UNEP and the Financial Community

23 August, 2006
World Water Week
Stockholm, Sweden
Why Care?

- Rate of depletion and pollution of water resources.
- Economic impacts of floods and droughts.
- Business continuity and increased costs.
- Competing interest in fresh water allocation.
- High potential growth and business opportunities?
- Going from defensive business to offensive business.
- Strategic value of water.

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Overall global losses and insured losses due to natural disasters 2005

Overall losses: US$ 212,127m

- Africa: 31
- Asia: 21,717
- Australia/Oceania: 647
- Europe: 16,002
- America: 173,730

Insured losses: US$ 94,379m

- Africa: 10
- Asia: 1,060
- Australia/Oceania: 372
- Europe: 4,875
- America: 88,062


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ESG Issues

International capital is now mainstreaming environmental, social governance and human rights considerations from both risk and opportunity perspectives:

- Capital markets worldwide worth USD47 Trillion. Pensions funds hold 25% of these markets. Institutional investors recognize they have to consider a broader range of environmental, social, governance and human rights (E,S, G& HR) risks. April 27 launch of Principles for Responsible Investment.
- Equator Principles sees nearly 40 banks representing more than 80% of global project finance volume integrating environmental and other qualitative issues into the fabric of project lending criteria.
- By 2020 global renewable energy, climate change and cleantech markets predicted to offer USD 2 Trillion plus markets.
- Access to favourably priced international capital will depend on lenders ability to integrate and demonstrate sound management of ESG&HR issues.

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Global poll of managers who feel that the following factors will become or will remain important in five years, average, per cent

- Climate Change: 55%
- Corporate Governance: 37%
- Employee Relations: 31%
- Environmental Management: 42%
- Health Issues: 25%
- Human Rights: 19%
- Sustainability: 34%
- Water Use/Access to Clean Water: 36%

Source: Mercer Investment Consulting, The Observer (UK) - 7 May 2006

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>US $4,5 Trillion
Principles for Responsible Investment

THE GLOBAL COMPACT

UNEP Finance Initiative
Innovative financing for sustainability
PRI objective

- To develop and implement a set of global principles that facilitates the integration of ESG issues into mainstream investment practices
Design

• The Principles reflect a **deep understanding of materiality**.

• The Principles are **grounded within the bounds of fiduciary duty**.

• The Principles can be **applied across mainstream portfolios**.

• The Principles provide **practical guidance on key challenges**.

• The Principles can **make a difference**.

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About the Principles

• Process convened by UN Secretary-General
  – Implemented by UNEP FI and UN Global Compact

• Institutional investor focus
  – 50 institutional investors representing > US$4.5 Trillion
  – Focus on investor behaviour rather than corporate behaviour
  – Framed in terms of core fund (including fiduciary) responsibility, rather than ethics
Assets under management by sector that have signed up to the UN’s Principles for Responsible Investment (PRI)

11.9%  
$274bn  
INSURANCE COMPANY

72.7%  
$1,671bn  
PENSION FUND

15.4%  
$353bn  
GOVERNMENT INVESTOR

Source: The Observer (UK) - 7 May 2006

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PRI assets under management in the asset owner category

11 NORWAY
12 CANADA
15 NETHERLANDS
24 US
1 SWEDEN, BRAZIL + IRELAND
10 GERMANY
4 UK
3 NETHERLANDS

Source: The Observer (UK) - 7 May 2006

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Steps Forward

- Sector specific Principles for Responsible Investments (Water).
More Information:

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United Nations Environment Programme

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Stockholm, Sweden