and civil society attended the meeting.

For more information on the event or to view the post-conference report, please visit:

<http://www.unepfi.org/events/2008/seoul/index.html>

<http://www.changinglandscapes.org/index.htm>

7. Latin America

*****UNEP FI Latin American Task Force (LATF) to Launch Online Eco-efficiency Course**

Together with the Ecobanking Project, UNEP FI's LATF is currently producing a new online training course on corporate eco-efficiency for financial institutions. The aim of this project is to provide relevant FI staff with the knowledge and skills to implement mechanisms that will allow their institutions to reduce their environmental footprint while promoting a sustainability corporate culture and also reducing costs internally.

The course materials will comprise extensive case studies of best practice from FIs including Banco Real, BBVA, HSBC and Unibanco. A pilot run is scheduled for September.

*****UNEP FI Latin American Task Force (LATF) Workshop & CEO Breakfast**

August 2008, Bridgetown, Barbados

Reaching out to the Caribbean financial sector for the first time, the LATF will be holding this highly targeted duo of events in Bridgetown, Barbados. While the workshop will seek to train analysts and managers across the region's financial sector on how to identify and manage social and

environmental risks and opportunities in their lending and investment operations, the Breakfast will provide an opportunity to make the business case for sustainable finance before the CEO community and to discuss next steps for the sector.

The event is being organized in close collaboration with the Barbados Ministry of the Environment.

8. Western Europe

*****EU Emissions Trading 2008**

7-8 July 2008, Brussels, Belgium

In just two years, the EU Emissions Trading Scheme (ETS) has grown into a €28 billion market. Attend this conference to gain insights into what market insiders expect to happen to prices and trading activity and to network with people who know what's happening in the industry and are willing to share their knowledge.

For further information, please visit:

<http://www.environmental-finance.com/conferences/2008/EUET08/intro.htm>

*****Ninth International Sustainability Leadership Symposium – Capitalising on Natural Resources: New Dynamics in Financial Markets**

10-11 September 2008, Zurich, Switzerland

The Sustainability Forum is organizing a symposium that will gather senior business leaders to discuss the role of the financial sector as a catalyst for the conservation and value enhancement of natural resources. Participants will also share insights regarding opportunities and risks in connection with new and innovative financial products in the field of natural resources management.

Lord Nicholas Stern, author of the “Stern Review on the Economics of Climate Change” as well as Achim Steiner, Executive Director, United Nations Environmental Programme (UNEP) will present the keynote addresses at this event.

For further information, please visit: <http://www.sustainability-zurich.org/natural-resources>

Contact: info@sustainability-zurich.org

This event will be directly followed by the conference “Financing for Climate: Innovative Solutions and New Markets”, organized by the Swiss State Secretariat for Economic Affairs (SECO), the International Finance Corporation (IFC) and hosted by the Swiss Reinsurance Company Ltd. It seeks to join forces within the public and private sectors and will introduce you to key networks and specific business opportunities.

For further information and to register please visit: <http://www.sustainability-zurich.org/financing-for-climate>

INVESTMENT

9. Responsible Investment Scales the Alpine Summits

23-25 April 2008, Montreux, Switzerland

Amid the picturesque Alps and Lake Lemman, responsible investment was one of the key topics at the European Pensions & Investments Summit, a testament to its increasing recognition in mainstream investment, along with other major themes of the Summit such as asset allocation, alternative investments, pension solvency, pension plan design, pension fund management, legislation and regulation, and industry and economic outlook.

Keynote speakers included former Chairman of the Board of Governors of the US Federal Reserve, Dr. Alan Greenspan; former Prime Minister of Australia, Paul Keating; and former Chairman of the UK

Pensions Commission, Lord Adair Turner. Butch Bacani and Remco Fischer of UNEP Finance Initiative presented in the session, "Assessing the Responsible Investment Revolution".

The Summit brought together senior executives from Europe's largest investors with a select and diversified group of leading service providers, and was organized by Marcus Evans, one of the world's leading business information companies.

10. The Responsible Investment Sun Never Sets

13-16 May 2008, Singapore

The city-state of Singapore, one of Asia's tiger economies, was the venue of the Merrill Lynch Asia Rising Stars Conference, "An Asian Conference Week".

Over 100 speakers participated in 60 panel discussions and presentations encompassing a wide array of topics: the global economy and market dynamics, the US and Asian economies, the growth of Asian emerging and stock markets, the emergence of the Asian investor, sovereign wealth funds, the environment and climate change, soft and hard commodities, property, fixed income, smart money, foreign exchange, branding, consumers, socially responsible business, endowments, and various industries such as automobile, energy and tourism.

Keynote speakers included former US Vice President, Al Gore; Singaporean Minister for Trade and Industry, Lim Hng Kiang; international investor and author, Jim Rogers; Butch Bacani of UNEP FI; and senior Merrill Lynch executives such as Bill McDonough and David Rosenberg.

For more information, please visit

<http://www.mlevents.ml.com/events/viewsregistration/Introduction.aspx?pg=Introduction&Conferenced=76>.

11. Addressing the ESG Inefficiency of Capital Markets in Emerging Economies – South East Asia

31 July 2008, Kuala Lumpur, Malaysia

Despite the surge in CSR reporting, ESG analysis and responsible investment activities in recent years, the corporate valuation mechanisms of capital markets appear to stubbornly remain indifferent with respect to the sustainability-related success or -failure of traded companies. Are market makers still not convinced of the financial materiality of ESG factors or do they simply lack the information and instruments needed to truly integrate ESG factors into investment decision making?

UNEP FI and the World Business Council for Sustainable Development (WBCSD) are organising workshops in investment hubs in developed and emerging markets, bringing together institutional investors via UNEP FI and investee companies via WBCSD. The aims are to develop a common view on sustainability value, to understand current gaps in communicating ESG information and to improve the integration of ESG factors into company valuation.

Western European pilot and scale-up workshops have been conducted in London and Montreux this year. The next pilot workshop will take place in New York on 11 July, kindly hosted by AIG Investments. Subsequently, the first workshop focused on emerging economies will take place in Kuala Lumpur, Malaysia, on 31 July at the 2008 International Corporate Social Responsibility Conference. It will bring together investor and investee representatives from all major financial centers of South East Asia.

For more information on the upcoming Kuala Lumpur workshop, please visit:

<http://www.uneffi.org/events/2008/kualalumpur/index.html>.

12. UNEP FI's Property Working Group Launches New Report

"Building responsible property portfolios" is a review of current responsible property investing practices developed jointly by UNEP FI's Property Working Group and the Principles for Responsible Investment (PRI). By highlighting international best practice examples of leading UNEP FI and PRI

Signatories, the report provides guidance on how the PRI can be applied to property assets. The report was launched on 17 June in Seoul, Korea at the joint event of UNEP FI, PRI and UN Global Compact and made available on UNEP FI's website on the same day.

To download the report, please visit: http://www.unepfi.org/work_streams/property/index.html.

CLIMATE CHANGE

13. Waste Less, Save the Planet and Make Money. Sounds Easy? Why Don't You Tell Us What YOU Think?

According to research by the Rocky Mountain Institute, energy efficiency (EE) activities such as renewables could reduce all cost-effective emissions in the US by nearly 60%. As an example, China's energy intensity has continuously decreased by about 5% per annum. Nevertheless, its overall energy intensity remains 4 times that of the USA, and even 8 times that of the UK.

In an attempt to overcome this carbon market failure, UNEP FI's Climate Change Working Group (CCWG) has launched a research project with the aim to present to the financial community what appears to be a tremendous business opportunity. To this effect, UNEP FI will be interviewing representatives of financial institutions which have or have not implemented EE-activities, with the objective of determining the current state of play in the area of EE finance practices, identifying barriers and finding possible solutions to overcome them.

If you would like to participate in the research, please visit:
http://www.unepfi.org/work_streams/climate_change/index.html.

14. UNEP FI CCWG organizes briefing session to the UN General Assembly

"90 per cent of the global financial flows needed to respond to global warming will not come from bilateral donors or multilateral organizations, but from private investment." This was the key message conveyed to UN Ambassadors at an event co-organized by UNEP FI and the Office of the President of the United Nations General Assembly.

Panellists represented both long- and short-term investors and included Martin Kuscus, Chairperson of the first board of trustees for the South African Government Employee Pension Fund; Pierre Lagrange, Managing Director of GLG Partners LP; James Cameron, Vice-Chairperson of Climate Change Capital, an investment bank; Oliver Bäte, Chief Operating Officer of Allianz SE; and Jack Rivkin, Chief Investment Officer of Neuberger Berman of the Lehman Brothers group.

Discussions centred around the question of the roles and responsibilities of public entities and of the global financial sector and how they can respond to the challenges of financing for climate change mitigation and adaptation around the world.

For more information, please visit:
<http://www.un.org/ga/president/62/ThematicDebates/gpicc.shtml>

15. "Post-Game is Pre-Game" – Capacity Building Revisited 2

Following this originally German football wisdom, the E-learning Team of UNEP FI's Climate Change Working Group (CCWG) has started looking at ways to improve the learning experience provided by its capacity building platform.

Together with its partner UNITAR – the United Nations Institute for Training and Research – in June 2008 the CCWG offered to its main constituency - the broad financial services community and public entities – an updated version of its e-learning programme on *Climate Change: Risks and Opportunities for the Finance Sector*. Over 100 course participants from both public as well as private institutions around the world completed the fully self-financed and first-of-its-kind course.

The following course, to be offered from Q4 2008 and possibly into 2009, will be redesigned to offer its students an even better learning experience by introducing a component of modularisation. Participants will have the possibility to select modules of their choice rather than having to do the whole course. Furthermore, the course will be open throughout a period of two to three months, allowing students to follow a flexible and self-catered curriculum.

More information will be forthcoming on the e-bulletin and our website <http://www.unepfi.org/training/index.html>.

BIODIVERSITY & ECOSYSTEM SERVICES

16. Biodiversity and the Bottom Line

29 May 2008, Bonn, Germany

UNEP FI and Fauna & Flora International (FFI) jointly convened a panel-discussion at the 9th Conference of Parties (COP9) of the UN Convention on Biological Diversity (CBD) in Bonn. The diverse panel representing the United Nations, the finance sector, academia and biodiversity experts brought a rich blend of perspectives to the issue of integrating biodiversity and ecosystem services (BES) into financial decision-making.

Key areas explored included the findings of 'The Cost of Policy Inaction', one of five reports that fed into a first assessment of the European Union-commissioned study on 'The Economics of Ecosystems & Biodiversity'. This initiative is intended to demonstrate the immense importance of BES by estimating its financial value. Also presented was the Natural Value Initiative (NVI) - a joint collaboration between UNEP FI, FFI and Brazilian business school FGV - which aims to create a tool for the finance sector to evaluate biodiversity and ecosystem services-related investment risks and opportunities in the food, beverage and tobacco sectors.

For further information on the event, please visit: http://www.unepfi.org/work_streams/biodiversity/index.html

WATER & FINANCE

17. Bankable Water Sustainable - Sustainable Water Bankable

20 August 2008, Stockholm, Sweden

UNEP FI's Water & Finance Work-stream (WFWS) together with the World Bank's Water & Sanitation Programme will host a side event at the World Water Week 2008 in Stockholm. This event will bring together water service providers, project developers and water financiers to discuss progress in accessing market-based finance for sustainable water solutions. It will provide a forum for the different stakeholders to share their experiences, discuss challenges and increase their knowledge of regulatory reforms, business models and financial instruments.

Experiences from different geographies on a range of water transactions engaging private finance will be presented, including the understanding of service providers and financiers with regard to roles, developing better market information, reducing transaction costs, lowering barriers, and ultimately leveraging market-based finance for sustainable water solutions.

For more information, please visit: <http://www.worldwaterweek.org>.

18. Bringing the Universal Owner Rationale to Life – All you Need is Water

London, Melbourne

The Universal Ownership rationale claims that globally invested portfolios should significantly emphasise ESG issues, arguing that within a widely spread portfolio, negative externalities of some investments will most likely harm the financial returns of others.

These thoughts apply very much to water as a resource that flows from one company to the other as well as from one sector to the other. With the support from WFWS members, Insight Investment and VicSuper, UNEP FI will take the Universal Owner Rationale from its original academic niche to the global water context. Via a series of workshops, UNEP FI's WFWS will be addressing questions such as "How can institutional investors and large lending groups identify water-related externalities within large portfolios?" and "How can the financial benefits of an Integrated Water Resource Management approach be pushed for by the institutional investment community?"

If you are a universal owner, or cater services to one, or are otherwise involved in the investment chain, come and join us:

First Half of September: London Workshop hosted by Insight Investment
First Half of September: Melbourne Workshop hosted by VicSuper

19. Interested in Water Issues? Become Engaged

Climate change may be the biggest single environmental challenge of the coming decades but it is increasingly apparent that its effects on business will mostly manifest themselves via water. Given the great importance of water issues to the global financial community and the wide range of water-related projects UNEP FI is currently undertaking, its Water & Finance Work stream (WFWS) has started to recruit new UNEP FI Signatories interested in the investment and financing of strategic water sectors, the assessment of corporate water performance across the economy or the relevance of water-related intra-portfolio externalities to the universal owner and institutional investor.

To find out more about current projects in which your institution can now get involved in, please visit http://www.unepfi.org/work_streams/water/index.html

20. Non-Financials Starting to Listen to UNEP FI?

This might happen soon, as sustainability-driven associations start to communicate to their corporate networks what the financial sector will soon be demanding from them, for example when it comes to issues around water sustainability.

Based on UNEP FI's Water-Related Risk Management Guidelines developed in 2007, 'Business for Social Responsibility', a US-based business platform is currently producing a briefing targeted at their company members and a broader corporate audience on what their financial backers – encouraged by the work of UNEP FI's Water & Finance Work stream (WFWS) - may start to ask them when it comes to their water-related operations and long-term strategy.

For more information, please visit: <http://www.bsr.org/research/reports.cfm#water>.

21. CEO Briefing on Human Rights

UNEP Finance Initiative recently published a CEO Briefing on Human Rights, providing an introduction to the business and human rights debate and sketching out some of the key human rights challenges presently faced by the finance sector. The Briefing discusses some of the key questions faced by companies such as the applicability of international human rights law to companies in the finance sector, the specific human rights expectations of companies in the finance sector, the business case for action and the limits to responsibility. In addition, the Briefing presents a practical management framework for companies in the finance sector seeking to more effectively manage the human rights issues to which they are exposed.

The Briefing forms part of the UNEP FI Human Rights Work Stream's wider programme 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. The Work Stream is presently developing an on-line guidance tool for front line lending managers to assist in identifying, evaluating and mitigating human rights risk when considering new business relationships or transactions. The finalised online tool is expected to be available in Q3 2008.

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

SUSTAINABILITY REPORTING

22. Three New UNEP FI Signatory Sustainability Reports

State Street Corporation 2007 CSR Report

http://www.statestreet.com/company/community_affairs/overview.html

Citigroup 2007 Citizenship Report

<http://www.citigroup.com/citigroup/citizen/index.htm>

Barclays 2007 Sustainability Review

<http://www.barclays.com/sustainabilityreport07/>

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