Sustainability and CSR in the Banking and Insurance Sector

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UNEP Finance Initiative
Innovative financing for sustainability

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Investment

- **Defining solutions for the future:** financial institutions can decide to be defined and constricted by the environmental, social and governance challenges the global community faces - or as a leader an investment company can work to define the investment solutions of the future.

- **Choice for the finance sector:** The choice for financial sector leaders is stark - to be part of the industrial and commerical past or become a leader and engineer of the financial products and services that will frame the future.

SIX GLOBAL MEGA TRENDS OF SUSTAINABLE FINANCE:

- **The New Fiduciary:** The 2005 Freshfields report has re-defined the debate linking fiduciary duty with environmental, social and governance (ESG) issues. Turned the traditional markets view of how fiduciary law relates to ESG issues on "it's head " and across finance and investment is driving sustainability and CSR as a critical part of the business case for the financial services sector.

- **Governance Re-engineered:**Governance scandals and the bursting of the internet bubble saw US$ 7 trillion wiped off global markets in the crash at the start of the 21^{st} C. These events drove investors to broaden the sweep of their risk radars and the materiality of environmental, social and governnce issues (ESG) became apparent catalysing change in the finncial services sector.

- **A Carbon Constrained Future:** Climate Change a direct and tangible threat, possibly the greatest market failure there has ever been. In the worst case scenario global consumption per head could reduce global consumption per capita by 20%.

- **Death of Distance:** With a wired global community and instantaneous reach of the mega media, financial approaches and investments which leverage and accelerate adverse ESG impacts can create huge reputational, political and operational risks.

- **Tangiblity of intangibles:** In 1982 the market value of the S&P 500 was split as 62% linked to tangible assets against 38% to intangible assets.By 1999, this figure had flipped to the point tangible assts of the S&P 500 represented just 16% while their intangible assets stood at 84%. Brand and qualitative issues were becoming paramount in valuation.

▪**Mainstreaming of responsible investment:** Early success and exponential growth of UN Principles for Responsible Investment denotes the "Tipping Point" at which responsible investment moved into the mainstream, articulating the needs and thinking of most forward-thinking global investors.

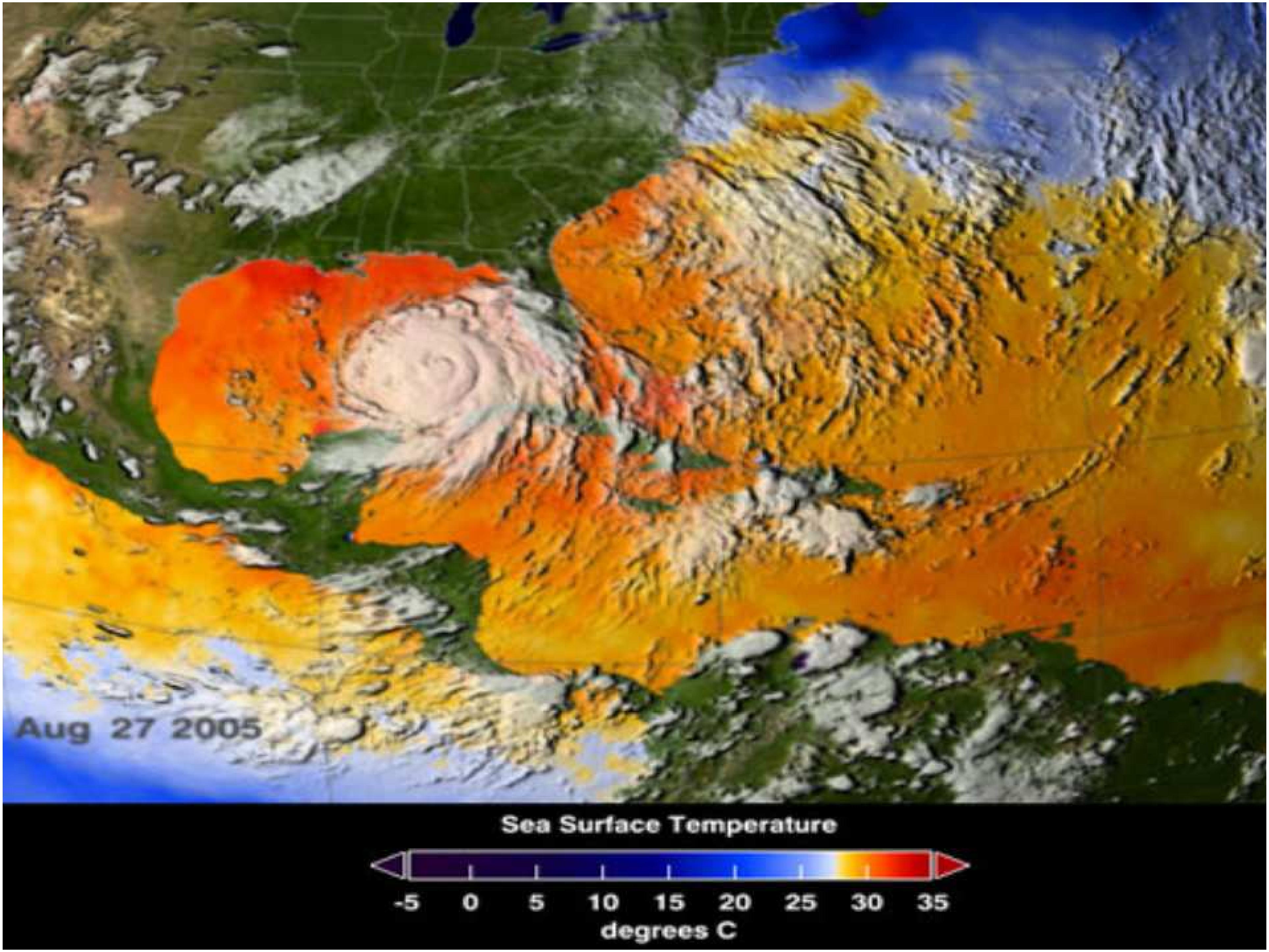
- **Greek finance sector opportunity for sustainability and CSR leadership in the region:**
  - Water resource management
  - Biodiversity markets and ecosystem services
  - Carbon finance
  - Sustainable venture capital

- **European Union funding of emerging environmental markets and EU accession:**
  - Clean up of industry in the Balkans – pollution control, emissions reduction, waste management, clean energy, energy conservation, energy efficiency
  - Environmental utilities – municipal waste management, water supply, wastewater treatment, hazardous and medical waste

Capturing the New Alpha:

" It can pay to lead on ESG: The companies that we identified as winners in our energy environmental, social and governance framework reports published in February 2004 and August 2005 have out-performed their peers by an average of 5% and 6% respectively"

- Goldman Sachs, October 2006


Aug 27 2005
Sea Surface Temperature
-5 0 5 10 15 20 25 30 35
degrees C


Investment


Dollar up
Global launch
inflation
globalisation
Brazil