Issue 10 September 2005

UNEP Finance Initiative
Innovative financing for sustainability

EPA VICTORIA

Australasian UNEP Finance Initiative Newsletter

'Innovative financing for sustainability'

Contents

Climate Conference 2005

Bronwyn Green, EPA Victoria

An international Climate Conference, organised by the UK-based Climate Group, was held in Melbourne in April 2005. Hosted by the Victorian Government, the conference was a valuable opportunity for leaders in business, government and the community across Australia and internationally to discuss practical solutions to climate change.

Following the conference, BT Financial Group and The Climate Group co-hosted a forum that focused on the issues surrounding investment markets and climate risk in Australia. Attendees had the opportunity to discuss the key issues facing their organisations in regards to climate risk and listen to the perspectives of leaders in this area from the finance sector from both the national and international arena.

The Hon. Theo Theophanous, Minister for Energy Industries, Steve Howard, CEO, The Climate Group, The Hon. Steve Bracks, Premier of Victoria and The Hon. John Thwaites, Deputy Premier and Minister for Environment

For further information on the conference, please contact:
Rupert Posner, The Climate Group
T: 61 3 9617 4329
or visit www.theclimategroup.org

Launch of Australia's First Sustainability Index

Esther Gilmore, SAM Sustainable Asset Management

On 17 February 2005, EPA Victoria, *The Australian* Newspaper and SAM Group launched the inaugural Australian SAM Sustainability Index (AuSSI). Based on an assessment of economic, environmental and social criteria, the AuSSI currently comprises 70 Sustainability Leaders selected from Australia's largest 200 companies. The AuSSI tracks the stock performance of these sustainability leaders and is published Tuesday to Saturday on the front page of the Business section of *The Australian*, alongside other financial indices.

The AuSSI aims to provide a reference point for the growing Australian interest in corporate sustainability and sustainable investment. By introducing the concept of corporate sustainability to the wider public, the AuSSI offers an incentive for Australia's corporate sector to independently and pro-actively raise their sustainability performance. It seems that this view is shared among many members of the investment community.

"At VicSuper, we have for many years seen sustainability as essential for long-term shareholder value." says Bob Welsh, CEO of VicSuper, one of Australia's largest superannuation funds with close to 200,000 members. "Short-termism is a significant risk to the competitiveness of Australia's corporate sector. The AuSSI offers investors and other stakeholders an important platform to take a long-term view."

The methodology for the AuSSI was developed by SAM, which is also responsible for the research of the Dow Jones Sustainability Indexes (DJSI). The research criteria used by the AuSSI are the same as those used for the globally recognized DJSI family, for which SAM selects sustainability leaders on a worldwide scale.

"SAM has been in the index business since 1999. The successful launch of the Dow Jones Sustainability Indexes, and its current use by asset managers in 14 countries, have confirmed our conviction that objective and transparent benchmarks play an important role for sustainability investors. Based on this strong platform, SAM is now expanding its existing range of global and regional benchmarks to include country-specific sustainability indexes. We are delighted to make the first step in this direction here in Australia," added Alexander Barkawi, Managing Director of SAM Indexes, at the launch in Melbourne.

Alexander Barkawi, Managing Director, SAM Indexes

Included in the AuSSI are companies such as BHP Billiton, Billabong International, Investa Property Group, Pacific Hydro and Westpac. A full list of members can be found at www.aussi.net.au.

SAM analysts revise AuSSI membership annually by reviewing each company's sustainability performance in depth. Competition for membership, based on the 2005 annual review, is gaining intensity with AuSSI members competing strongly to maintain their position in the index.

"Colonial First State Property values the membership of its two listed property trusts, 'Commonwealth Property Office Fund' and 'CFS Gandel Retail Trust', in the AuSSI", says Greg Johnson, Colonial First State Property's Manager of Corporate Sustainability.

"Colonial First State Property takes an active approach to integrating sustainability into business decisions and membership in the AuSSI ensures this commitment is recognised by stakeholders. The index also serves as a useful tool to measure our performance within the Real Estate Investment Trust sector and to identify potential opportunities for improvements."

Francis Grey, research manager for SAM Australia expects that the AuSSI will become the pre-eminent benchmark for the SRI Industry in this country. "As more and more investment houses begin to integrate SRI funds into their portfolios, there will become a need for an Australian-sustainability-specific benchmark to which they can compare, and we believe this is what the AuSSI provides", Mr. Grey says. "A growing number of investors are convinced that sustainability pays and that companies leading in this field will actually outperform their peers. With the AuSSI's publication in *The Australian* next to traditional indices, this proposition is being tested in the spotlight. With its positive performance so far we have seen an increased interest in sustainability investing, not only from the AuSSI member-companies, but also from the general investment community. We look forward to this interest continuing."

For further information, please contact:
Francis Grey, Director of Research, SAM Sustainable Asset Management
T: 61 3 9562 4472
or
E: francis@sam-group.com
or visit www.aussi.net.au

Financial Payback from Environmental and Social Factors in Australia

Ian Woods, AMP Capital Investors

While there has been significant research in North America and Europe supporting the idea of a positive linkage between sustainability and investment performance, there have been limited studies in Australia considering this relationship. This is an important issue for those socially responsible investment funds that actively incorporate environmental and social performance information into the investment decision process, such as the AMP Capital Investors Sustainable Future Australian Share Fund, as it addresses two key questions which are asked of socially responsible investment (SRI) Funds, namely:

1. Does the exclusion of stocks and/or sectors limit an investors manager's ability to diversify into industries and/or stocks that may outperform the market; and
2. Can considering corporate responsibility actually improve the pool of investable stocks and add to fund performance?

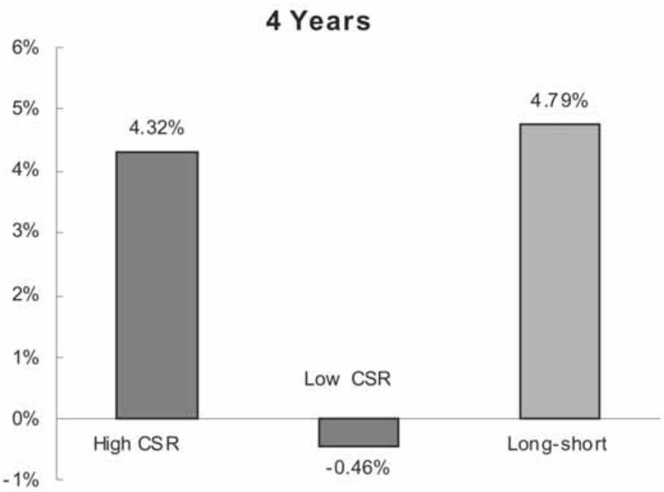
To address the issue, the AMP Capital Sustainable Fund team undertook research that looked at the two key criteria the fund uses when assessing the socially responsible nature of a company, namely corporate social responsibility (CSR) and industry sustainability (IS).

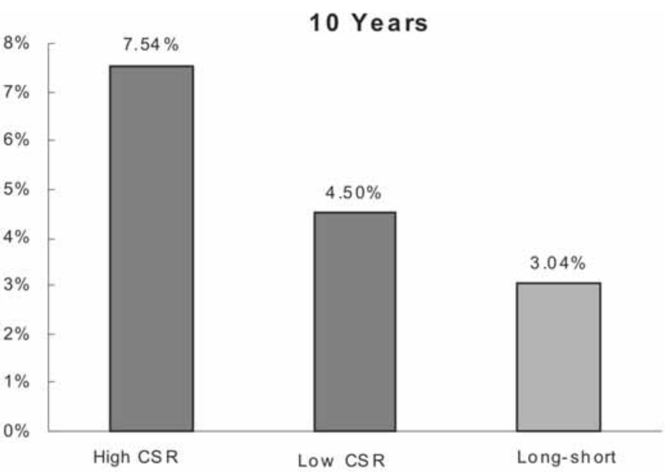
- The first criterion, corporate social responsibility (CSR), was evaluated on a company's ability to fulfil its financial and legal responsibilities to all its stakeholders, as well as how well it manages its workplace, environmental and supply chain issues and its reputation in conducting business.
- The second criterion, industry sustainability (IS), was reviewed by looking at the broader social, economic and technological trends that could have a tangible impact on a company's future strategic and financial position.

Utilising a multi-factor regression model whereby the monthly returns of each share portfolio are explained by the presence of five independent variables, including a sustainability score, market risk, firm size, value versus growth and/or momentum effects, the returns attributed to CSR and IS over time can be examined.

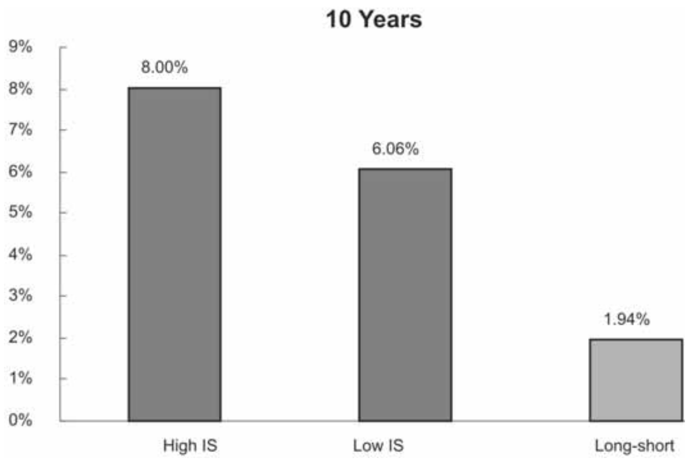
The results of the research showed that over four and 10-year periods, the impact of corporate social responsibility on company performance was positive. Companies with a higher CSR rating outperformed by more than 3% per annum over four and 10-year periods, after removing the effects of other identified factors.

The Figures below summarise the performance impact (i.e. alpha) from the CSR ranking methodology over 4 and 10 years. These results are entirely consistent with a large number of other independent studies of the performance impact of CSR-based rating systems.





The performance of companies selected by Industry Sustainability is less clear statistically (see Figure following), although after excluding the unusual performance of the IT&T sector, the study shows high IS-ranked companies outperformed over 10 years. A clearer picture will require an even longer-term study to deal with the length of market cycles within industries.



Michael Anderson, AMP Capital Investors' Head of Sustainable Funds said that "This research, in combination with other international studies, provides support for the assertion that socially responsible criteria can help to identify outperforming companies."

For further information, please contact:
Matthew Rey, Portfolio Manager, Sustainable Funds, AMP Capital Investors
E: matthew.rey@ampcapital.com

Copies of the study are available at:
www.sustainablefuturefunds.com.

Working Towards Sustainability – Perspectives from the Australian Actuarial Convention 2005

Ronnie Lim, Head of Research – SRI, Morley Fund Management, UK

The issue of environmental sustainability, particularly the impact of climate change, has rarely been out of the news headlines of late, particularly in the run up to July's G8 Summit. The challenges that the sustainability issue presents for the investment community at large were a focal point of discussion at the recent Australian Institute of Actuaries Convention, held in May 2005.

The actuarial profession, as the gatekeepers of occupational pension schemes, has in tandem with the broader investment community typically interpreted its fiduciary duty as the maximisation of risk-adjusted financial returns for beneficiaries. Historically, this objective has acted as a major barrier to the consideration of socially responsible investment (SRI), which moves away from the exclusive consideration of financial data and seeks to evaluate social, environmental and ethical issues that can often have a material impact on share price performance.

However, the investment community has begun to take the challenge of addressing environmental issues on board, at industry, institutional and company level and a number of recent initiatives were discussed. At the industry level, the Asset Management Working Group (AMWG) of UNEP FI signatories is currently exploring the theme of sustainability and the integration of environmental issues with investment decisions. Current AMWG projects were highlighted at the convention, with particular reference to financial materiality asset managers commissioning leading brokers to report on the potential long-term impact of environmental, social and corporate governance issues on a wide range of industries, a notable recent example being Goldman Sachs' well-publicised report on the oil and gas sector.

Asset managers also have an integral part to play in tackling the sustainability issue. At Morley, we have developed our own approach to integrating sustainability with equity investment, as we believe environmental and social factors are often under-researched by market participants, as they are either deemed to be irrelevant, too uncertain, or too far away in the future. This under-analysis presents opportunities for investment managers who are willing and able to identify, properly analyse and integrate these issues into their research and investment decision-making processes.

Rather than aiming to analyse all environmental and social issues, a more effective approach involves prioritising those factors that are likely to have a material impact on a company's revenues and profitability, thereby affecting its investment performance. To demonstrate how such an approach can work in practice, the European Union (EU) Emissions Trading Scheme (ETS) was highlighted in discussion at the convention. This scheme was introduced in early 2005 and is the centrepiece of the EU's efforts to tackle climate change. Effectively, this legislation is designed to award companies that pollute less. Researching the potential impact of the EU ETS last year, Morley concluded the main burden of the ETS would fall on the utilities sector because this area is least exposed to international competition and had the highest energy consumption. The key factors identified as having the biggest impact on incremental cash flows from the ETS were the expected rise in wholesale electricity prices and the trading price of carbon allowances. Morley's analysis predicted that utilities with the strongest commitment towards reducing their influence on climate change - mostly through strategic planning for a cleaner fuel mix - would benefit from the ETS.

At the individual company level, the challenge for actuaries working in tandem with the broader investment community is to press for more transparent reporting of social and environmental issues and their impact on financial performance. In the UK, the Association of British Insurers (ABI) has been proactive on the disclosure front through the publication of its principles for responsible investing, while pressuring listed companies to address governance issues and report on the environmental impact of their activities. Pension Fund trustees must also now disclose the extent to which social, environmental and ethical factors are taken into account in their investments. In their role as gatekeepers of the institutional investment arena, actuaries need to show greater awareness of the impact of environmental issues and be encouraged to adopt a broader perspective on fiduciary duty through evaluating the extent to which their asset managers are proactively addressing these issues in the investment decision-making process.

To view the presentations and papers from the Convention, go to:
www.actuaries.asn.au/PublicSite/convention/aap%201.htm.

To read the Asset Management Working Group paper on materiality, go to:
www.unepfi.org/fileadmin/publications/amwg/amwg_materiality_equity_pricing_report_2004.pdf

For further information, please contact:
Ronnie Lim, Head of Research – SRI, Morley Fund Management
E: Ronnie.Lim@morleyfm.com

Shorts

Bronwyn Green, EPA Victoria

HSBC releases guidelines on investment in freshwater infrastructure

HSBC has launched a new Guideline governing its project finance activities in the area of freshwater infrastructure. The Freshwater Infrastructure Guideline is based on widely adopted international sustainable development standards and aims to ensure that HSBC's involvement in freshwater infrastructure projects is consistent with its commitment to sustainability.

The Guideline sets out where HSBC is and is not prepared to participate and outlines the standards that customers operating in the area are expected to meet. The rules apply to "direct lending or other forms of project finance only, including corporate lending and other financial support where the use of proceeds is known to be project related."

Expanding on its *Environmental Risk Standard* and adoption of the Equator Principles, HSBC's new Guideline covers water resource management, water services and infrastructure, but currently excludes water usage and other human activities that impact on water. The Guideline means that HSBC will not provide assistance to any projects located in, or impacting on, critical natural habitats, sites on the Ramsar list of wetlands, UNESCO World Heritage Sites and dams that do not conform to the WCD Framework.

The Guideline was released in May 2005 and can be downloaded at:
www.hsbc.com/hsbc/about_hsbc/corporate-social-responsibility/csr-reports.

Banksia Awards 2005

The Banksia Environmental Foundation, through the Banksia Awards Program, aims to raise the profile of various initiatives and projects around the country that are contributing to a sustainable future as an encouragement and example for others to follow. It rewards through recognition, those who have taken the initiative to be innovative and find improved ways to assist in managing the environment.

UNEP FI signatory, **mecu** Credit Union, was awarded the 2005 Gold Banksia Award for its goGreen® Car Loan. It also took out the 'Leadership in Financial Services and Sustainability' Award for the same product, which offers customers a reduced interest rate for purchasing a more fuel-efficient vehicle. **mecu** offsets the CO2 emissions of the financed car, via tree planting by Green*fleet*, for the life of the loan.

National@Docklands was awarded the 'Leadership in Sustainable Buildings' Award for National Australia Bank's office development in Melbourne. The building demonstrates the contribution that sustainable commercial building can make to the protection of our environment.

For more information on the winners of the 2005 Banksia Awards, go to:
www.banksiafdn.com

6th Asia Pacific Roundtable for Sustainable Consumption and Production

10 – 12 October 2005, Melbourne, Australia.

This year's Roundtable, with the theme of 'Doing Sustainable Business in the Asia Pacific Region', aims to highlight the important role that business needs to take in innovation for sustainable development. As part of this international event, a concurrent roundtable discussion session focusing on 'the role of the finance sector, capital markets and CSR' in regards to sustainable consumption and production will be held.

For more information on the Roundtable's keynote speakers, program schedule and to register, go to:
www.6aprscp.com

International Year of Microcredit Conference 2005

29 – 30 August 2005, Melbourne, Australia

As part of the International Year of Microcredit 2005, the United Nations Association of Australia hosted an international conference with the theme, 'Towards an End to Global Poverty: Empowering Communities and Individuals through Financial Inclusion'. The conference provided an opportunity to share the practical lessons of business, governments and NGOs on micro-finance implementation and uptake with leading international experts from both the developed and developing world. Speakers outlined the importance of innovative financial products in targeting the disadvantaged and marginalised in society in order to progress towards a more sustainable world.

For information on the conference and its speakers, go to:
www.icms.com.au/microcredit2005

Forums discuss Westpac's role in Sustainability

Steve Green, Westpac Banking Corporation

Westpac's CEO, Dr David Morgan, launched the Westpac Sustainability Forums by articulating how the Bank intends to step up its efforts in environmental sustainability.

The Forums, launched earlier this year with a Westpac Environment Day, bring together employees, suppliers, NGOs and other stakeholders to discuss the sustainability issues facing the Bank.

At the Environment Day, Dr Morgan heralded carbon neutrality as a potential aspiration for his organisation. He went on to say that “clearly in Australia we would need further progress in terms of renewable energy and emissions trading before it could really be achievable."

Stephen Young, Executive Director of the Caux Roundtable (USA) provided the keynote presentation at the 2nd Sustainability Forum – 'Building a Sustainable Organisation' – in June 2005. Mr Young provided insights into his book, *'Moral Capitalism: Reconciling Private Interest with the Public Good.'*

Mr Young also joined an expert panel to discuss assessment instruments, intended to measure the corporate responsibility performance of corporations. The panel also included commentary from the Dow Jones Sustainability Index, Corporate Responsibility Index and the Australian Institute of Social and Ethical Accountability.

The Panel chair, Dr Noel Purcell, Manager of Stakeholder Communications at Westpac, asked panellists to discuss whether these instruments have "helped corporations become more sustainable" and to what extent they "have been embedded in mainstream corporate strategy."

For further information, please contact:
Steve Green, Corporate Responsibility and Sustainability, Westpac Banking Corporation
T: 61 2 9226 0684
or
E: stevegreen@westpac.com.au

Presentations and speeches are available upon request from the Corporate Responsibility team.

David Morgan, CEO, Westpac Banking Corporation

Discussing Microcredit in Melbourne

Corinne Proske, National Australia Bank

In celebration of the UN Year of Microcredit, the Australian community organisation, Good Shepherd Youth and Family Service, recently hosted a conference on microcredit in Melbourne. With over 130 attendees, the conference focused on the application of microcredit within Australia.

Microcredit is the provision of small loans to low-income earners who are often excluded from mainstream financial services. The conference identified the cost of housing, casual labour and societal pressures to consume as three of the key challenges increasingly faced by low-income earners. Solutions to help alleviate social exclusion were discussed, with presentations from the community sector, major banks and credit unions. For example the No Interest Loans Scheme has been in operation in Australia for 25 years and provides credit to people for the purchase of white goods. Programs are also run by the National Australia Bank, Bendigo Bank and the Traditional Credit Union, which specifically focuses on servicing the needs of indigenous Australians.

All the programs at the conference had a common theme of strengthening basic financial literacy skills, as well as enhancing consumer access to products and services.

The National Australia Bank, ANZ and the Department of Victorian Communities hosted the conference.

For further information, please contact:
Corinne Proske, Corporate Social Responsibility Manager, National Australia Bank
T: 61 3 8634 1571
or
E: corinne_proske@national.com.au

JPMorgan Chase & Co. Releases Public Environmental Policy

Bronwyn Green, EPA Victoria

JPMorgan Chase & Co., the New-York based financial institution with assets of approximately US$1.1 trillion and operations in more than 50 countries, has recently released a public environmental policy statement that will restrict its lending and underwriting practices for industrial projects that are likely to have an environmental impact. The firm's key businesses include investment and commercial banking; financial services for consumers and businesses; financial transaction processing; asset and wealth management; and private equity.

The 10-page environmental policy will be implemented along with an Environmental Management System, and will apply to all new business and existing business that come up for renewal or extension after September 1, 2005.

The policy shows that JPMorgan Chase is taking a proactive stance towards global warming, including by assessing carbon-dioxide emissions in its loan-review process for power plants and other large polluters. The bank plans to calculate in loan reviews the financial cost of greenhouse gas emissions and commits to annually report the aggregate greenhouse gas emissions from its power sector projects from 2006. The policy also states that JPMorgan Chase will explore the possibility of having its analysts incorporate climate risk, for specific sectors only, into their regular research.

Alongside this, the bank is adopting the Equator Principles for business in its Investment and Commercial Banks. It has also committed to reduce the threshold for applying the Principles to $10 million from $50 million, for transactions in the mining, forestry, oil and gas industries.

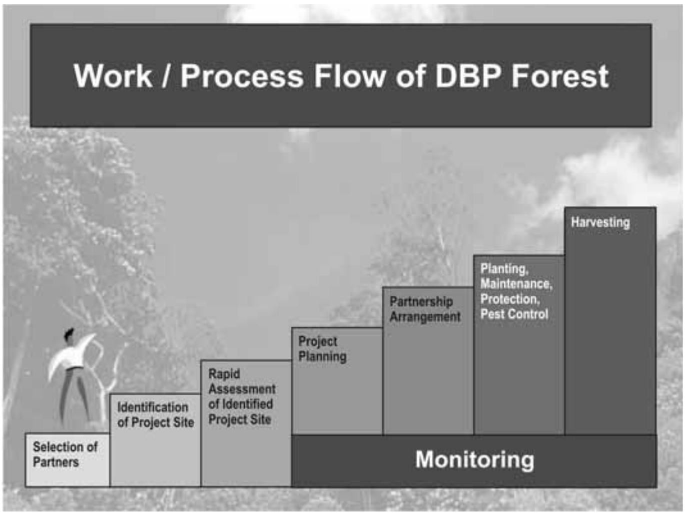
To read the JPMorgan Chase Environmental Policy, go to:
www.jpmorganchase.com/pages/jpmc/community/env

Development Bank of the Philippines Forest Project

Aurora Maghirang, Development Bank of the Philippines

A new initiative of the Development Bank of the Philippines, DBP Forest is a reforestation project that aims to develop downstream industries in rural regions of the Philippines by supporting and encouraging the forestation of open areas through the planting of high value fruit trees and other useful species. The initiative provides for activities including coastal rehabilitation through the planting of mangroves as well as the establishment of tree parks. These improvements not only help prevent soil erosion, conserve water and provide habitat for wildlife, but they also create rural livelihood opportunities for the communities in the area of the reforestation.

There are two different ways that DBP Forests are established, either through the use of DBP's own land or the lease of land through an Integrated Forest Management Agreement (IFMA), or through a partnership with an organisation that is already involved in forestland development, such as the Philippines Department of Environment and Natural Resources.



The forests are classified into either revenue-generating or non-revenue generating forests and a minimum desirable size for each type of forest is specified. Income earned from the harvest of revenue-generating forests is split 70% for the partner and 30% for DBP. DBP is initially focusing on four different locations in the Philippines.

For further information, please contact:
Aurora Maghirang, Development Bank of the Philippines
E: amaghirang@dbp.ph

Towards Sustainability in Retail: 'The GPT Group' case study

Caroline Noller, Sustainability Catalyst, The GPT Group

The retail property sector is one of the most visible sectors of the Australian economy - with the capital value of Australian retail property assets estimated to exceed $AU50 billion and over two billion customer visits to retail sites each year. However, the finance and insurance sectors have been actively promoting their concerns about the failure of the property sector to recognize the range of risks it faces in relation to environmental issues, particularly climate change.

The GPT Group (GPT) recognises the significant direct and indirect environmental and socioeconomic impacts and benefits associated with its assets and with the activities of its retail tenants. To that end, GPT has been working with EPA Victoria to progress cultural change within the company towards the consistent application of sustainability principles in the day-to-day management of assets under its control. Collaboration with an independent body such as EPA assists GPT to further strengthen its commitment to such change by sharpening management's focus on the challenge and heightening its concern for delivery. Aims of the partnership between the two organisations include resource and cost efficiency, risk reduction and adding value through stakeholder commitment.

GPT believes that EPA's support assists the company to address global issues such as climate change, as well as increase its resource use efficiency and build capacity amongst GPT stakeholders, including retail customers, retailers and other sector participants, to deal with the issues that sustainability presents.

Management awareness of the risk and opportunities surrounding resource efficiency has been significantly improved on the back of benchmarking activities. Sustainability performance metrics have been either added or adopted by retail centre management teams and some of the operating divisions through the most recent business planning cycle. The property operations and development divisions have been active in incorporating sustainability performance targets and measures into supplier and alliance agreements in order to specifically address resource efficiency.

Recognition of how tenants drive resource consumption has led to the introduction of minimum performance measures for water, energy and waste through tenant fit-out guidelines in two of the most recent centre developments. A CD of eco-design information is being distributed to tenants, which is designed to make the designer's job easier in relation to procurement and design concepts. To support the tenants in achieving better outcomes, GPT is providing sustainability design reviews of tenancy plans and has collaborated with EPA and Global Footprint Network on an ecological-footprint calculator for tenancies.

Melbourne Central

This calculator is being used by tenants at two centres and has resulted in good engagement with tenants interested in reducing their operating costs due to resource consumption. A third development will see the development of a "green-lease" as a way of engaging tenants in the process and will provide a consistent and mandatory means of improving efficiency over time.

Learning and development programs have been specifically developed to address the needs of each division of GPT with regular facilitated sessions designed to ensure that sustainability management practices are translated to the day-to-day activities of all individuals. It is essential that sustainability is not the domain of a specialist group or division as there can be a tendency for people to delegate individual responsibility to this group rather than initiating actions themselves. The challenge in this is to ensure that the sorts of goals individuals are aiming for are clearly communicated and that these people are supported with a sustainability help-point for confirming ideas or reviewing direction. At GPT, the role of Sustainability Catalyst was created to provide this support.

One of the main reasons GPT has been successful in this area lies with the management approach it takes to sustainability. A sustainability management group was established, chaired by the portfolio general manager and comprising representatives of each division, to increase participants' awareness of the sustainability impacts each division has on the next and how all resolutions drive better returns, lower risk and provide value added opportunities.

Until June 2005, GPT was part of the Lend Lease Group. As an internalised entity, the Group faces challenges to translate all of the prior learnings into the new business model to ensure continuous improvement. GPT is looking to extend its relationship with EPA by signing up to an evolution of the Sustainability Covenant, which would build on the agreement's prior commitments.

For further information, please contact:
Caroline Noller, Sustainability Catalyst, The GPT Group
E: caroline.noller@gpt.com.au

Sustainability Analysis of Australia's Economy

Barney Foran, Sustainable Ecosystems, CSIRO Resource Futures

A new report highlights how Australia's banking and finance industry could make major contributions to Australia's sustainability by incorporating new thinking into their financing decisions.

The joint CSIRO and University of Sydney study, entitled *'Balancing Act: A Triple Bottom Line Analysis of Australia's Economy'*, covers ten key financial, social and environmental aspects of how Australia functions, sector by sector. The social indicators are employment, income and government revenue; the environmental indicators are water use, land disturbance, greenhouse gas emissions and energy use; and the financial indicators are profits, exports and imports.

Two things set this study apart from typical triple bottom line studies. The first is that it uses a full production chain approach where all the effects of chocolate or steel production for example, are included within the boundary of the analysis. By providing detailed scrutiny of the full production chain, Balancing Act is able to show the full effects both direct and indirect of the production of an individual commodity or service. The second is that all effects are referenced back to each consumption dollar, the dollar that flows all too easily from our pockets and credit cards.

Most importantly, it shows that each consumption dollar can be radically different. Some dollars drag in imports, some use copious amounts of water and some help create employment. This full production chain approach shows that shorter showers, turning off unused lights and recycling green waste to the home compost bin might make us feel good, but they represent just the tip of the future sustainability iceberg.

Generally service sectors like banking are regarded as having very little impact on the environment. The report shows this in terms of the sector having low requirements for water, energy, land and low greenhouse gas emissions. Importantly though, the sector is seen to occupy a pivotal position in decision-making in business operations, national affairs and lifestyles of people. Banks could use this central influence to the advantage of the environment if they assessed a broader set of risk issues when they lend money – for example, by giving concessional interest rates to businesses that perform well across the triple bottom line, or domestic houses that had ten star energy and water ratings.

For *Balancing Act* to be fully informative, it must go global, or at least analyse to the same depth, ten to fifteen of Australia's main trading partners. Does the chocolate you eat embody child labour in West Africa, the paper you use include rainforest timbers from Asia, or the cheap shirt on your back the sweat shop conditions in Australia, or those in a distant country? If these issues matter to you as a consumer or a producer, it is now possible to make that information available on a strictly comparable basis.

For all its quantitative analysis, we admit that the report does not have substantive policy solutions for many of the issues that it highlights. Suggested sector improvements must be subjected to more detailed analyses by groups such as the University of Canberra's NATSEM, as well as by the pods of national econometric models that dissect and criticise any proposals seeking to change the tried and tested mores of how a modern economy should be run.

Subsequent work following on from the *Balancing Act* report may suggest the launching of integrated and harmonised excise systems, which levy the consumer for each unit of carbon, water and land contained within each good and service sold in Australia. This would support the general move to more transparency in all financial and social transactions. With appropriate product labelling and consumer awareness campaigns, this system would allow markets to function more efficiently and for each consumer to bear the system wide cost of their individual consumption decisions.

So will this report produce any effect or resonance in national affairs? It's hard to tell, but first showings at insurance and financial industry venues suggest they will be the first ones to bite. The possibility of eventual litigation for global carbon emissions is expected to stimulate the prudent to cover their risks early, rather than succumb to yet more financial crises that could have been foreseen.

More to the point, a risk management surface that is bounded by carbon emissions, water use and land disturbance for every sector and product in the economy, may hedge against potential environmental catastrophes that are broad scale and systemic in nature, rather than those caused by the more manageable and obvious point sources of extraction, production and pollution.

Barney Foran is a senior analyst with CSIRO Resource Futures in Canberra and collaborated with Manfred Lenzen and Christopher Dey at the University of Sydney to produce the 'Balancing Act' report.

For further information, please contact:
Barney Foran, Sustainable Ecosystems, CSIRO Resource Futures
T: 61 2 6242 1710
or
E: barney.foran@csiro.au

The full report can be downloaded at:
www.cse.csiro.au/research/balancingact

UNEP FI International Update

UNEP FI's Global Roundtable 2005

25 – 26 October, UN Headquarters, New York, USA

The 2005 Roundtable carries on a tradition which stretches back a decade and has spanned the globe from Chicago to Frankfurt, and from Rio de Janeiro to Tokyo. This year's Roundtable is being seen as the principal event on sustainability in the finance sector. Pre-registration numbers are rising steadily with over 130 organisations signed up, while a significant number of institutions have already committed their support to the event.

<u>Delegates</u>

Over 500 delegates, senior decision makers and experts from around the globe will attend the Roundtable, including bankers, insurers, asset managers, government representatives, NGO representatives, academics and consultants.

<u>Aims</u>

- To provide a forum for the exchange of ideas and information among UNEP FI Signatories, associates and leading financial professionals from around the world;
- To help decision makers more clearly identify the challenges and opportunities in a global and sustainable context; and
- To interact with colleagues in the financial industry and meet likeminded groups from all over the world.

<u>Themes</u>

This year's gathering provides an opportunity for delegates from around the globe to discuss new ideas and challenges in the fields of finance, insurance and sustainability. There will be a strong focus on the issues of carbon and responsible investment, under the theme of environmental risks and opportunities for financial institutions.

Panel sessions and in depth workshops at the Roundtable will address globally and regionally relevant topics, including:

- carbon markets, renewable energies and clean technology;
- materiality of environmental, social and corporate governance issues;
- transparency, accountability, and reporting; and
- Microfinance.

<u>Sponsorship Opportunities</u>

With sustainability issues now firmly on the political agenda, this year's Roundtable is being seen as the principal event on sustainability in the finance sector.

Learn more about Roundtable sponsorship opportunities at:
www.unepfi.org/events/2005/roundtable/sponsorship/

Further Information:
All updates will be made available on the Roundtable web page, at:
www.unepfi.org/events/2005/roundtable

For further information, please contact:
E: roundtable@unepfi.org

UNEP FI's First Western European Forum

19 May, Barcelona, Spain

Careen Abb, UNEP FI, Geneva

Chaired by the UNEP FI Secretariat, the Forum brought together signatory organisations from a total of 12 European countries. The event was hosted by la Caixa just two years after the company joined the Initiative, and supported by Deutsche Bank, thus topping five dedicated years at the head of UNEP FI's Steering Committee.

The first Western European Forum was convened to build on previous events in the region, such as the European Seminar on Finance, Environment and Sustainable Development held in Paris in January 2003. The idea was to provide European Signatories, a key section of UNEP FI's membership, with a renewed space to obtain and exchange information on a number of key sustainability issues specific to the finance and insurance sectors.

The Forum proved to be an adequate means for bringing Signatories and partners from the region together and as a result, UNEP FI will endeavour to maintain the Forum as a yearly occurrence that would travel within Europe. Meetings and exchanges taking place on a sub-regional and national level would be geared to feed into the overall, region-wide forum.

Summary of Key Ideas

- There is a clear business case both for responsible investment products such as microfinance and for generally identifying and addressing qualitative risks. Demand is on the rise and markets are largely untapped.
- Environmental, social and governance (ESG) considerations cannot be dealt with as a separate issue; financial institutions need to involve these directly into their mainstream activities. This may involve a complete revision of companies' business models.
- There remains a significant amount of awareness building and training to be done in order to convince investors to mainstream sustainability issues in their work.
- A key obstacle in taking ESG considerations on board is how to reconcile the long-term vision that this requires with the predominantly short-term approach implemented by financial analysts and managers.

Conference documents & report available online at:
www.unepfi.org/events

For further information, please contact:
Kiki Lawal, Signatory Relations Manager, UNEP FI
T: 41 22 917 8692
or
E: kiki.lawal@unep.ch
Careen Abb, Signatory Relations & External Communications, UNEP FI
T: 41 22 917 8777
or
E: careen.abb@unep.ch

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CONTACT US

If you would like to write an article or receive a copy of the next edition of the Australasian UNEP Finance Initiative Newsletter please contact:

Helen Bloustein
T: 61 3 9695 2687
or
Bronwyn Green
T: 61 3 9695 2543
or
E: unep.fi@epa.vic.gov.au

UNEP Finance Initiative
Innovative financing for sustainability

EPA VICTORIA

UNEP FINANCE INITIATIVE - AUSTRALASIAN LIAISON OFFICE
EPA Victoria 40 City Road Southbank Victoria 3006
GPO Box 4395QQ Melbourne Victoria 3001
Telephone 61 3 9695 2687 Facsimile 61 3 9695 2578

http://www.epa.vic.gov.au/programs/UNEP

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