UNEP Finance Initiative
Annual General Meeting

24 October 2005
11.00hrs – 17.00hrs

Meeting Document

Meeting Location:
Mezzanine Level Auditorium (2M)
Bank of America
9 West 57th Street
New York
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<tr>
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<tbody>
<tr>
<td>10:45-11:00</td>
<td>Registration: Arrival &amp; Coffee</td>
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<tr>
<td>11:00-11:30</td>
<td>1. Welcoming comments by UNEP Director for Technology, Industry and Economics &amp; UNEP FI Steering Committee Chair</td>
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<tr>
<td></td>
<td>1.1 <em>For Approval</em>: Summary Record from 21 October 2004 Annual General Meeting</td>
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<td>1.2 <em>For Information &amp; Review</em>: UNEP FI Constitution</td>
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<td>11:30-12:00</td>
<td>2. Treasurer's Report</td>
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<td>2.2 <em>2005 Financial report</em></td>
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<td>i) <em>Information</em>: Latest 2005 Signatory Contributions list &amp; figures</td>
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<td>ii) <em>For Approval</em>: Quarters 1-3, 2005 Profit and Loss Account</td>
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<td>12:00-13:00</td>
<td>3. 2005 Work Programme</td>
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<td>Summary update report by Chairs of Working Groups and Regional Task Force Representatives – Questions &amp; Answers</td>
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<td>13:00-13:45</td>
<td>Lunch</td>
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<td>4.1 <em>For Discussion and approval</em>: UNEP FI working groups and regional task forces 2006 work programme</td>
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<td>4.2 <em>For Discussion and approval</em>: UNEP FI 2006 Budget</td>
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<td>15:15-15:45</td>
<td>5. <em>For Discussion and Information</em>: Results of the &quot;UNEP Finance Initiative 2005 Signatory Survey&quot;</td>
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<td>15:45-16:00</td>
<td>6. Any other business</td>
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<td>16:00-16:30</td>
<td>7. Signing Ceremony &amp; Announcement of “Time for Change”</td>
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<td>16:30-16:45</td>
<td>8. <em>For Election &amp; Approval</em>: UNEP FI Steering Committee</td>
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<td>9. Next Meeting date, location &amp; Closure of AGM</td>
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*Cocktail Reception to be hosted by Trucost Plc. 17.15-19.15hrs*
Background Papers
Agenda Item 1
UNEP Finance Initiative Annual General Meeting

Thursday, 21 October 2004

Groupama, Paris, France

For approval by 2005 AGM - Final Meeting Report

UNEP Finance Initiative Secretariat

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3) Attachments

   (i) UNEP Finance Initiative Constitution

   (ii) List of Participants
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<td>09:15-10:00</td>
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| 10:00-10:45  | 1. Welcoming comments by UNEP Director for Technology, Industry and Economics & UNEP FI Steering Committee Chair  
|              |   1.1 *For Approval:* Summary Record from 8 October 2003 Annual General Meeting               |
|              |   1.2 *For Discussion & Approval:* UNEP FI Constitution                                       |
|              |   1.3 *For Election & Approval:* UNEP FI Steering Committee                                   |
|              |   1.4 *For Approval:* The proposed venue and date for the 2005 UNEP FI Global Roundtable      |
|              |   24-25 October 2005 in New York                                                              |
| 10:45-11:15  | 2. Treasurer's Report                                                                          |
|              |   2.1 *For Approval:* Audited 2003 Financial Report                                          |
|              |   2.2 *2004 Financial report*                                                                 |
|              |     i) *Information:* Latest 2004 Signatory Contributions list & figures                      |
|              |     ii) *For Approval:* Quarters 1-3, 2004 Profit and Loss Account                           |
| 11:15-11:30  | Coffee Break                                                                                  |
| 11:30-12:30  | 3. 2004 Work Programme                                                                         |
|              |   Summary update report by Chairs of Working Groups and Regional Task Force                    |
|              |   Representatives – Questions & Answers                                                        |
| 12:30-14:00  | Lunch                                                                                         |
| 14:00-15:15  | 4. 2005 Proposed Work Programme                                                               |
|              |   4.1 *For Discussion and approval:* UNEP FI working groups and regional task forces 2005   |
|              |   work programme                                                                             |
|              |   4.2 *For Discussion:* UNEP Strategy and Proposed 2005-6 Activities                          |
|              |   4.3 *For Discussion and approval:* UNEP FI 2005 Budget                                      |
| 15:15-15:30  | Coffee Break                                                                                  |
| 15:30-16:00  | 5. Benchmarking Questionnaire                                                                 |
|              |   *For Discussions and Information:* Steps ahead with Questionnaire                          |
| 16:00-16:15  | 6. Any other business                                                                         |
| 16:15-16:30  | 7. Next Meeting date, location & Closure of AGM                                              |
| 16:30-17:00  | End of meeting Cocktail                                                                       |
The meeting was opened by Michael Hölz, Chair of the UNEP Finance Initiative. Mr. Hölz welcomed all participants and gave a general overview of the Initiative’s success over the past year, and in particular, reflected on the Administrative changes that had been incorporated within the Initiative over the last 18 months. The Chair thanked the Secretariat, especially Yuki Yasui, for ensuring transparency and accountability in relation to the Initiative’s accounts, and cited the Audit Report by PWC, as evidence of this. The Chair stated that there was now real added value within the Initiative. The Working Groups, as the 3 pillars of the Initiative, received special mention by the Chair and he stated that the effectiveness of the Initiative in the regions was now being realised.

Citing the volume of issues to be covered during the AGM the Chair called on Vincent Zeller, Chief Financial Office for Groupama to say a few words of welcome on behalf of the hosts. Mr. Zeller informed the participants that the CEO of Groupama, Mr. Francis Ailhaud would address the meeting at the start of the afternoon session.

Paul Clements-Hunt, Head of Unit, UNEP FI offered apologies on behalf of Ms. Monique Barbut, Director UNEP’s Division of Technology, Industry and Economics, for her unavailability. Ms. Barbut asked the Secretariat to offer the following comments in her place:

- UNEP Finance Initiative has undergone a period of significant change in the last twelve months since the merger of the UNEP Financial Institutions Initiative and the UNEP Insurance Industry Initiative at the 2003 Annual General Meeting.
- At the recent Steering Commitment meeting in Budapest on 28 September, UNEP was impressed by the energy and vision the Interim Steering Committee brought to a process to conclude all outstanding administrative, legal, constitutional and financial matters resulting from the merger the AGM agreed to in 2003. The papers they have prepared are presented here today for your approval and UNEP would like to congratulate Michael Hölz of Deutsche Bank, the Chairman, and the other Interim Steering Committee members for their commitment to the merger process.
- The Constitution presented to you today for approval does a number of important things:
  - it binds together the two original initiatives;
  - it places UNEP FI’s regional working groups in a more central role while continuing to understand and appreciate the critical importance of the core working groups;
  - and it provides clear guidance for UNEP FI as a public private partnership within the United Nations system.
- In closing these brief opening comments, to reiterate UNEP’s commitment to UNEP Finance Initiative, the oldest of our voluntary partnerships with the financial sector.

Following a request for any additional items to be added to the Agenda, the Secretariat informed the participants of the procedures concerning “Proxy” votes. At this point there was an interjection from Barclays Bank to inform the meeting that they were authorised by Lloyds Bank to carry their proxy vote. The Japan Bank for International Cooperation and Development (JBIC) stated that as they were new members to the Initiative they did not feel it would be appropriate to vote.

The Summary Record from 8 October 2003 Annual General Meeting was approved by the attendees.

The Secretariat gave a short overview on the development of the Constitution. This was the 7th version of the document being presented to the AGM (Annex 1). The participants were informed that up to May 2004 the
Document had been open to external consultation and following this the Steering Committee took all the comments on board. The consultation process had been healthy, with much discussion among Steering Committee members, in order to develop the draft that was being presented to the AGM.

The Secretariat highlighted that comments on Version 7 of the Constitution had been received from JBIC, Standard Chartered and Swiss Re. The Secretariat recognized, from the comments received, that some minor changes would need to be made to language in order to ensure there was adequate clarity for the signatories. The Secretariat also highlighted the following two issues, which were brought to its attention.

1) **Reaching a decision on the level of representation for the Task Forces and Working Groups on the Steering Committee:**

In reply to this the Secretariat outlined the proposal that was currently in Version 7 of the Constitution. The AGM was also informed that for the Steering Committee to have some continuity as it moved into this transition phase, it would retain 4 members from the existing Committee. The Secretariat also informed the participants that the position of Chair would be elected directly by the new committee itself.

2) **The question was also raised as to whether the WSSD Statements should get equal weighting as the two UNEP FI Statements within the Constitution.**

The Secretariat asked for the discretion of the AGM to return to specific signatory members and talk through any minor issues they may have. It was made clear by the Chair that the Constitution could be modified, if the need arose, on an annual basis.

A general discussion took place on the Constitution during which the following issues were discussed:

i) The representative from FMO raised the issue of the ‘Financial Institutions Service Organisation (FISO)’ that had been mentioned in previous versions of the Constitution and the representative from KFW asked the following two questions (a) had the trust fund replaced the FISO and (b) can you remain a member of the Initiative and not pay.

The Secretariat informed the signatories that the Trust Fund was now replacing the FISO. On the issue of financial contribution the Secretariat again outlined the fee structure and stated that signatories must either pay one of these levels or at least offer ‘payment in kind’. As a partner in the Initiative, UNEP, would endeavour to retain all signatories if they showed a commitment to the Initiative. But the point was made by other participants at the AGM that “Free Riders” would not be tolerated, the message was clear, you had to be active and involved, either in the Working Groups or Task Forces or some other explicit involvement in UNEP FI. If after writing to a company 3-4 times and there was no reply they should be removed from the Initiative.

ii) KFW raised the legal aspect of dropping any companies who had signed a voluntary Statement but were now being dropped.

It was noted that signatories had indeed signed a voluntary statement, but as the changes in the workings of the Initiative had been decided at the Initiative’s own Annual General Meeting, the Steering Committee felt justified in asking a company to step down if the company was clearly seen not to be engaging with the Initiative. If a company showed some willingness to work with the Secretariat and engage in some activities that support the FI statements they could remain a member of the Initiative.

iii) UBS stated that they fully support the preamble but informed the AGM that if the following wording remained within the constitution “members should subscribe to the three Statements”, there would be a difficulty to clear this internally within their respective institution.

The Secretariat noted that it was possible to change the language while still being able to respect each Statement. The Secretariat would alter the wording in relation to the WSSD Statement and felt this would meet the concerns of JBIC and UBS.

iv) Development Bank of Japan (DBJ) sought clarification on how there were only 4 Task Forces positions on the proposed new Steering Committee.
The Secretariat again reiterated that there was intense and vigorous discussion around this process. The current solution is a compromise, and that rotation could be viewed as a possibility. The Secretariat stated that the current structure is strong and workable, but can always be revisited at the next AGM.

**Decision**
The Chair then called for a vote on the Constitution as it currently stood bearing in mind possible minor linguistic changes plus the Secretariat addressing the concerns raised above. The vote was as follows: 38 Votes in favour, 2 abstentions and 4 No votes. The Chair declared the Constitution accepted.

**Agenda Item 1.3  For Election & Approval: UNEP FI Steering Committee**

The Secretariat outlined the voting procedure for the “Open positions” on the Steering Committee, informing participants that the vote would be held by secret ballot. The Secretariat read out the list of self-nominations, and at the same time outlined again the structure of the new Steering Committee, and clarifying those companies who were stepping down from the present committee. The Secretariat made it clear that as this Constitution was accepted it would now approach the Working Groups and Task Forces to ascertain how these groups would be represented on the new Committee.

The Secretariat then called on those participants in the room who had not yet submitted their voting forms to do so now.

**Decision:** Following the vote the Secretariat informed the AGM that the following companies were duly elected onto the Steering Committee:

- Bank of America
- Insurance Australia Group (IAG)
- Rabobank

**Agenda Item 1.4  For Approval: The proposed venue and date for the 2005 UNEP FI Global Roundtable 24-25 October 2005 in New York**

**Decision:**
The Vote was called for on the above Motion and was duly agreed by the AGM.

**Agenda Item 2.1  Treasurer's Report For Approval: Audited 2003 Financial Report**

Otti Bisang, Treasurer of the Initiative, gave a brief overview of the Initiatives Accounts since 2002. As 2002 was a special year due to the World Summit on Sustainable Development (WSSD) and accompanying heavy investment the accounts were not in a stable condition. However, since then over the last two years all issues related to the Accounts including income, transparency, reporting etc has improved significantly. The treasurer thanked the Secretariat, particularly Yuki Yasui for all her work in this area over the last 18 months.

The Treasurer highlighted the audited 2003 Account and referred to the PricewaterhouseCoopers (PWC) letter on Page 44 of the background document. This letter stated that the accounting records and financial statements of the Initiative compiled with Swiss law.
The Treasurer took the opportunity to highlight the good value the Initiative received from the team of consultants in Geneva. The expenditure on consultants was quite low compared to the size of the team in Geneva. Following a query from one of the participants the Treasurer outlined the basis of the UNEP FI ‘Trust Fund’ in Nairobi, and how it operated in relation to the Initiative.

General Discussion:
Following the Treasurer’s overview clarification was sought on a number of points:

i) KFW inquired as to why was not all income put into Total reserves?
The Secretariat responded by saying that some of the funds were needed for the Work Programme and that the Steering Committee had decided that a ceiling could be set on what went into the reserve as the Initiative was not intended to be profit making.

ii) BBV inquired as to what is the $82,000 in sponsorship?
The Secretariat explained that this was money for projects such as the Conflict project. This money was received for specific projects and not for general use.

iii) Development Bank of Japan request to know what was the Deferred revenue of $90,000?
The Secretariat explained that this was the financial contribution received from signatories in a prior year for the following year.

iv) OTP Bank asked what reserve are we aiming for?
The Secretariat informed the participants that the Steering Committee had set a reserve level at $100,000. It was explained that the reserve was there to honour any existing contracts or payments should funding of the Initiative cease. It was the Steering Committee’s aim to keep a 10% safety cushion within the accounts.

v) The ACTIS representative inquired as to how much does a Roundtable Cost?
It was explained that the Roundtable is run on a self-financing basis with all incomes being ploughed back into the event. The Roundtable does not in any way receive any supporting income from the principal account. Costs for a Roundtable also vary according to location. The aim is for a roundtable to be self-liquidating.

vi) ACTIS and OPT Bank wanted to know is the Reserve invested?
The participants were informed that the reserve was not invested but that this was an idea, which could be taken up in the future.

Decision:
The Chair called for a vote on the acceptance of the audited 2003 financial report. The vote was passed by the meeting.

**Agenda Item 2.1  Treasurer’s Report**

i) Information: Latest 2004 Signatory Contributions list & figures

ii) For Approval: Quarters 1-3, 2004 Profit and Loss Account

The Treasurer presented a short set of slides to give an overview of Agenda Item 2.2 (Annex 2). The Treasurer again highlighted the improving year on year income from signatories to the Initiative. The Treasurer reported that for Qtr 1 – Qtr 3 2004 expenditure was within the Budget set out for the year and overall the discipline within the Accounting system was much improved.

General Discussion:
Following the Treasurer’s overview clarification was sought on a number of points:

i) Garant inquired as to what was the status of the “Free Rider” problem, and how was this being addressed?
Members of the Steering Committee present informed the meeting participants that they had requested the Secretariat to organise a letter from Klaus Töpfer, Executive Director, UNEP to all “Free Riders” informing them of the situation and making them aware that if they do not actively participate they would be shortly taken off the signatory list.

ii) What was meant by “Non-Communication” from signatories?
The Secretariat outlined for the participants the steps they had taken to date with all “Free Riders”, and that there were some signatories who the Secretariat had tried to contact by different routes but too no avail.

iii) KFW wanted to understand how does the planning process take place on Budget issues?

The Secretariat outlined very clearly the steps that had been taken with the various working Groups and Taskforces to enable them to make submissions for their budget and in turn this was approved by the Steering Committee for submission to the signatories at the AGM. The budget timeline was a classical one with a budgetary round for the year ahead opening in May, being reviewed by the Steering Committee in September and with the planned sign off by the AGM in October of a given year.

**Decision**

The Chair then called for a vote on the acceptance of the 2004 financial report. The vote was duly passed by the meeting.

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**Agenda Item 3  2004 Work Programme**

Summary update report by Chairs of Working Groups and Regional Task Force Representatives – Questions & Answers

The Secretariat called on the Working Groups and Task Forces representatives to give a summary update report on their activities to date

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<tr>
<th>Work Stream</th>
<th>Represented by</th>
<th>Main points</th>
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<tbody>
<tr>
<td>Asset Management</td>
<td>Carlos Joly, Storebrand</td>
<td>• Overview given of Materiality Report and its release in the summer</td>
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<td>• Gives outline of the AMWG membership, people who are involved in the group are the Asset Managers themselves</td>
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<td>• Round 2 would be launched in 2005</td>
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<td>Climate Change</td>
<td>Dirk Kolher, Garant</td>
<td>• Release of a CEO Briefing on Renewable Energy in June</td>
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<td>• Working with the Sustainable Energy and Finance Initiative (SEFI)</td>
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<td>• Regular involvement with UNFCCC</td>
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<td>• Side Event at COP10 in Buenos Aires</td>
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<td>• CEO Briefing on Finance for Carbon Solutions to be released</td>
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<td>• In 2005 bring the findings of the CEO briefings on to the ground</td>
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<td>Sustainability Management</td>
<td>Martin Hancock, Westpac</td>
<td>• Explanation of the two streams in SMRI</td>
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<td>Reporting Indicators</td>
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<td>• 70% of responses stated that the guidelines met their expectations</td>
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<td>• Pilot the guidelines out through the regions</td>
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<td>• Working to have a global standard</td>
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<td>African Task Force</td>
<td>Justin Smith, Nedbank</td>
<td>• Focus on Francophone Africa</td>
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<td>• Problems with only South African members</td>
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<td>• Environmental Risk management programme, linking in with other Task Forces</td>
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<td>• Launch of Sustainability in Africa Report</td>
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<td>• Launch of a CEO style briefing</td>
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The Secretariat then informed the participants about two additional Projects on

1) Finance and Water, in cooperation with the Swedish Government

2) Finance and Conflict, in cooperation with the German Government

The Secretariat stressed that all signatories should utilise the Working Groups and especially the Regional Task Forces as much as possible, as they are there to assist all members.

Agenda Item 4 2005 Work Programme

4.1 For Discussion and approval: UNEP FI working groups and regional task forces 2005 work programme

The Secretariat gave a brief overview of the 2005 proposed Work Programme, touching on some of the points made earlier by the Working Groups and Task Force Representatives. The Secretariat also gave some background to the proposed Budget and the expected income levels. The participants were informed about the possible bilateral funding possibilities, for example with the “Emerging Markets” project and the Sustainable Energy Finance Project.

The Chair highlighted the proposed deficit of $34K for 2005 and explained the transition of the Initiative’s finances from an external account to one within the UNEP system.

Following a question from the participants on the decision process in relation to the budget, the Secretariat again outlined the steps that had been taken throughout the previous months. The AGM was informed that the Steering Committee evaluated the amount allotted to the various work streams very carefully. The results of the Working
Groups and Task Forces to date were weighed, plus their proposed Work Programmes going forward were closely examined. Africa was given special attention due to the Initiative efforts to try and engage institutions on the continent. It was made very clear that the Working Groups and Task Forces will be working even more closely together in 2005 with a number of cross linkages.

There was an appeal on behalf of the General Insurance Working Group for signatories to become involved. This Working Group was recently set up following requests by insurance signatories to ensure their needs were met.

**Agenda Item 4  2005 Work Programme**

4.2 UNEP Strategy and Proposed 2005-6 Activities

The Secretariat then gave an overview of the paper that UNEP was offering from their side of the partnership within the Initiative to the signatories. The main points were:
1) Financial Institutions and Multi-lateral Environment Agreement Project
2) Financial Services and Water Project
3) Sustainable Training for the Financial Services Sector
4) Financial Services and Conflict Project
5) Responsible Investment Project

The Secretariat made it clear that this was just an offering and it was in no way prescriptive. It was also made clear that UNEP was not looking for any additional financial assistance from signatories, unless they wished to contribute, but primarily funding would be sought from Governments etc.

It was made clear by the Secretariat that the Training component would not in any way duplicate what other signatories were already doing, but instead these signatories could advise and assist the Secretariat with the establishment of this work stream.

A number of signatories mentioned that they would prefer at future AGM’s if more discussion time could be given to substantive issues rather than Administrative issues. It was pointed out to them by the Secretariat that this AGM was a watershed due to a number of outstanding issues (i.e. Constitution) following the merger of the Insurance Industry Initiative (III) and Financial Institutions Initiative (FII).

There was a pause in the Agenda as the CEO of Groupama Mr. Ailhaud welcomed participants to the AGM. There was a brief presentation to Mr. Ailhaud by Michael Hölz, as UNEP FI Chair, on behalf of the Initiative.

When the discussion restarted there was some focus on UNEP FI’s relationship with the Global Compact. Some members expressed their concern that the Global Compact offices in their respective countries were not aware of UNEP FI activities. The Secretariat outlined the very close work the Secretariat has carried out with Mr. George Kell, and the Global Compact office in New York over the last 12 months.

**Agenda Item 4  2005 Work Programme**

4.3 For Discussion and approval: UNEP FI 2005 Budget

**Decision**

Following these discussions the Chair called for a vote on the Agenda items 4.1 and 4.3, both items were passed by the meeting.

**Agenda Item 5  Benchmarking Questionnaire**

* For Discussions and Information: Steps ahead with Questionnaire
The Secretariat gave an overview of the process and findings of the Questionnaire to date. It stated that this was just a pilot study and would enable the secretariat in future to work with the signatories to formulate more detailed and efficient Questionnaires. It gave the Secretariat a base line to work from, and they would be discussing the findings with the Steering Committee.

**Agenda Item 6  Any other Business**

There was an inquiry concerning what “reporting” signatories are expected to do within the Initiative in 2005. The Secretariat informed the participants that this issue would be discussed with the Steering Committee during their meeting in January. It is envisaged that Signatories could potentially provide their annual environmental reports, or just the links to their reports on their websites. The Secretariat referred to the Corporate Registry and the work that has been carried out to date in support of UNEP FI. The Secretariat would inform all signatories in due course what is expected of them on reporting matters.

**Agenda Item 7  Next Meeting Date, Location and Closure of AGM**

There was consensus among those present that the next AGM should be held in New York on the eve of the UNEP FI Global Roundtable. Exact date and location to be confirmed in due course.

Hussein Abaza, Chief Economics and Trade Branch, UNEP offered some closing words on UNEP’s behalf. Mr. Abaza acknowledged the achievements of the Initiative over the last number of years and welcomed the changes on its administrative side. He wished the Initiative all the best for its Work Programme in 2005.

Michael Hölz then closed off the meeting offering his thanks to all those present who helped to make the event an historical one. The Initiative had witnessed a very successful 2004 and it had shown itself to be the premier Initiative of its kind around the globe. All governance issues had been cleared and a robust Work Programme had been set for 2005. The Chair thanked the Secretariat and the signatories and offered his wishes to all for a successful continuation of the Initiative activities.

The Annual General Meeting was then closed.
# UNEP FI Annual General Meeting 21.10.2004
## Attendance List

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<tr>
<th>Company Name</th>
<th>First Name</th>
<th>Email</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actis</td>
<td>Ms. Alice Chapple</td>
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<td>+44 207 234 5000</td>
</tr>
<tr>
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<td>+61 3 9273 6267</td>
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<tr>
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<td>+44 20 7662 2245</td>
</tr>
<tr>
<td>AXA - Group Management Services</td>
<td>Ms. Catherine Boitaux</td>
<td><a href="mailto:catherine.boitaux@axa.com">catherine.boitaux@axa.com</a></td>
<td>+33 1 40 75 46 54</td>
</tr>
<tr>
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UNEP Finance Initiative

Final Constitution

(18 January 2005)

Version 8

(including input received at the UNEP FI Annual General Meeting, October 2004)
Preamble
The Finance Initiative (FI) is a public private partnership, framed as a not for profit, voluntary initiative, between the United Nations Environment Programme (UNEP) and financial institutions from around the world. The term financial institutions covers the mainstream banking, insurance and asset management sectors, both public and private, including multilateral financial organizations. Upon joining UNEP FI all member financial institutions, whether private, public or public-private entities, adopt either the "UNEP Statement by Financial Institutions on the Environment and Sustainable Development" or the “UNEP Statement of Environmental Commitment by the Insurance Industry”. By signing The Statements institutions indicate they wish to develop its precepts in their business and by engaging their customers, suppliers and other interested parties to support the goals of The Statements. Equally, in joining UNEP FI member institutions will strive to act in support of the recommendations detailed in the UNEP FI Statement to the World Summit on Sustainable Development (WSSD) that took place in Johannesburg, South Africa, in 2002. Copies of the three aforementioned Statements are supplied by the UNEP FI Secretariat upon request.

This Constitution is to provide a framework for the co-operation between UNEP and signatory institutions to ensure that the goals captured in The Statements are promoted effectively. The Constitution is also framed to organize the governance and operating disciplines for the Finance Initiative.

The UNEP FI Mission:
The UNEP FI Mission is to identify, promote and realise the adoption of best environmental and sustainability practice, as described in the UNEP FI Statements, at all levels of financial institution operations. Core UNEP FI activities in support of its Mission include:

- **Research**: on the development of policy, assessment and operational tools enabling financial institutions to integrate environmental and sustainability best practice into their policies and practises;
- **Partnerships**: between all members of the financial services sector and, where appropriate, other stakeholders, to establish and enact a common commitment to the goal of sustainable development;
- **Global Capacity Building**: to further the integration of environmental and sustainability considerations into financial institution decision-making processes, as well as to stimulate the development of core products and services that support the goal of sustainable development. Building understanding and capacity for financial institutions in the developing world and transition economies is of particular importance for the UNEP FI partnership;
- **Global Consensus Building**: to raise awareness, through consultation and dialogue, of the pivotal role the financial services sector can play in realizing the collective goal of sustainable development. Also, importantly, to agree on the most effective approaches, actions, and mechanisms that enable individual institutions, as well as the sector collectively, to support continual improvement in environmental management as well as contributing concretely to the goals of sustainable development.

**Article 1. Objectives of the UNEP FI:**
1. To support the precepts of The Statements and to encourage their adoption and development amongst financial institutions;
2. To promote throughout the financial services sector action in support of sound environmental management and broader sustainability within institutions core internal and external activities;
3. To encourage other interested parties including customers, governments, interest groups and regulators to embrace the spirit of The Statements and to support the efforts of financial institutions to implement policies and actions that support realization of The Statements goals;
4. To co-operate under the auspices of the United Nations Environment Programme (UNEP) with other UN agencies, programmes and divisions, and any other parties having similar objectives or interests, to promote the integration of sound environmental and sustainability management across the financial services sector;
5. To promote membership of UNEP FI and to encourage all financial institutions especially those in the developing world and transition economies to become active in the partnership;
6. In conjunction with UNEP and others to conduct conferences, training and educational meetings, as well as dissemination of literature promoting UNEP FI objectives;
Article 2. The Nature of UNEP FI:
UNEPI Finance Initiative is a public private partnership between the United Nations Environment Programme (UNEP) and the member financial institutions that have agreed to become part of this voluntary initiative. UNEP FI is recognized as a partnership within the United Nations system and is subject to all the disciplines - administrative, financial, legal, and otherwise - that pertain to bodies or activities within the United Nations.

Article 3. Membership
The following conditions and disciplines will guide UNEP FI membership issues:
1. UNEP FI members will be lawfully established and appropriately licensed financial institutions, both public and private, which are willing to subscribe to the aforementioned UNEP FI Statements;
2. UNEP FI signatories will agree to the membership conditions laid down by the UNEP FI Annual General Meeting (AGM) and communicated clearly and in a timely manner to all member institutions. This will include paying such annual fees as the UNEP FI AGM deems appropriate (See Article 15). Member companies will also commit to the following conditions agreed within UNEP FI following consultations during 2002-2003:
   i. Participation, as a minimum, at a UNEP FI AGM every second year but ideally on an annual basis;
   ii. Submission on an annual basis of a brief report detailing the policy and practice steps the member institution has taken in the previous year to advance its commitment to the UNEP FI Statements. The UNEP FI Secretariat would provide a questionnaire template to be completed by the signatories. A signatory could offer their annual sustainability report, in lieu of returning a completed questionnaire. A numerical summary of how many companies did report in a given year and how many are moving towards reporting will be considered for inclusion in the UNEP FI Annual Report. Member companies that indicate their reports can be published on the UNEP FI web site will be facilitated;
   iii. Assisting the UNEP FI Secretariat on an annual basis to update the tables it is required by the Steering Committee to maintain highlighting individual member activity levels in support of UNEP FI, UNEP FI events and the UNEP FI work programme activities.
3. If an institution is named on the UNEP FI members list then it is considered the institution in question is eligible to pay annual fees notwithstanding the fact it also may be part of a larger financial group also named as a UNEP FI member. For those institutions named as members of UNEP FI, membership of a holding group - or an equivalent corporate structure - does not preclude payment of fees;
4. The UNEP FI Steering Committee, as directed by the AGM, may agree also that in certain cases annual membership fees are waived if a member makes written presentations to the Steering Committee outlining why this should be the case. Where a member's annual fee is waived the decision will be reviewed by the Steering Committee on an annual basis prior to a decision to (a). Continue to waive the member's fee for the following year or (b). Revert to mandated fee payment;
5. There are three distinct kinds of membership in UNEP FI highlighted below. The distinction between (ii). and (iii). recognizes the fact that certain public sector financial institutions are not permitted to pay member fees to a public-private partnership such as UNEP FI. The membership categories are:
   i. As the key public sector representative to the partnership, UNEP is a permanent full member of UNEP FI with a guaranteed seat on the Steering Committee and full voting rights;
   ii. Financial institution member's which pay annual fees and abide by agreed membership conditions will have AGM voting rights and will be considered signatories and full members;
   iii. Financial institution members which are non fee paying, such as certain public or multilateral institutions, will secure full voting rights upon making an annual financial donation to UNEP FI, such as the financing of a specific UNEP FI activity to an agreed level;
iv. The Steering Committee shall have the discretion and authority to determine and propose an institutions membership status if the institution does not fit comfortably into classifications i. ii, and iii. For example, this may be the case for either mainstream or specialist rating agencies, pension funds, and other recognized financial service institutions that are not easily classified. Such members will be expected to pay standard fees or, failing this, as a minimum they will be requested to make a financial donation to UNEP FI, such as the financing of a specific UNEP FI activity to an agreed level;
v. The Steering Committee shall have the discretion and authority to determine the suitability and status of financial institution associations, sectoral or geographical in nature, that apply to become involved in UNEP FI.
6. Any dispute or refusal of membership will be presented to the Steering Committee in a timely manner for consideration and decision;
7. Membership shall cease for a full member for the following reasons:
   i. On its ceasing to be lawfully established or licensed;
   ii. On its ceasing business or its insolvency;
iii. Upon the Secretariat receiving a written request from a company that wishes to resign from the Initiative;
iv. Upon being acquired by or merging with another financial institution, unless the new entity informs the Steering Committee in writing that it wishes to remain a member of the Initiative;
v. By recommendation of the Steering Committee, agreed by the AGM, if a member fails to fulfil the precepts and requirements of the UNEP FI Statements or agreed membership requirements. In such a case, a letter co-signed by a Senior UNEP representative and the Chair of UNEP FI informing the member institution that it is being asked to step down from the Initiative will be sent to the Chairman of the Board of the company in question;
vi. On non-payment of annual fees and with the member institution supplying no written request for a fee waiver or explanation of why the member fees should not be paid for a given calendar year. In such a case the following process will be followed:
a. Full Members that have not paid the membership fee will receive two written reminders requesting them to pay their annual fees. The second reminder letter will inform them that their membership of UNEP FI will be terminated unless payment is received within sixty days;
b. Sixty days following the second reminder letter and in the absence of a written explanation to the Steering Committee, a non-paying institution will be advised that its membership of UNEP FI has lapsed and that it is no longer a member;
c. A member institution which has allowed its’ annual fee payment to lapse, with no request for a waiver or written explanation, can be re-instated by the Steering Committee if, within a period of one year of its membership lapsing, it pays its fees for the previous year in full or makes a detailed written case explaining why it should be re-instated and have its fees waived.

Article 4. Roles, Responsibilities and Formation of the Steering Committee and Supporting Officers:

1. The business of the FI shall be managed by the Steering Committee which may exercise all such powers of the UNEP FI other than those required to be exercised in the General Meeting, subject nevertheless to the provisions of the Constitution and to such regulations as may be prescribed by the UNEP FI in a General Meeting;
2. A Member of the Steering Committee shall be the signatory company elected onto or appointed to the Steering Committee and not the individual representing the company;
3. Elections for and appointments to the Steering Committee shall take place at the UNEP FI Annual General Meeting on a two yearly basis. To ensure appropriate longevity and administrative continuity the following conditions shall apply:
i. Members of the Steering Committee shall serve for a period of two years, reconfirmed on a no objection basis by the AGM at the end of the first year i.e. if no written objections is received from a UNEP FI member with respect to a Steering Committee member then the Secretariat will assume the reconfirmation by the AGM is automatic;
ii. No member may occupy a Steering Committee position for a period longer than two years. This also applies to the Chair of the Steering Committee;
iii. Members, including the Chair, may only serve a two-year long term, if reconfirmed by the AGM after their first year. During its term the institution may appoint an alternative representative if circumstances require it;
iv. Members having served two consecutive years can be re-elected or re-appointed after a break of one year;
v. Following the formation of the Steering Committee that body will then elect its own Chairman for a period of one year.
4. The Steering Committee shall consist of up to 13 members plus one representative from UNEP. UNEP will have a permanent position on the Committee. Seven members shall be the quorum for the Steering Committee. Formation of the Steering Committee shall be as follows:
i. A UNEP representative (permanent);
ii. A Chair (elected by fellow Steering Committee members from within the group);
iii. One member of the Steering Committee, not drawn from the regional representation, will be appointed by fellow members as having responsibility for financial matters;
iv. Regional Representatives: Representation from the Regional Task Force Chair, or their nominated representative, ensuring that Regional Task Forces shall have four Steering Committee positions with the representative having an interest in the region for which he or she is appointed. The regional task
forces will agree between themselves the four regional representatives to the Steering Committee on an annual basis;

v. Working Groups: Representation from the Working Group Chair, or their nominated representative, ensuring that core working groups shall have two positions. The core working groups will agree between themselves the two representatives to the Steering Committee on an annual basis;

vi. Signatory Representatives: Any open positions not filled by i) through v) above, such that the sum of all steering committee members, excluding the UNEP representative, does not exceed 13 members will be open for election directly by the signatories. These positions should be filled in a manner that supports balanced representation on the Steering Committee in terms of geography and in terms of the key sectors of the financial services sector. As a minimum, there will be at least two representatives each for both the asset management and insurance communities acknowledging that, given the banking sectors numerical dominance in the Initiative, there will most likely be appropriate representation for the banking sector.

5. The Steering Committee is empowered to co-opt representatives from core UNEP FI working groups and or projects, as well as non UNEP FI members, for example members of national or regional financial institutions associations, where specific expertise is required. Such co-opted Steering Committee members shall not be entitled to vote and shall not count towards a quorum;

6. Any member of the Steering Committee may appoint any other member of the Steering Committee to act on their behalf by proxy by giving 24 hours notice in writing to the Secretary;

7. No member company shall hold more than one place on the Steering Committee;

8. The Steering Committee shall invite the UNEP to provide a Secretary for the UNEP FI and its Steering Committee. The Secretary will not have any voting rights and the Secretary position does not count towards a quorum;

9. Questions arising at any Steering Committee meetings shall be decided by a simple majority vote, with each member of the Steering Committee present in person, or by proxy, or by electronic means having one vote. UNEP has no Veto power;

10. It shall be the specific responsibility of the Steering Committee to:

i. Develop and propose from time to time amendments to the Statements, with a review once every three years, subject to final approval at the AGM;

ii. To oversee all aspects of compliance for UNEP FI;

iii. To implement the work programme as approved at the AGM, and if and when required, develop and propose additional work programmes, projects, work streams and in concert with UNEP to plan all adequate provision of resources;

iv. Oversee the activities of UNEP FI projects, working groups, task forces and partnerships;

v. To give strategic and policy guidance, including the identification of emerging issues for the financial services sector that are to be communicated to member companies in a timely manner;

vi. To propose for the AGM budgets sufficient funds to carry out such projects and programmes and to arrange the raising of necessary revenues by way of fees, grants and contributions in kind. To allocate additional funds, if required, through the course of the year above those approved at the AGM to fulfil agreed work programme requirements;

vii. No member of the Steering Committee will be empowered to vote on budgetary matters related to either working groups, regional task forces or projects in which they have an active, directional role;

viii. To provide at least once a year, in liaison with the Steering Committee member responsible for financial matters, and for approval at the AGM a set of accounts clearly showing income and expenditure broken down in reasonable detail including liabilities and reserves sufficient to show a transparent picture of the finances of the FI. Accounts must be in accordance with a publicly accepted accounting practice approved by the AGM. Accounts must be kept transparent and clear in such a way that it reveals the complete picture of all details of the UNEP FI’s finances easily understandable to the members. The previous year’s full accounts should be presented by the Steering Committee member responsible for financial matters at the UNEP FI Annual General Meeting (AGM) held, ideally, in the first quarter of the subsequent year to the accounts being presented;

ix. The recruitment process for UNEP staff will be in line with normal United Nations system recruitment procedures. The Steering Committee will be kept informed of recruitment processes and will be advised of the candidate selected by UNEP to fill staff positions;

x. Working closely with the UNEP representative the Steering Committee will monitor, assess, and, as necessary, comment on the performance of UNEP staff members fulfilling the UNEP FI Secretariat function.
Article 5: Recruitment, Roles and Responsibilities of the UNEP FI Secretariat:
1. UNEP will provide the Secretariat for the UNEP FI and the duties of the Secretary, provided by UNEP, shall be as follows:
   i. To carry out the work programme and activities of the UNEP FI as agreed by UNEP and the member institutions;
   ii. To prepare and present to the AGM an annual report covering all UNEP FI activities;
   iii. In support of the annual report, work with the Steering Committee member responsible for financial matters to prepare a financial report for submission to the Steering Committee and AGM;
   iv. Working with appropriate Steering Committee members, prepare and present a year ahead work programme for the AGM;
   v. In support of the year ahead work programme, work with the Steering Committee member responsible for financial matters to prepare a budget for submission to the Steering Committee and AGM; The forecasted income of fees would act as the framework for the budget expenses.
   vi. To organise the UNEP FI Annual General Meeting and other General Meetings of the UNEP FI;
   vii. To organise Steering Committee meetings;
   viii. To organise the Global Round Table Meeting and all outreach meetings;
   ix. To deal with all general enquiries concerning the FI;
   x. To prepare minutes of all proceedings of the Steering Committee and of the FI in General Meetings. When approved and entered in the minute book these minutes or summary records shall be deemed to be conclusive evidence of the events recorded. Minutes shall be distributed to members within 14 days of proceedings;
   xi. Consultants contracted to assist UNEP FI shall be employed in line with the United Nations rules governing the employment of consultants.

Article 6. General Meetings:
1. A General Meeting of the FI shall be held in each calendar year at such specific time and place as may be fixed by the Steering Committee:
   i. This General Meeting shall be known as the Annual General Meeting (AGM). The notice calling any General Meeting shall specify the time and place of the meeting and the general nature of the business to be transacted;
   ii. Three calendar months notice regarding the specific date and location of the AGM shall be given to each Member;
   iii. The Chair of the AGM will allow any issue to be raised for discussion on the day under the agenda item “Other Business”;
   iv. If for any reason a number of members are not aware of the proposed AGM gathering or its agreed date then the proceedings of the AGM will not be invalidated unless more than 15% of the membership raise such a concern within one month of their receiving a copy of the final AGM summary record;
2. Each Member may nominate an individual to be a Delegate at General Meetings to stand in-person or by electronic means. Where possible at least thirty-six hours clear notification of such nomination identifying the individual Delegate must be given to the Secretary before the meeting. The vote of such Delegate on behalf of the Member shall be accepted;
3. Any Member unable to attend a General Meeting, but who wishes to be represented, may appoint a proxy who shall be entitled to vote on that Member's behalf. Except in an emergency, thirty-six hours clear notification of such appointment identifying such proxy must be given to the Secretary before the meeting;
4. With respect to Extraordinary General Meetings (EGMs):
   i. EGMs may also be held at such other times as the Steering Committee may determine;
   ii. An EGM may also be requested by the Members provided every such request is signed by at least ten per cent in number of the Members, and the object of the meeting must be stated;
   iii. Where an EGM has been requested by the Members, the Secretary must issue a notice calling that meeting within seven days of the date the request was received, such notice being served in accordance with Article 14. Not less than fourteen clear days notice of each EGM shall be given, provided that in the case of an EGM at which any alterations in or additions to the Constitution are to be proposed not less than 30 clear days' notice shall be given;
   iv. The Steering Committee shall have power to summon an EGM at shorter notice to deal with any matter, which it considers to be a matter of extreme urgency. Such notice being served in accordance with Article 14. Not less than seven clear days notice for such EGM’s shall be given.
5. One quarter of the total membership signatory base must be present by delegate or proxy in order for the proceedings of an AGM or EGM to be valid;
6. Proposals for agenda items for the AGM will be sought from all signatories. Proposals must be received in writing by the Steering Committee two full months prior to the AGM;
7. It shall be the specific responsibility of the Annual General Meeting to:
   i. Approve the minutes of the previous AGM;
   ii. Elect and appoint positions within the Steering Committee;
   iii. Develop, propose and approve from time to time amendments to the Statements, should it be required;
   iv. Develop, propose and approve from time to time amendments to the Constitution, should it be required;
   v. Develop, propose and approve the work programme for implementation by the Steering Committee for the following year;
   vi. Develop, propose and approve both the previous year financial report and the year ahead Budget and membership fees for implementation by the Steering Committee for the following year;
   vii. Approve the Annual/Status reports of the Chair and the Steering Committee member responsible for financial matters as well as those of the various project groups, working groups, task forces, and regional partners;
   viii. Approval of new projects, working groups/task forces as proposed by the Steering Committee and approve any Memorandums of Understanding as offered by the Steering Committee;
   ix. Relieve the Steering Committee and the Steering Committee member responsible for financial matters when appropriate;
   x. Settle any disputes over membership issues;
   xi. Dissolution of UNEP FI according to the conditions of Article 11.

Article 7. Votes at General Meetings:
1. Each Member represented by a Delegate or by proxy, shall be entitled to one vote on each question put to a vote at a General Meeting.

Article 8. Proceedings at General Meetings:
1. No business shall be transacted at any General Meeting unless a quorum is present when the meeting proceeds to business;
2. If within one hour from the time appointed for the holding of a General Meeting a quorum is not present:
   i. The meeting, if convened on the request of Members, shall be dissolved.
   ii. In any other case it shall stand adjourned to such other day and at such other time and place as the Steering Committee may determine, in accordance with the provisions for an EGM, and if at such an adjourned meeting a quorum is not present within one hour from the time appointed for holding the meeting the Members present shall be a quorum.
3. The Chairperson of the Steering Committee shall preside as Chairman at every General Meeting of the UNEP FI or, if there is no such Chairman or if he or she is not present within fifteen minutes after the time appointed for the holding of the meeting or is unwilling to act, the members of the Steering Committee present shall elect one of their number to be Chairperson of the meeting based on a simple majority vote. The Chairman shall, if so directed by any General Meeting at which a quorum is present, adjourn any meeting to such other time and place as the General Meeting may determine.
4. At all General Meetings a Resolution put to the vote of the meeting shall be decided on a show of hands or other appropriate method.
5. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.

Article 9. Steering Committee Meetings:
1. Meetings of the Steering Committee may take place on the telephone, or by video conference or other electronic means or shall be convened at such time and place and in such manner as agreed by the Steering Committee.
2. The Secretary shall give to each member of the Steering Committee not less than 14 days notice of any meeting but the notice may be abridged in the case of an emergency.

Article 10. Relationships between various UNEP FI sub-bodies:
1. The relationships between key bodies devising, directing and implementing UNEP FI activities, namely, the Annual General Meeting, the Steering Committee, Steering Committee appointed special issues groups, project groups, working groups, task forces and the UNEP FI Secretariat, are described in the UNEP FI Operational Guidance document.
Article 11. Dissolution:
1. The UNEP FI may at any time be dissolved by Resolution of the UNEP FI in General Meeting passed by a majority of not less than two-thirds of the Members present or by proxy and voting at such General Meeting in accordance with Article 7. Such dissolution shall take effect from the date on which the said Resolution is passed or such later date as the said Resolution may provide;
2. Following the passing of a Resolution pursuant to paragraph (1) above and notwithstanding the dissolution of the UNEP FI, the Steering Committee shall be entitled to exercise all such powers and to do all such acts as shall be necessary for the proper and orderly winding-up of the business of the UNEP FI;
3. The regular AGM or an Extraordinary AGM of UNEP FI can decide to terminate the relationship between UNEP and individual financial institutions or for those financial institutions to ally themselves with any other governmental public entity or NGO of their choosing. Such Termination need not have UNEPs approval. Similarly, UNEP can decide to terminate the relationship, by act of its Executive Director, with the member institutions of UNEP FI.

Article 12. Changes:
1. The FI in General Meeting shall have the power to make such changes (except if such alteration shall be submitted by the Steering Committee in an emergency) in or additions to the Constitution as may from time to time appear expedient, provided that at least 30 days notice of the proposed alterations or additions is given to the Members and that any Resolution for such alterations be passed by a majority of not less than two thirds of the Members present or by proxy and voting at such a General Meeting.

Article 13. Binding Effect of Constitution:
1. Acceptance of membership shall constitute an agreement between the Member and the UNEP FI to be bound by and to comply with the Constitution (as altered, revoked or added to from time to time), such agreement to have effect from the date of admission and to terminate upon such Member resigning or being deprived of membership (providing that the member shall on resignation or deprivation of membership remain for its obligations incurred prior thereto).

Article 14. Notices and Language:
1. Notice may be served on a Member in writing or by facsimile transmission or electronic mail sent to the nominated person at the address or number of the Member as appearing in the records of the UNEP FI;
2. Any notice to the FI in writing or by facsimile transmission or electronic mail shall be addressed to the Secretary;
3. Such notice if faxed shall be deemed to be given provided the senders machine confirms transmission;
4. The business of the FI shall be conducted in the English Language.

Article 15. Finances:
1. The level of annual UNEP FI membership fees shall be proposed to the General Meeting, for approval, by the Steering Committee. Also, payment levels and the criteria for these levels can be set by the Steering Committee again to be approved by the General Meeting;
2. All members will be invoiced in late November each year for the year ahead membership fees. These membership fees will be paid directly into a UNEP Trust Fund that has been established to support the UNEP FI partnership;
3. The administrative, operational and treasury needs of the FI will be managed in line with the disciplines and procedures governing Trust Funds within the United Nations system;
4. The Steering Committee shall ensure that the FI is adequately financed to meet its objectives and shall propose an annual year ahead budget and work programme to be approved by the Members in General Meeting;
5. The budget will be funded by the UNEP Trust Fund that exists to serve the UNEP Finance Initiative.
6. The audit and reporting associated with the UNEP Trust Fund, established to support UNEP FI, will be in line with the normal procedures as mandated by the United Nations system for its Trust Funds;

Article 16. Construction
If any question arises as to the construction and interpretation of the Constitution or as to any matter arising there from such question may be determined by the Steering Committee, without reference to a particular legal jurisdiction and any such determination, whether express or implied from the proceedings of the Steering Committee, shall be conclusive and binding for all purposes. Should a dispute arise within the Steering Committee, the Committee could call for an EGM as in Article 6 to resolve this issue.
Background Papers

Agenda Item 2

Treasurer’s Report
UNEP Finance Initiative -
Private Partners Account
Geneva

Report of the Auditors to the
Steering Committee
for the year ended December 31, 2004
Report of the Auditors
To the Steering Committee of
UNEP Finance Initiative
Geneva

We have audited the balance sheet of UNEP Finance Initiative – Private Partners Account, Geneva, as at 31 December 2004 and the related income and expenditure statement for the year then ended.

These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and the financial statements comply with Swiss law.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Ph. Gassner I. Babey

Geneva, August 22, 2005

Enclosures:
- Financial statements (balance sheet, income and expenditure statement and notes)
### UNEP Finance Initiative - Private Partners Account, Geneva

**Balance Sheet as at December 31, 2004 and 2003**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>145,714</td>
<td>278,013</td>
</tr>
<tr>
<td>Accounts receivable - third party</td>
<td>10,719</td>
<td>29,958</td>
</tr>
<tr>
<td>Accounts receivable - UNEP DTIE</td>
<td>55,576</td>
<td>0</td>
</tr>
<tr>
<td>Accounts receivable - externally funded projects</td>
<td>63,409</td>
<td>0</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>5,915</td>
<td>530</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>281,328</strong></td>
<td><strong>308,502</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>281,328</strong></td>
<td><strong>308,502</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>73,424</td>
<td>55,781</td>
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<tr>
<td>Tokyo Roundtable Account</td>
<td>0</td>
<td>6,116</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>45,006</td>
<td>90,150</td>
</tr>
<tr>
<td>Work programme budget carrying forward</td>
<td>92,926</td>
<td>47,860</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>201,244</strong></td>
<td><strong>190,707</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>201,244</strong></td>
<td><strong>190,707</strong></td>
</tr>
<tr>
<td><strong>RESERVES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General reserve</td>
<td>106,796</td>
<td>110,095</td>
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<tr>
<td>Adjustment beginning of the year</td>
<td>0</td>
<td>1,084</td>
</tr>
<tr>
<td>Transfer to general reserve at beginning of the year</td>
<td>-57,728</td>
<td>70,800</td>
</tr>
<tr>
<td>Net Income (less) brought forward</td>
<td>-18,916</td>
<td>27,116</td>
</tr>
<tr>
<td>General reserve ending balance</td>
<td>98,094</td>
<td>193,735</td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td><strong>98,094</strong></td>
<td><strong>193,735</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Reserves</strong></td>
<td><strong>281,328</strong></td>
<td><strong>308,502</strong></td>
</tr>
</tbody>
</table>
### UNEP Finance Initiative - Private Partners Account, Geneva

**STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED**
**DECEMBER 31, 2004 and 2003**

<table>
<thead>
<tr>
<th>Income</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>883,529</td>
<td>701,589</td>
</tr>
<tr>
<td>Publications</td>
<td>6,722</td>
<td>4,470</td>
</tr>
<tr>
<td>Sponsorship for special activities</td>
<td>166,266</td>
<td>82,484</td>
</tr>
<tr>
<td>Exchange gains</td>
<td>2,171</td>
<td>2,144</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>1,078,718</td>
<td>790,668</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNEP Trust Fund</td>
<td>170,600</td>
<td>120,900</td>
</tr>
<tr>
<td>Staff Charges &amp; Consultancy Fees</td>
<td>402,083</td>
<td>303,315</td>
</tr>
<tr>
<td>Marketing charges</td>
<td>67,075</td>
<td>42,667</td>
</tr>
<tr>
<td>Equipment charges</td>
<td>51,059</td>
<td>10,433</td>
</tr>
<tr>
<td>Assets Management Working Group</td>
<td>49,130</td>
<td>25,000</td>
</tr>
<tr>
<td>Climate Change Working Group</td>
<td>87,831</td>
<td>36,957</td>
</tr>
<tr>
<td>Sustainability Management, Reporting &amp; Indicators Working Group</td>
<td>59,500</td>
<td>74,300</td>
</tr>
<tr>
<td>Working Groups</td>
<td>187,751</td>
<td>134,957</td>
</tr>
<tr>
<td>African Task Force</td>
<td>28,090</td>
<td>12,000</td>
</tr>
<tr>
<td>North American Task Force</td>
<td>32,155</td>
<td>11,000</td>
</tr>
<tr>
<td>Latin American Task Force</td>
<td>10,300</td>
<td>0</td>
</tr>
<tr>
<td>Central &amp; Eastern European Task Force</td>
<td>13,930</td>
<td>0</td>
</tr>
<tr>
<td>Regional Task Forces</td>
<td>78,265</td>
<td>23,000</td>
</tr>
<tr>
<td>Finance &amp; Conflict Project</td>
<td>6,451</td>
<td>18,600</td>
</tr>
<tr>
<td>Global Compact 2003</td>
<td>0</td>
<td>3,683</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>2,691</td>
</tr>
<tr>
<td>Emerging Markets Investment Program</td>
<td>42,922</td>
<td>0</td>
</tr>
<tr>
<td>Water Project</td>
<td>55,958</td>
<td>0</td>
</tr>
<tr>
<td>Principle Reg Project</td>
<td>42,922</td>
<td>0</td>
</tr>
<tr>
<td><strong>Issue Events</strong></td>
<td>116,552</td>
<td>24,274</td>
</tr>
<tr>
<td>Steering Committee Meeting</td>
<td>0</td>
<td>16,397</td>
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<tr>
<td>SocGen 2003 Japan</td>
<td>0</td>
<td>3,683</td>
</tr>
<tr>
<td>Values to Value Report</td>
<td>42,944</td>
<td>21,994</td>
</tr>
<tr>
<td>Roundtables &amp; Special Events</td>
<td>42,944</td>
<td>21,994</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>1,106,429</td>
<td>593,250</td>
</tr>
<tr>
<td>Net Income/(loss) before taking into account general reserves transfer</td>
<td>-29,711</td>
<td>97,516</td>
</tr>
<tr>
<td>Balance transferred from/to the general reserve at the beginning of the year</td>
<td>9,796</td>
<td>-70,500</td>
</tr>
<tr>
<td><strong>Net income at year end</strong></td>
<td>-19,916</td>
<td>27,116</td>
</tr>
</tbody>
</table>
UNEP Finance initiative – Private Partners Account
GENEVA

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2004 and 2003

1. General

In 1992, the UNEP Finance Initiative (UNEP FI) was formed as an activity between the United Nations Environment Programme (UNEP) and the global financial sector. Since its founding, this public-private partnership has grown to include over 200 banking, asset management, insurance, re-insurance and pension signatories from more than 45 nations. It is today the largest global voluntary partnership activity on sustainable development between the international financial and intergovernmental communities, aiming to support and expand sustainable practice throughout financial companies’ activities.

The Finance Initiative is currently governed by a nine-person steering committee elected by the signatories at an annual general meeting, and a United Nations representative.

The UNEP FI Private Partners Account is one of the four accounts, which supported UNEP FI work programmes in 2004.

2. Summary of significant accounting policies

a) Contributions and other income

Annual signatory contributions, publication sales and sponsorship income are recognized on an accrual basis.

b) Fixed assets

Fixed assets are expensed as incurred.

3. UNEP Trust Fund

The United Nations Environment Programme has established a series of Trust Funds to manage any additional funding it receives to its core funding. These additional funds can be contributed from Governments, Institutions, or private companies. In the case of UNEP FI a Trust Fund was established when an agreement was reached among UNEP and the financial companies within the Initiative to provide funding to support core Secretariat costs, such as UN personnel costs, UN official travel, rent of premises etc. This Trust Fund is held by UNEP head office in Nairobi, Kenya and is audited directly within the UN system. The amount transferred to the UNEP FI Trust Fund is set each year on the financial requirements for that particular year on approval of the Steering Committee. The Private Partners Account is due to close in 2005 and all (net) income and expenses is to be dealt through the UNEP FI Trust Fund.
4. Accounts receivable - UNEP Department of Technology, Industry and Economics (DTIE)

In 2004, UNEP FI made payments on behalf of UNEP DTIE worth USD 55,575 and booked the equivalent amount as accounts receivable. In lieu of a physical money transfer, UNEP Finance Initiative in 2005 has received a credit line at UNEP DTIE for USD 55,575 to be used towards the UNEP FI work programme.

5. Accounts receivable – Externally Funded Projects

Fundings for projects on Emerging Market Investment (USD 730,000), Water (USD 240,000) and Principles for Responsible Investments (USD 125,000) have been in negotiation during 2004. Initial costs for these projects incurred in 2004 are assumed to be fully recoverable in 2005 except for the Water project. The expenditure for the Water project has been fully written off because of uncertainties in its funding prospects.

6. Social charges for consultants

The UNEP Finance Initiative has taken its direction from the United Nations in relation to the issue of tax status and social charges for consultants. UNEP FI undertakes no liability for taxes, duty or other contribution payable by the consultant on payments made under this contract.
Summary of 2005 Signatory Contributions as at 30 September 2005

<table>
<thead>
<tr>
<th>UNEP FI Signatories</th>
<th>USD</th>
<th>UNEP FI Signatories</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Abbey National</td>
<td>7,500.00</td>
<td>64 Japan Bank for International Cooperation (JBIC)</td>
<td>15,000.00</td>
</tr>
<tr>
<td>2 ABN Amro Holdings</td>
<td>15,000.00</td>
<td>65 KW Group</td>
<td>15,000.00</td>
</tr>
<tr>
<td>3 Actis</td>
<td>3,000.00</td>
<td>66 Kommunalkredit Public Consulting GmbH</td>
<td>2,967.20</td>
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<tr>
<td>4 Acuity Investment Management Inc.</td>
<td>3,000.00</td>
<td>67 KPA</td>
<td>7,500.00</td>
</tr>
<tr>
<td>5 Aioi Insurance Co., Ltd</td>
<td>5,625.00</td>
<td>68 Kreissparkasse Goepingen</td>
<td>3,000.00</td>
</tr>
<tr>
<td>6 Allianz Dresdner</td>
<td>15,000.00</td>
<td>69 Landesbank of the Philippines</td>
<td>2,000.00</td>
</tr>
<tr>
<td>7 ASN Bank</td>
<td>3,000.00</td>
<td>70 Landesbank Baden-Württemberg</td>
<td>15,000.00</td>
</tr>
<tr>
<td>8 Australia &amp; New Zealand Banking Group</td>
<td>7,500.00</td>
<td>71 Länsförsäkringar</td>
<td>7,500.00</td>
</tr>
<tr>
<td>9 Aviva plc</td>
<td>15,000.00</td>
<td>72 Lloyds TSB Group plc</td>
<td>14,968.00</td>
</tr>
<tr>
<td>10 AXA - Group Management Services</td>
<td>7,482.00</td>
<td>73 Manulife Financial Corporation</td>
<td>15,000.00</td>
</tr>
<tr>
<td>11 Banca Comerciala Romania</td>
<td>3,000.00</td>
<td>74 MAPFRE</td>
<td>7,500.00</td>
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<tr>
<td>12 Banca Monte dei Paschi di Siena S.p.A.</td>
<td>15,000.00</td>
<td>75 MAPFRE</td>
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<tr>
<td>13 Banca Monte dei Paschi di Siena S.p.A.</td>
<td>15,000.00</td>
<td>76 MAPFRE</td>
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<tr>
<td>14 Banca Monte dei Paschi di Siena S.p.A.</td>
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<tr>
<td>15 Banca Monte dei Paschi di Siena S.p.A.</td>
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<tr>
<td>16 Banca Monte dei Paschi di Siena S.p.A.</td>
<td>15,000.00</td>
<td>79 MAPFRE</td>
<td>7,500.00</td>
</tr>
<tr>
<td>17 Bank of America</td>
<td>15,000.00</td>
<td>80 Munich Reinsurance Company</td>
<td>15,000.00</td>
</tr>
<tr>
<td>18 Bank of Cyprus</td>
<td>3,000.00</td>
<td>81 National Australia Bank Limited</td>
<td>7,480.00</td>
</tr>
<tr>
<td>19 Bank of Montreal</td>
<td>15,000.00</td>
<td>82 Nedbank Ltd</td>
<td>7,500.00</td>
</tr>
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Total Signatory Contributions: 1,092,843.84
## Income

### Core Income
- Signatory contributions: 1,092,844 (102%)
- UNEP Contribution: 150,000

**Total Core Income:** 1,242,844 (101%)

### Sponsorship for specific activities
- 5220 Western European Activities: 6,968 (unbudgeted)
- 5520 Water project: 11,987 (unbudgeted)
- 5530 Responsible Investment Initiative: 15,427 (unbudgeted)

**Total Sponsorship for specific activities:** 34,382

### Miscellaneous Income
- Publication Sales: 766 (unbudgeted)
- Misc. (deposit refund): 3,737 (unbudgeted)

**Total Miscellaneous Income:** 4,503

**Total Income:** 1,401,729 (101%)

## Expenses

### Personnel & Administration
- UNEP staff costs: 210,372 (79%)
- Consultant fees: 84,500 (Work Programme Consultants: 194,356)

**Total Staff Costs:** 479,228 (74%)

### Signatory Relations & Communications
- Publications (0.618, Overview, etc): 6,373 (21%)
- Signatory Relations: 2,760 (55%)

**Total 3000 · Marketing, training:** 32,436 (42%)

### Work Programmes
- Asset Management (AMWG): 3,824 (10%)
- Climate Change (CCWG): 2,541 (7%)
- SMRI work programme: -14,322 (-38%)
- General Insurance WG: 0 (0%)

**Total Working Groups:** -7,957 (4%)

### Regional Taskforces
- African TF: 8,666 (23%)
- Central & Eastern European TF: -7 (0%)
- Latin American Task Force: 4,456 (16%)

**Total Regional Taskforces:** 32,794 (53%)

### Projects
- Emerging Market Investment Project: 26,127 (0)
- Finance & Water Project: 19,590 (122%)
- UN Responsible Investment project: 85,093 (68%)

**Total Joint Projects:** 140,364 (82%)

**Total work programmes:** 165,141 (36%)

**Total Net Expense:** 743,623 (56%)

**Programme Support Cost (PSC):** 66,960 (94,888)

**Total Gross Expenses:** 810,613 (1,422,563)

**Net Income:** 591,116 (-38,678)
Background Papers
Agenda Item 3

2005 Work Programme
Summary of UNEP FI 2005 Work Programmes (Jan-Oct 2005)

Asset Management Working Group (AMWG)
In 2004 the AMWG launched the results of a 14-month, 21 company collaborative study on The Materiality of Environmental, Social and Corporate Governance Issues to Equity Pricing. This landmark report has been downloaded more than 130,000 times since launch. One of the key findings is that Environmental, Social and Corporate Governance criteria affect shareholder value both in the short and long term. In 2005 the AMWG is producing a second round of materiality research. This time 13 sell-side brokerage reports will be included. The report will be published in Q1 2006. Sector reports include: media, aerospace, food, forestry, financial industry, chemicals and governance. A second major report planned for launch and publication between Q4 2005 and Q1 2006 is a report on the legal boundaries of environmental, social and governance integration. The report will focus on the fiduciary responsibilities of institutional investors, pension fund trustees, asset managers, and investment advisors.

Climate Change Working Group (CCWG)
The UNEP FI’s CCWG has always had a strong presence at the annual Conference of the Parties (COP), part of the United Nations Framework Convention on Climate Change. The working group held a side event at COP 10 in Buenos Aires, where it launched its latest CEO Briefing titled Finance for Carbon Solutions: The Clean Development Mechanism – The Financial Sector Perspective. The side event highlighted what the financial sector can offer in terms of carbon solutions, with a focus on the CDM, and, more specifically, the risks and opportunities associated with the CDM as viewed by the financial sector.

This year the CCWG has focused on producing a report looking at post-Kyoto issues. As the financial sector is increasingly affected by climate change and climate policy, the future of the international climate regime is of vital interest to financial institutions. The report will highlight the importance of maintaining market-based instruments in tackling climate change, namely the flexibility mechanisms such as emissions trading, to ensure large and liquid carbon markets up to and beyond 2012. The report will be launched at COP 11 in Montreal.

Insurance Working Group (IWG)
The Insurance Working Group is a new strategic work stream for the UNEP Finance Initiative, aiming to work collaboratively to find innovative approaches to issues covering insurance and sustainability. The focus of the group will be industry driven and directed at the key sustainability issues as identified by the sector. One of the key objectives for the group is to raise awareness and publicize the concerns of the environment and social impacts within their own institutions and to other financial institutions, policymakers and the public at large. The working group anticipates that it will become a platform for UNEP FI’s Insurance signatories to exchange sustainability information and experience on products and services. The group also intends to be a gathering point and a voice for the Insurance sector to ensure its views are represented in any internal UNEP FI meetings or external events.

The group has decided that its priority for 2006 is to produce a ‘Insurance sector research survey’. The purpose of the survey is to identify and define the working group’s future work programme and to achieve the goals of becoming a ‘Best Practice Group’.
Sustainability Management, Reporting and Indicators Working Group (SMRI WG)

**Work Stream 1: GRI**

In 2004, UNEP FI and GRI co-convened a global, multi-stakeholder process involving key international financial sector and stakeholder leaders to create a pilot version of the GRI Financial Services Supplement (Environmental performance). The current GRI Sector Supplement has gone through a rigorous process of development, which has included a global public consultation period of approximately 90 days. Now the environmental indicators, as well, as the Social Supplement developed previously, require pilot testing and integration into one single supplement.

In 2005 UNEP FI and GRI have begun to develop a pilot process that will enhance the ease of use of both supplements, collect feedback to refine the environmental and social indicators and build capacity amongst new reporters. From May to October 2005, UNEP FI and GRI have been recruited both financial and non-financial stakeholders to take part in the pilot process. At the same time potential donors were approached to assist with funding of the project.

The pilot process will start following the UNEP FI Roundtable in late October and will run until May/June 2006 following report preparation by the financial institutions and feedback collection from all of those involved in the piloting process. These recommendations will then be submitted to GRI for the finalisation of the pilot Supplement.

**Work Stream 2: Sustainability Management & Reporting (SMR) Project**

In 2005, the focus of the project was the collection of case studies from Africa, Central & Eastern Europe and Latin America for the publication entitled “Sustainability Management and Reporting: Benefits for Developing and Emerging Economies”.

The publication backed up by real case studies that the reader can relate to and find inspiration offer a strong and clear business case for financial institutions to operate sustainability management and reporting in emerging market. Final editing is in process for publication at end of 2005.

For 2006, the SMR project will be operating workshop as part of inter-regional taskforces activities.

**African Task Force (ATF)**

In 2004 the ATF partnered with the AICC Centre for Sustainability Investing in partnership to produce The Sustainability Banking in Africa Report. The document is a landmark report that outlines the challenges and opportunities for developing sustainable banking practices in Africa. It also serves as a key document to promote the work of the ATF in Africa. Five country case studies (Botswana, Kenya, Nigeria, Senegal and South Africa) encourage debate around the principles and practices of sustainable banking in Africa and pave the way to uncovering strategies and opportunities unique to the continent.

Towards the latter end of 2005 an aspirational Statement of Commitment of South African and broader African financial service organisations will be finalised. Additionally corporate governance practices among African financial institutions will be surveyed. This is critical background work for the formation of RM/CG guidelines. We envisage these to be a set of practical guidelines by which African financiers can effectively normalize social, environmental and governance standards in Africa In 2006 work will be finalised, published and expanded to incorporate a broader African audience.
Asia Pacific Task Force (APTF)
Launch of APTF: The APTF Outreach Group was started in 2005 with the aim of supporting and expanding sustainable practices in financial institutions in the Asia Pacific Region. Together with the partners the APTF aims to meet the diverse needs of the membership by operating three groups: Australasia, Japan and the Outreach groups.

Launch of the Outreach Group: Comprised of a group of eight UNEP FI signatories and five UNEP FI partner organizations operating in the Asia Pacific region, this group held its first meeting on 21 April 2005 by conference call. The Outreach Group will lead and coordinate various outreach activities within the Asia Pacific region. This excludes initiatives operated directly within established country groupings such as Australia or Japan.

Research, outreach and training are the key activities for the Group. Additionally, the Group shares a calendar of events on the UNEP FI website to facilitate better cooperation and communication of information by signatories and other interested organizations throughout the region. The Outreach Group currently holds regular conference calls and is planning its first event early in 2006.

UNEP FI APTF Japan Group Launched: The UNEP FI Japanese signatories have set up the UNEP FI APTF Japan Group with the objective of raising awareness on sustainable finance. Together with the other two groups in the UNEP FI Asia Pacific Task Force, Australasia and Outreach Groups, the Japan Group aims to support and expand sustainable financial practice in Japan and the Asia Pacific. The Japan Group kick off meeting was held in 28 September in which its mission and activities was discussed.

UNEP FI Survey on Sustainable Finance in the Asia Pacific: The survey aims to determine the status of sustainable finance in the Asia Pacific. Through this survey we aim to understand the current level of awareness in the region's financial sector of sustainable finance and the areas of sustainable finance that financial institutions are predominantly interested in.

The survey has been conducted widely amongst Indonesia banks and amongst the members of the UNEP FI Japan Group and ADFIAP (Association of Development Financing Institutions in Asia and the Pacific) member institutions. The survey will be continued in 2006.

The survey results collected so far reveal that in developing and emerging economies in the Asia Pacific region despite relative growing sustainable practices, few are taking a strategic approach, nor communicating their achievements effectively.

Central & Eastern European Task Force (CEETF)
Awareness-raising in Central and Eastern Europe (16 March 2005, Warsaw, Poland and 14 June 2005, Zagreb, Croatia): During the first half of the 2005 the Central and Eastern European Task Force has organised two awareness-raising conferences in Poland and Croatia. Both events were supported by the European Bank for Reconstruction and Development (EBRD). Additional support in Croatia was provided by the Croatian Development Bank (HBOR) and the Regional Environmental Centre for Central and Eastern Europe.

The conferences attracted senior level representatives from the financial sector, academia, consultancies and NGOs to learn more about the opportunities of sustainable finance. Presentations were given on environmental liabilities following EU Accession, the importance of environmental issues in privatisation transactions, best practices in sustainable finance and environmental issues affecting company ratings as well as acquisition transactions.

Third Meeting of the Central and Eastern European Task Force: On March 16, 2005 the Central and Eastern European Task Force convened their third meeting in Warsaw, Poland. The group proposed
further countries for awareness-raising events in 2005/2006, which will be Russia, Kirgistan/Kazakhstan, Greece/Romania/Bulgaria and the Baltic countries.

With regard to the planned web-based environmental credit risk information platform, the group decided to do a survey among experienced risk managers to assess what contents in the platform are needed. On training the Task Force discussed a two-fold approach, whereby a very general training on environmental and social issues in the finance sector and a more specific training on relevant environmental regulations should be developed.

**Latin America Task Force (LATF)**
Following the Latin American Task Forces’s launch in 2004, CAF in its role as the LATF chair at that time, commissioned a report entitled “Finanzas Sostenibles en América Latina” which was finalised and published in 2005. The report gives an overview of existing initiatives and best practice throughout the region and provides recommendations regarding the LATF’s focus and potential activities. The report (in Spanish and English) can be downloaded at http://www.caf.com/view/index.asp?ms=11&pageMs=13686.

In line with the Task Forces priorities for 2005, defined as capacity building and training, the LATF conducted two training workshops on environmental and social credit risk in 2005:

The first workshop was held on March 9-10 in Bogotá, Colombia, hosted by CAF and co-organised by CECODES, the local arm of the World Business Council for Sustainable Development. Training was provided by INCAE and the Ecobanking Project.

The second workshop was held on May 4-5 in Buenos Aires, Argentina, hosted by ABN AMRO and co-organised by SRInvestmet Argentina and Fundación Ambiente y Recursos Naturales (FARN). The training was provided by Banco Real, Brazil, and FARN.

Both workshops were met with keen interest from local financial institutions and were attended by close to 30 participants each. In addition to the 1-day training, an executive breakfast was held in both countries, which served to brief senior executives and government representatives on the importance of integrating environmental and social aspects into their operations. As a consequence of the workshops, the regulatory agencies of both countries are in touch with the LATF in order to further promote the inclusion of environmental and social aspects into credit risk assessment, and in Argentina, the Association of International Banks is preparing a statement on the promotion of sustainable finance, citing UNEP FI and the Equator Principles as major references in this area.

Ongoing work in the LATF includes the preparation of an information portal with sustainable finance weblinks, and collaboration with other UNEP FI working groups and Task Forces, such as, for example, the Sustainability Management and Reporting Forum, and the UNEP FI - GRI Working Group on Performance Indicators.

The LATF is holding its Annual General Meeting for 2005 on October 27 in New York. Issues to be discussed include the work programme for 2006 and changes to the group’s structure.

**North America Task Force (LATF)**
The North American Taskforce (NATF) has evolved significantly over the past 12 months. The group has grown to nine active members from an initial four, and is keen to expand its membership in North America, both within the banking and insurance sectors.

The taskforce is in the midst of completing its first major project, a two-part study examining the impact of climate change on the North American financial sector, more specifically, the risks posed by climate change to debtors, and the impact on specific debt sectors. The study also addresses strategies to reduce environmental liability in bank loan portfolios. It will be launched at UNEP FI’s Global Roundtable, 25-26 October 2005 in New York.
Projects

Emerging Markets
There is a growing coalition of institutional investors, asset managers and analysts driving mainstream integration of ESG issues in portfolio investment. As momentum builds the potential contribution to sustainable development is exponential. In 2005 UNEP FI investment team began to explore links between these developments, emerging markets, less developed nations, investment opportunities and international development. These links are framed in the Responsible Investment & International Development methodology. The Swedish International Development Agency (SIDA) has committed to USD 270,000 to this process, on condition another development agency commits funding.

PRI
In 2004/2005, UNEP FI and the Global Compact, with financial support from Caisse des Depot and ABN AMRO, initiated a programme to engage the top of the investment chain – mainly pension funds, foundations and insurance companies – on ESG issues. The vision is to stimulate a major shift towards responsible investment by institutional investors leading to significant improvements in the environmental, social and corporate governance performance throughout the global economy. Twenty of the world’s largest investors were convened at the invitation of the UN Secretary-General, supported by a broad-based expert group of 60. It is likely that by the end of 2005, the Principles for Responsible Investment will be released.

Water and Finance Project
During the year 2005 UNEP FI’s Water and Finance project has been actively engaged in creating awareness and capacities on the role of the financial community in addressing water related issues based on the UNEP FI – SIWI report “Challenges of Water Scarcity: a business case for financial institutions”. This report builds on the needs for financial institutions and their business partners to acknowledge potential water related risks and to seek sustainable solutions through investments and risk mitigating strategies.

For the second year in a row, UNEP FI has been a convenor at the World Water Week 2005 in Stockholm through the seminar “Finance for Water Solutions” in collaboration with SIWI, the WBCSD and the World Economic Forum. The seminar gathered key public and private sector figures presenting on innovative finance mechanisms that can work for water. The Hon. Maria Mutagamba, Minister of State for Water of Uganda and Chair of the African Ministerial Council on Water and Sanitation (AMCOW), gave an insightful presentation into the necessity to expand our current understandings of public-private partnerships to include a wider range of possibilities, such as the domestic financial community, capital markets, industry, technology companies, local communities and governments at regional, national and local level.

Western European Forum
First UNEP FI Western European forum, 19 May, Barcelona
Hosted by La Caixa and supported by Deutsche Bank, the forum provided Western European Signatories with an opportunity to share sustainability experiences and best practices on a regional level in key areas such as: microfinance; climate change; qualitative risk and investment performance.
Background Papers
Agenda Item 4

2006 Proposed Work Programme
1.1 UNEP FI Asset Management Working Group 2006 Strategy & Budget Application

Proposed Budget: USD40,000

Accomplishments 2004 and 2005
In 2004 the AMWG launched the results of a 14-month, 21 company collaborative study on The Materiality of Environmental, Social and Corporate Governance Issues to Equity Pricing.

In 2005 activities have focused on both a second round of materiality research and research into the legal boundaries of environmental, social and governance integration.

Details of 2005 Reports
- Strengthening the Materiality Case – A second round of research exploring the financial materiality of environmental, social and governance issues. The final report will be launched late Spring 2006.
- Fiduciary duty Report – A major report by a leading law firm exploring the legal limits on integration of environmental, social and governance issues in investment policy in seven countries. The report, prepared for institutional investors, will be launched at the UNEP FI Global Roundtable 2005.

AMWG Goals for 2006
1) Marketing, communication and outreach for materiality work. In particular the second round of Materiality research.
2) Marketing, communication and outreach to disseminate findings of the Fiduciary Duty Report.
3) In an effort to catalyze materiality and fiduciary duty report findings, the AMWG has identified several areas of new focus.
   - Integration of ESG in mandates: Discussion and assessment of how to tailor mandates to better fit the goals of long-term institutional investors.
   - Integration of ESG into portfolio management: Discussion and assessment of various different approaches.
   - Engagement: The AMWG has agreed to work on ESG engagement with companies on an ad hoc basis.

Other possible areas of focus are:
- Piloting work with MBA schools and accredited investment institutes on promoting ESG.
- Piloting research on ESG in non-traditional asset classes.

The group will seek consensus on work focus for 2006 and 2007 during the AMWG bi-annual meeting NY Oct 27th 2005.
1.2 Climate Change Working Group 2006 Strategy & Budget Application

**Proposed Budget: USD40,000**

**Background and Mission**
The focus of UNEP FI’s Climate Change Working Group (CCWG) over the past 3 years has been raising awareness and communicating the problem of climate change to financial institutions, policymakers and the public at large. The group facilitates cooperation on climate change issues with financial institutions, both banks and insurers, and emphasizes the important role to be played by FIs in mitigating and adapting to climate change. The group has proved fairly successful on this front with the release of its landmark 2002 climate risk study, and CEO briefings on climate change risk, emissions trading, renewable energy, the Clean Development Mechanism, and most recently, its study on how future climate policy frameworks should develop post-2012. The CCWG has also provided input to the UNFCCC process, and used the Conference of the Parties (COPs) effectively to publicize its message. The CCWG epitomizes the mission of UNEP FI - for the financial sector to cooperate with business, and government to find a solution to today’s environmental problems.

**Strategy and Objectives for 2006**
In order to continue and enhance its crucial role in the climate change debate, the CCWG will look to fulfil these specific objectives in 2006, further reflecting the overall aims of UNEP FI:

- **Continue work to identify and disseminate the risks and opportunities related to climate change for the financial services industry, with specific focus on development of new products and services, as well as extending markets for existing products & services;**
- **Seek to educate policymakers and regulators both at the national and international level on the drivers and barriers for the finance sector in drafting and delivering policies and products to bring about climate change solutions;**
- **Through UNEP FI’s Regional Task Forces raise awareness on issues relating to climate change taking into account the regional context. This will include both developed regions (specifically North America) as well as developing /emerging economies i.e. Central and Eastern Europe, Africa, Latin America and Asia.**

**Main Projects and Outputs**
- **A CEO Briefing on Joint Implementation (to complement the work already done by the group on CDM), which will focus on emission reduction projects in Central and Eastern Europe. Collaboration with the Central and Eastern European Taskforce would be a major component of this project.**
- **The CCWG will continue its advisory role at the subsidiary bodies of the UNFCCC in Q4 2006 by organising a side event, potentially highlighting the results of the JI study.**
- **Produce a Climate Change Toolkit to educate FIs in developing regions of the opportunities and risks posed by climate change for their business. Via the RTFs, the CCWG would contribute towards workshops and look to present the results of its work, including the results from the CDM and JI briefings, Future Climate Policy Study, as well as the results of the NATF study on climate risk and lending. To be delivered in a company or sector seminar situation, and measure the effect by post-delivery review. Aim to educate and enable senior and mid-level executives to understand the issue so they can:**
  1) integrate it into corporate action plans and strategies;
  2) identify risks/opportunities/markets for new strategies/actions;
  3) adapt the material for internal use

- **The template could be adapted for different regions/sectors/companies. This project would cover the development costs, and demonstrate its usefulness by delivery and post-delivery review. The pilot could be done in collaboration with one RTF.**
- **A first possible step to establishing such a programme would be to partner with another organisation such as the World Bank, and in collaboration draft a specific programme, with a look to rolling out a programme in partnership with the RTFs later 2006, early 2007.**
Rationale: based on a recent survey, many active RTF members felt they did not have enough information about climate change and the risks and opportunities that it poses. This confirms the findings of numerous reports that the finance sector is not aware of climate change. This hinders the development of effective national policies, and their delivery.

In order to implement the above programme, and based on work programme costs from past years, the CCWG seeks a budget of $40,000.

1.3 UNEP FI – GRI Working Group 2006 Strategy & Budget Application

Proposed Budget: USD30,000*

* Estimated total budget required (incl sponsorships): USD 150,000

Background
In 2004, UNEP FI and GRI co-convened a global, multi-stakeholder process involving many of the key financial sector and stakeholder leaders to create a pilot version of the GRI Financial Services Supplement (Environment). The project directly contributes to UNEP-FI’s overall mission and supports its development of sustainability management tools to assist financial institutions to integrate sustainability into their business processes and to increase their level of transparency and disclosure regarding the same. The current GRI Sector Supplement has gone through a rigorous process of development, which has included a global public consultation period of approximately 90 days. The scope of the process was limited to cover environmental indicators due to the fact that a pilot set of social indicators (GRI Financial Sector Supplement – Social Performance) already exists. However, both the environmental and social indicators now require pilot testing as a group, and integration into one single Supplement.

Objective
- Establish a unified sustainability reporting standard for financial institutions through testing, refinement and consolidation of the existing pilot Supplements;
- Enhance ease of use for reporters by providing guidance on applying the consolidated Supplement; and
- Build capacity amongst new reporters, particularly in developing countries and emerging economies.

Outputs
- Structured feedback process to generate specific recommendations for refining the indicators;
- Technical protocols (i.e. guidance notes) on interpreting the indicators;
- A basic guidance manual targeted at financial institutions on how to become a sustainability reporter
- Identify possible synergies with other transparency initiatives such as the Equator Principles

Note 1: A voluntary set of guidelines developed by the banks for managing social and environmental issues related to the financing of development projects, in 2003. The Equator Principles are based on the policies and guidelines of the World Bank and International Finance Corporation (IFC).

Activities
Many of the following proposed activities are listed in the additional budget and are based on the due process guidelines established by the GRI Board of Directors. They are designed with the intention of both improving the quality of guidance and building capacity with new and existing reporters. The planned activities are the:
1) Development of technical protocols through a consultative process;
2) Organisation workshops for project orientation and discussion of the feedback;
3) Mentoring new reporters/pilot testers; and
4) Drafting a basic guidance manual

The ability to undertake this full list of activities will depend on the level of funding secured for the proposed work programme. GRI and UNEP-FI will also seek further co-funding from additional donors to expand these activities and support project management costs. Funding will be allocated to activities in the order of the priority listed above.

1.5 General Insurance Working Group: Strategy Paper & Budget Application

**Proposed Budget: USD20,000**

**Background**

The General Insurance Working Group (GIWG) is a new strategic work stream for the UNEP Finance Initiative, aiming to work collaboratively to find innovative approaches to issues covering insurance and sustainability. The group is currently in the process of discussing and defining where its priorities lie and it is envisaged that by Q1 2006 the working group will have formulated its strategy and will be implementing the work programme it has set out for itself.

The focus of the group will be industry driven and directed at the key sustainability issues as identified by the sector. One of the key objectives for the group is to raise awareness and publicize the concerns of the environment and social impacts within their own institutions and to other financial institutions, policymakers and the public at large. The working group anticipates that it will become a platform for UNEP FI’s Insurance signatories to exchange sustainability information and experience on products and services. The group also intends to be a gathering point and a voice for the Insurance sector to ensure its views are represented in any internal UNEP FI meetings or external events.

**Strategy and Objectives for 2006**

The Working Group will initially focus on these issues:

- Ways to raise awareness of environment products and tools throughout the market and within the insurance companies themselves;
- Examining and looking at ways of creating different products and services;
- Improving ways of defining environmental risk and evaluating the consequences for the Insurance sector of not addressing this risk; and
- Drawing attention to the role the insurance industry can play in an environmentally sustainable future.

**Projects Ideas and Some Suggested Outputs**

- **UNEP FI insurance sector survey:** UNEP FI to survey it’s global insurance signatories (possibly the wider insurance sector) and associates. The survey aims to benchmark the nature of the environmental products offered by signatories and environmental risk control methods already being used with their clients. The findings of the survey will be published for the working group’s first report in the form of a CEO Briefing format (8 page summary). The future work programme will continue to build on the themes emerging from that report and develop additional publications or other information tools.

- **Outreach and awareness raising:** Set out the different methods to raise awareness within the industry and companies themselves so that the group’s members can promote their environmental products, services and other tools throughout the market. Identify conferences and workshops in different countries that working group members can attend on behalf of the group and facilitate the sustainability discussion and enhance the industries knowledge. Interact with other UNEP FI Working Groups and regional Task Forces and other external organisations to support and supplement their work programmes if need be.
Group promotion and recruitment: To encourage new active members into the working group. Producing a brochure explaining the group’s aims and highlighting the environmental products and services offered by the working group.

The UNEP FI secretariat sees 2005 and Q1 2006 as the formation and consolidation of the working group, with the primary focus being on formulating a strategy and a work programme. The group will officially launch at the 2005 UNEP FI Global Roundtable.

2.0 Pilot Inter-Regional Training Workshop Activities: Follow on from the Sustainability Management and Reporting (SMR) Project

Strategic Goals of the SMR Project
The SMR project aimed to support the commitment made by the UNEP FI signatories under the UNEP FI Statements to “share with (other financial institutions) our experiences and knowledge in order to extend best practice”. UNEP FI signatories show their commitments towards sustainability by joining UNEP FI, but for reasons such as lack of awareness or capacity, not all have a system of sustainability management and reporting in place. The primary strategic goal of the SMR project was to raise awareness and build capacity in sustainability management and reporting amongst financial institutions in developing countries and emerging markets.

Pilot Inter-Regional Training Workshop Activities as a follow on from the SMR Project
The report entitled “Sustainability Management and Reporting: Benefits for Developing and Emerging Economies” which collates strong and clear business case for financial institutions to operate sustainability management and reporting in emerging market is published at the end of 2005. From 2006, the SMR project will be followed up with a series of awareness raising and capacity building workshops for financial institutions in developing countries and transition economies. The strategic values of these work programmes for UNEP FI are outlined as below.

- Create an all-embracing work programme that runs across different UNEP FI work programmes. The SMR workshops runs with the cooperation of other UNEP FI work programmes, specifically the regional taskforces (Latin America, Africa and Central & Eastern Europe) and as part of the new training initiatives in the regions.
- Establish the new publication as a useful tool amongst financial institutions in developing countries through follow-up activities to ensure sufficient dissemination and use. Workshops will also use the publication as a teaching material.
- Improving services and outreach towards non-English speaking regions through the Spanish translation of the publication accompanied by workshops in Spanish for financial institutions in Latin America.

2006 Work Programme
- SMR capacity building workshops for managerial level in Latin America, Africa and Central & Eastern Europe in association with the respective regional task forces
- Publication of a Spanish summary edition
- Workshops conducted in Spanish in Latin America
- Set-up of website with additional information on SMR
2.1 African Task Force (ATF) 2006 Strategy & Budget Application

Proposed Budget: USD30,000

Workflows 2006

1) Development of practical, non-financial (sustainability) risk management and corporate governance guidelines for the African financial sector
Towards the latter end of 2005 an aspirational Statement of Commitment of South African and broader African financial service organisations will be finalised. Additionally corporate governance practices among African financial institutions will be surveyed. This is critical background work for the formation of RM/CG guidelines. In 2006 work will be finalised, published and expanded to incorporate a broader African audience.

2) Rollout an ATF member driven process for access to finance
At the 2005 AGM in South Africa the ATF agreed to strategize and carry out work on access to finance with a focus on micro-finance. In light of the importance of this work, especially in a pan-African context, the group will finalise the process, build stakeholders and seek implementation in 2006. The ATF is in an ideal position to work on:
- Links between micro-finance and private sector banks;
- Mainstreaming and commercialisation of micro-finance; and
- Links to institutional investors.

3) Outreach, workshops and partnerships
In 2006 regional outreach initiatives will focus on involving new pan-African partners and increasing pan-African membership. Outreach activities will also seek to promote the ATF risk management and corporate governance guidelines and micro-finance efforts. Risk management and corporate governance workshops will be carried out in 3 or more African nations.

4) Engagement and fundraising
Increased involvement in existing African initiatives. Increased engagement with high-level regional partners. Further development of concept notes and strategies for fundraising.

2.2 UNEP FI North American Taskforce 2006 Strategy & Budget Application

Proposed Budget: USD30,000

Background and Mission
The North American Taskforce (NATF) has evolved significantly over the past 12 months. The group has grown to nine active members from an initial four, and is keen to expand its membership in North America, both within the banking and insurance sectors. The taskforce is in the midst of completing its first major project, a two-part “Lending Clarity” study, examining the impact of climate change on the North American financial sector, more specifically, the risks posed by climate change to debtors, and the impact on specific debt sectors. The study will be launched at UNEP FI’s Global Roundtable, 25-26 October, 2005 in New York.

Strategy and Objectives
In order to continue and enhance its crucial role in the finance and sustainability debate, the NATF will look to fulfil these specific objectives in 2006, further reflecting the overall aims of UNEP FI:

- To entrench its membership in North America, and to create a forum for North American signatories to exchange ideas and best practice in the area of finance and sustainability. As a result of this, we expect our membership to grow.
- To explore and raise awareness on specific environmental and social issues, such as climate change, and its impact on the North American financial sector.
To identify and disseminate the risks and opportunities related to social and environmental issues for the financial services industry in North America, with specific focus on development of new products and services, as well as extending markets for existing products & services.

Main Projects and Outputs

- The NATF will focus on producing training workshops in cooperation with other North American associations such as the Environmental Bankers Association in the United States.
- The NATF will produce two workshops: The first to take place in Q2 will disseminate the results of the NATF study to its members other signatories. In addition, the NATF will work with other Regional Taskforces (RTFs) in disseminating the results of the study through regional workshops. The NATF will look to send one of their representatives to such a workshop.
- The second workshop, to take place in Q4, will examine the issue of forestry and lending, which has proved to be a fairly controversial issue in North America. We will explore the possibility of collaborating with the Canadian Boreal Initiative, the World Resources Institute and other science-based NGOs. Off the back of the workshop, the NATF would look to produce a 2-4-page briefing outlining the key issues.
- The NATF will work with the CCWG on producing a briefing addressing the expansion of emission trading markets. The briefing would put forward proposals for trading that go beyond the Kyoto Group and targets, and show their benefits in sustainable development terms e.g. technology transfer, air quality etc. In addition to extending markets in the developing world, it would address North American markets, particularly those at the state level.
- A potential third workshop, in partnership with the Environmental Bankers Association, will present the latest developments in environmental risk management.

Financial support would be required for workshop logistics, travel and materials. In order to implement the work programme outlined above, the NATF seeks a budget of $30,000.

2.3 Latin American Task Force 2006 Strategy & Budget Application

Proposed Budget: USD30,000

Building on the successful training programme conducted in 2005, the LATF will continue to prioritise awareness raising and training in 2006. In addition, the Task Force will collaborate with UNEP FI global projects, such as the Sustainability Management and Reporting Work Stream and the Asset Management working group, and other regional Task Forces.

Planned Activities in 2006

Training

- The LATF will conduct another training workshop on social and environmental risk management. The workshop will follow the template that was successfully implemented in three countries in 2005. Potential locations include: Chile, El Salvador, Mexico, Caribbean. Building on the example of the joint LATF – IFC workshop in Lima, Peru, in 2005, collaboration with the IFC in other countries will be explored.
- An online training facility will be created jointly with the Ecobanking project (INCAE, InWent, UNEP FI). The LATF secretariat will be responsible for the administration, marketing and logistics of the project. The cost of each course will eventually be recovered through course fees, but an initial investment will be required for setting up the online facility and for marketing efforts to make the project widely known in the region. This component of the LATF work programme will be funded by the Bank of America Foundation.
- A workshop in Sustainability Management and Reporting will be held in conjunction with the UNEP FI SMR Forum to introduce UNEP FI’s SMR guidance document for financial institutions in developing countries and emerging economies.
Following the successful workshop in Buenos Aires in May 2005, a “State of the Art in Sustainable Finance” survey will be conducted to provide a basis for further advancing this agenda in the Argentinean financial sector. The survey will be launched in a cocktail reception to raise awareness, followed by a second, more advanced training workshop. This component of the LATF work programme will be funded by the Bank of America Foundation.

**Communication and Awareness Raising**
- The LATF will officially launch a website information portal being developed in 2005. The Portal provides links to websites with information related to a number of sustainable finance issues, such as environmental management, microfinance, SRI and Climate Change / Renewable Energy.
- The LATF, in collaboration with several local partners (UNEP FI signatories, Fundação Getulio Vargas - FGV, Fundação Brasileira Para o Desenvolvimento Sustentavel - FBDS), will organise a conference for Latin American Development Banks focusing on sustainable finance issues from a public sector point of view. Aim is to bring together around 50-100 participants from the region, to discuss case studies of best practice, regulatory issues, international standards, etc.

**Enabling Environment**
- In collaboration with the Ecobanking Project, the LATF will develop an engagement process with financial regulators. The project will form a steering group of interested regulators who will develop a strategy to support regulators seeking to promote socially and environmentally responsible finance.
- The LATF secretariat in collaboration with Fundación Social will finalise a project proposal to engage the financial sector in Colombia in peace-building and, once external funding is secured, start implementing the project.

**2.4 Central and Eastern European Task Force (CEETF) Strategy Paper**
- **Proposed Budget:** USD30,000

**CEETF Background**
CEETF activities have started in January 2004 with the mission to support and expand sustainable finance practice in Central and Eastern Europe. In 2005 the task force held two high-level conferences in Warsaw, Poland and Zagreb, Croatia. Currently the group is in the process of undertaking a needs assessment for defining the focus of its environmental credit risk product.

**Planned Activities in 2006**

**Awareness Raising**
In order to proceed with raising awareness of sustainable finance, the Task Force has decided to hold a conference in Moscow for financial institutions in Russia and the Republics of the former Soviet Union. In light of this year’s experiences with conferences in Poland and Croatia, the event will this time combine an information event for senior level management with more specialised workshops at a practitioner’s level. The conference will be held in quarter 1, 2006. For further awareness-raising events in 2006 the task force has decided to target the region of Greece/Romania/Bulgaria, and the Baltic countries later in 2006.

**Training**
After first information events for senior level management in Poland and Croatia, the Task Force will organise follow up workshops in 2006 to enhance capacity on a more practical level. Therefore, the development of case studies and further training materials i.e. training on environmental regulations will be taken forward.
In South East Europe, the Task Force will potentially collaborate with the Climate Change Working Group to offer a workshop on climate risk to the financial industry, as conference participants raised...
particular interest in climate change issues. Further collaboration will be considered with the Sustainability Management and Reporting Working Group in order to offer a seminar on sustainability reporting.

Environmental Credit Risk Platform
After a needs assessment among environmental risk managers to be conducted in Q4, 2005, the task force will take forward the production of a web-based environmental credit risk platform. The environmental credit risk management platform will contain country and sector specific environmental/social risk profiles, links to existing environmental credit risk management resources, checklists for credit specialists and links to useful experts. Once the practical tool is set up, the task force will consider offering particular training on environmental risk and the use of the tool.

Further Collaboration with UNEP FI Working Groups
Further collaboration is considered with the Climate Change Working Group on developing material on the financial sector perspective of Joint Implementation.

2.5 Asia Pacific Task Force Strategy & Budget Application

Proposed Budget: USD30,000

Background
The APTF Outreach Group was started in 2005 with the aim of supporting and expanding sustainable practices in financial institutions in the Asia Pacific Region. As of 1 September there are 40 signatories with headquarters in the Asia Pacific region, which makes it the second largest region after Europe. As an organisation operating from Geneva serving the needs of geographically distant Asia Pacific, UNEP FI has successfully received the support of several reliable partners in the region. Together with the partners the APTF aims to meet the diverse needs of the membership by operating three groups: Australasia, Japan and the Outreach groups.

Strategy and Main Projects for 2006

1) Inter-Group Activities
- Furthering the understanding of UNEP FI program: Dissemination of UNEP FI publications and organising of post-publication briefings and seminars in the Asia Pacific region;
- Issue based project involving research and case study collection across the Asia Pacific; and
- Coordinated event across the three Groups: Joint invitation of experts on environmental sustainability to the region.

2) Australasian Group:
The Australasian Outreach Program of UNEP FI aims to facilitate dialogue on sustainable finance between institutions in the region and assist in considering global sustainability issues in a regional context. Reflecting these objectives, the strategy and main projects of the Outreach Group for 2006 are:
- Publication of UNEP FI Australasian Newsletters: Maintain dialogues between institutions and ensure the Australasian finance sector and key stakeholders are up to date with developments in sustainable finance;
- Training & capacity building in environmental credit risk and asset management: Helping further educate finance institutions about how to integrate environmental and social issues into lending decision making processes and of the benefits of considering these issues in equity pricing; and
- Awareness raising and outreach: Ensuring Australasian views on important global issues are discussed and assisting consideration of these issues in a regional context;

3) Outreach Group:
UNEP FI signatories in the Asia Pacific are predominantly concentrated in the developed countries. The objective of the Outreach Group is to create a critical mass of Asia Pacific signatories and raise awareness of sustainable finance practices in the emerging and developing economies in the region. Reflecting these objectives, the strategy and main projects of the Outreach Group for 2006 are:
- Recruitment of new signatories in the Asia Pacific region;
- General awareness raising events and training emphasising on the business cases for sustainable finance and facilitate networking activities.
- Publication of the APTF Outreach Group brochure (English and translated versions in Asian Pacific languages linked to regional events); and
- Development of multi-lingual APTF website introducing UNEP FI and introducing the business cases for sustainable finance from AP signatories.

4) **Japan Group:** The objective of the Japan Group is to facilitate information sharing on sustainable financial practices and to assist the Japanese signatories to realise their commitment towards the UNEP FI Statements. Reflecting these objectives, the strategy and main projects of the Outreach Group for 2006 are:
- Recruitment of new signatories and Facilitating networking activities between signatories in Japan;
- General awareness raising events emphasising on the business cases for sustainable finance;
- Publication of the APTF Japan Group brochure (Japanese); and
- Development of bilingual APTF Japan Group website introducing UNEP FI and introducing the business cases for sustainable finance from AP signatories.

### 2.6 & 2.7 Western European Activities & Middle Eastern Activities

**Proposed Budget:** USD10,000

**Background and Mission**

As of 2002, the need for a Signatory Relations (SR) team became apparent when the Initiatives counted some 300 members, but only some 20% were actively involved and paying annual fees. Since then the active Signatory Base has been greatly reinforced: the UNEP FI free-rider problem has been addressed, with 88% of Signatories now considered active (see attached charts/figures). The financial target of the Initiative has been raised on a yearly basis, the 2005 target of $1,075,000 has been met as of September 2005. Thus Signatory Relations plays a key role in actively engaging Signatories in UNEP FI’s activities and endeavours, as well as in attracting new Signatories.

The SR function is in a unique position to service UNEP FI members given its central position in the Initiative, relating as it does to all aspects of it: the Signatories, the Steering Committee, UNEP FI’s different Working Groups and Task Forces, and UNEP as a broader institution. In order to maximize this, the function has developed a strong outreach policy, providing on-going support of sub-regional events in Europe (Scandinavia, Italy, France), and launching the First Western European Forum in 2005 (19 May, Barcelona). The latter is due to become a yearly event with sub-regional and national get-togethers feeding into future editions. First steps have also been taken towards expanding the Signatory base in the Middle East, with the establishment of a partnership with a key local actor, the Emirates Environmental Group (EEG).

**Main Activities and Outputs**

- Attending UNEP FI Signatory general queries regarding UNEP FI activities and procedures;
- Ensuring UNEP FI Signatories comply with the three basic membership requirements (fee payment, reporting and attendance at the Annual General Meetings);
- Promoting exchanges and networking among Signatories by providing day to day liaison services and by organising special thematic and/or regional events;
- Communication and liaising with key partners such as financial associations;
- Compilation and dissemination of information on UNEP FI activities (regular information & communications to Signatories such signatory bulletin and the ebulletin);
- Research and identification of potential Signatories, outreach and engagement of new members.

**Strategy and Objectives for 2006**

- Further expansion of the funding base – target for 2006 will move up to $1,280,000;
Following the resolution of the Free Rider issue the SR function will now turn its full attention to servicing our existing signatories by creating ongoing value for all Signatories – development of a new Signatories-only information-sharing tool, Fact sheets, including feature on the UNEP FI website (extranet), could eventually develop into a must-have database providing detailed information on members and their ESG profiles;

- Consolidating outreach activities in regions not currently covered by TFs – second Western European Forum to be held, further involvement in national & subregional get-togethers in Western Europe (UK, Germany, Italy, France, Scandinavia), development of Middle East activities (partnership with EEG);

- Developing partnerships – associations, government agencies and civil society groups;

- Institutionalise SR mandate - informal focal point within Steering Committee to provide guidance and support for SR undertakings and actions as necessary.

### 3.1 Principles for Responsible Investment 2006 Strategy

**Proposed Amount: USD10,000**

In 2004/2005, UNEP FI and the Global Compact, with financial support from Caisse des Depot and ABN AMRO, initiated a programme to engage the top of the investment chain – mainly pension funds, foundations and insurance companies – on ESG issues. The vision is to stimulate a major shift towards responsible investment by institutional investors leading to significant improvements in the environmental, social and corporate governance performance throughout the global economy.

Twenty of the world’s largest investors were convened at the invitation of the UN Secretary-General, supported by a broad-based expert group of 60. It is likely that by the end of 2005, the Principles for Responsible Investment will be released and in the process of being adopted by the investors involved. UNEP FI, though it has been acting as an implementing agency for UNEP, has (along with UNEP) received considerable increased profile from its central role in initiating and delivering the PRI.

The mission for 2006 is to promote the adoption and implementation of the Principles for Responsible Investment globally. It will involve:

**Public Release of the Pilot Principles: Oct-Dec 2005**

**Development of supporting resources: November 2005 to April 2006**
1) A handbook on best-practice responsible investment by institutional investors, including strategies for implementing the principles and action plans.
2) A handbook for policymakers on aligning regulatory frameworks on investment with the goals of the PRI and sustainable development.

**Building support and capacity: January 2005 to December 2006**
1) Establishment of a global network for investors to pilot the principles and collaboratively address environmental, social and governance issues
2) Obtaining policy-maker endorsement of the principles and commitment to regulatory alignment with them
3) A global roll-out of the principles, and capacity-building and training programme

**Governance and Implementation**

The ultimate goal is to create an implementing agency that would be a flexible public-private partnership, most probably between UNEP/Global Compact and the institutional asset owners (most of whom are not signatories of UNEP FI). There are a number of funding models under discussion including membership, foundations and government. A structure such as this may take time. UNEP
The proposed work programme will address private sector investments within the water sector, especially in developing countries, taking into account risk challenges and opportunities. Moreover, the work programme seeks to create awareness and build capacity towards the enforcement of water governance by identifying leverage areas where the financial sector can contribute its knowledge, finance and risk management expertise.

For financial institutions addressing and mitigating the challenges identified in the report: Challenges of Water Scarcity, a business case for financial institutions, is an initial process which could allow risk management strategies to include investments that used integrated water resource management as a pillar to mitigate water related risks. In this sense, not only are financial institutions contributing to the overall performance of the businesses they support and finance, but also to greater water sustainability in social and environmental terms. On a second level, it is important to address the gap between financial institutions and policy makers by creating a platform for active dialogue where both can acknowledge the challenges moving forward.

The focus of the work programme is designed to build into the regions (especially developing countries) where water related issues are having an impact on socio-economic development, thus engagement of financial institutions is encouraged through the use of UNEP FI’s Regional Task Forces in Africa and Latin America, Asia and Central and Eastern Europe.

Six action areas for the work programme include:
1) Assessment of opportunities for financial institutions within the water sector.
2) Risks Management Guidelines for financial institutions
3) Risks Management Guidelines for Policy Makers
4) Policy Brief on Water Governance and the Private Sector
5) Communications with the financial sector
6) Capacity building and awareness raising through workshops and seminars.

The UNEP FI – SIWI work programme will strive to promote a positive agenda that involves the private sector participation in contributing to achieve the Millennium Development Goals of reducing to halve the number of people in the world without proper access to water and sanitation by the year 2015.

The current work programme will also seek donor support to enable UNEP FI and its partner institutions to engage deeply with the financial community into the challenges and opportunities of dealing with water. The key aspect of the work will focus on developing a series of activities in-line with a strategic work programme that seeks to create awareness and capacity through research and dissemination in organized regional training workshops.

3.3 New Project Application: UNEP FI Property Investment Working Group
(In discussion with AMWG to be parented by the WG)
Proposed Budget: USD5,000

Goal
To establish a financially self-supporting Property Investment Working Group under the UNEP FI by July 2006.

Background
Two UNEP FI signatories – Prudential plc, Calvert and Caisse des Depots – are interested in starting the world’s first international Responsible Property Investment Working Group (PIWG) within UNEP FI, and with the support of the University of Arizona. Composed of leading global real estate investment companies and supported by top academic and professional experts, the PIWG would encourage property investment strategies that are consistent with the best possible social, environmental, and governance practices.

Property investing is a multi-trillion dollar worldwide industry that can have profoundly positive or negative effects on social, cultural, and environmental goals. Issues as diverse as urban poverty, global warming and indigenous people’s rights are affected by investors’ decisions about the development, refurbishment, and management of their properties.

The goal of the PIWG would be to transform the property investment industry by promoting widespread adoption of best social and environmental practices, by demonstrating how these practices are financially beneficial, and by establishing conventions for reporting and third-party evaluations of company and industry progress. We hope to achieve two outcomes: 1) to see more property investment institutions make money in ways that are beneficial to society; and 2) to give individual and institutional investors a roadmap for where to go to invest in socially responsible property investments funds and companies.

The organizational effort will be chaired by Professor Gary Pivo of the University of Arizona who will lead a team of organizers from North America, South America, Europe, Japan and Australasia. Each team member will focus on attracting PIWG membership from their area. Members will be leading investment firms and will pay annual signatory fees to UNEP FI. The University of Arizona (UA) will provide office support with a small amount of administrative and coordination help coming from the UNEP FI Secretariat. A UA graduate student will help identify institutions that are leaders in responsible property investing, which should be invited to join the process.

Six steps are planned:
1) Establish the multinational organizing committee
2) Draft a mission statement
3) Obtain leading and supporting corporate sponsors or chairs
4) Recruit new members
5) Prepare a briefing paper for the organizational meeting
6) Conduct the first global meeting of the PIWG in San Francisco next summer.

Initial financial commitment from UNEP FI in 2006
The goal is to bring a sufficient number of new signatories into UNEP FI to more than cover the ongoing costs of secretariat support including staff time. Initial discussions with industry people indicate strong support for this initiative. Because there is currently no global dialogue amongst property investors on these issues, there are likely to be many who are interested in joining UNEP FI to become involved with this.

If the UNEP FI Steering Committee agreed to proceed with the establishment of such a group, a small amount of staff time – perhaps 10-20% of a full time staff load – plus some travel expenses would help move this process ahead. The Asset Management Working Group is one work stream under which this project could fall in the initial stages.
However, given the support from the University of Arizona, the normal secretariat time required to establish such a group will not be required. It is hoped that by 2007, sufficient additional signatories will have been secured to justify the allocation of typical working group resources in line with normal UNEP FI budgeting procedures.
### UNEP Finance Initiative
#### 2006 Budget

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<td>150,000</td>
<td>150,000</td>
</tr>
<tr>
<td>Core Income</td>
<td>1,280,000</td>
<td>150,000</td>
<td>1,430,000</td>
<td>1,225,000</td>
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</tbody>
</table>

### Expense

#### 1 Working Groups

<table>
<thead>
<tr>
<th>Group</th>
<th>Budget</th>
<th>2005</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Asset Management WG</td>
<td>40,000</td>
<td>40,000</td>
<td>37,500</td>
</tr>
<tr>
<td>1.2 Climate Change WG</td>
<td>40,000</td>
<td>40,000</td>
<td>37,500</td>
</tr>
<tr>
<td>1.3 GRI Indicators WG</td>
<td>30,000</td>
<td>30,000</td>
<td>18,750</td>
</tr>
<tr>
<td>1.4 General Insurance WG</td>
<td>20,000</td>
<td>20,000</td>
<td>10,000</td>
</tr>
<tr>
<td>1.9 Staff costs</td>
<td>124,058</td>
<td>0</td>
<td>124,058</td>
</tr>
<tr>
<td>Total Working Groups</td>
<td>254,058</td>
<td>0</td>
<td>254,058</td>
</tr>
</tbody>
</table>

#### 2 Regional Taskforces

<table>
<thead>
<tr>
<th>Taskforce</th>
<th>Budget</th>
<th>2005</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.0 Inter-regional workshops/Training (SMR workshops)</td>
<td>20,000</td>
<td>0</td>
<td>20,000</td>
</tr>
<tr>
<td>2.1 African TF</td>
<td>30,000</td>
<td>0</td>
<td>30,000</td>
</tr>
<tr>
<td>2.2 North American TF</td>
<td>30,000</td>
<td>0</td>
<td>30,000</td>
</tr>
<tr>
<td>2.3 Latin American TF</td>
<td>30,000</td>
<td>0</td>
<td>30,000</td>
</tr>
<tr>
<td>2.4 Central &amp; East European TF</td>
<td>30,000</td>
<td>0</td>
<td>30,000</td>
</tr>
<tr>
<td>2.5 Asia Pacific TF</td>
<td>30,000</td>
<td>0</td>
<td>30,000</td>
</tr>
<tr>
<td>2.6 Western European &amp; Middle Eastern Activities</td>
<td>10,000</td>
<td>0</td>
<td>10,000</td>
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<tr>
<td>2.9 Staff costs</td>
<td>157,146</td>
<td>0</td>
<td>157,146</td>
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<tr>
<td>Total Regional Taskforces</td>
<td>337,146</td>
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<td>337,146</td>
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</table>

#### 3 Joint Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Budget</th>
<th>2005</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 UN Responsible Investment project</td>
<td>10,000</td>
<td>0</td>
<td>10,000</td>
</tr>
<tr>
<td>3.2 Finance &amp; Water project</td>
<td>20,000</td>
<td>0</td>
<td>20,000</td>
</tr>
<tr>
<td>3.3 Property Investment Group (parented by AMWG)</td>
<td>5,000</td>
<td>0</td>
<td>5,000</td>
</tr>
<tr>
<td>3.4 German speaking UNEP-VfU Roundtable</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3.9 Staff costs</td>
<td>11,792</td>
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<td>11,792</td>
</tr>
<tr>
<td>Total Joint Projects</td>
<td>46,792</td>
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<td>46,792</td>
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</table>

#### 4 Members Relations & Communication

<table>
<thead>
<tr>
<th>Activity</th>
<th>Budget</th>
<th>2005</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Members Relations</td>
<td>30,000</td>
<td>0</td>
<td>30,000</td>
</tr>
<tr>
<td>4.2 Communications (UNEP FI &amp; work programmes)</td>
<td>30,000</td>
<td>0</td>
<td>30,000</td>
</tr>
<tr>
<td>4.3 Website development</td>
<td>20,000</td>
<td>0</td>
<td>20,000</td>
</tr>
<tr>
<td>4.4 SC, AGM, UNEP meetings</td>
<td>0</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>4.9 Staff costs</td>
<td>161,634</td>
<td>0</td>
<td>161,634</td>
</tr>
<tr>
<td>Total Members Relations &amp; Communication</td>
<td>241,634</td>
<td>25,000</td>
<td>266,634</td>
</tr>
</tbody>
</table>

#### 5 Management & Finance

<table>
<thead>
<tr>
<th>Activity</th>
<th>Budget</th>
<th>2005</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Equipment and Premises</td>
<td>28,000</td>
<td>7,500</td>
<td>35,500</td>
</tr>
<tr>
<td>5.2 Management costs</td>
<td>26,000</td>
<td>0</td>
<td>26,000</td>
</tr>
<tr>
<td>5.9 Staff costs</td>
<td>246,000</td>
<td>100,000</td>
<td>346,000</td>
</tr>
<tr>
<td>Total Management &amp; Finance</td>
<td>300,000</td>
<td>107,500</td>
<td>407,500</td>
</tr>
</tbody>
</table>

#### Total Net Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Net Expense</td>
<td>1,179,630</td>
<td>132,500</td>
</tr>
<tr>
<td>Programme support cost (PSC)</td>
<td>1,312,130</td>
<td>1,177,213</td>
</tr>
<tr>
<td>Total Gross Expenses</td>
<td>1,274,000</td>
<td>149,725</td>
</tr>
</tbody>
</table>

### Note 1: Staff costs

- **2006 Budgeted Staff Costs**: 800,630
- **2005 Budgeted Staff Costs**: 647,213
- **Increase**: 153,417

Staff cost increase due to completion of government funding for 1 staff and transfer of 1 admin consultant to UN staff.

### Note 2: Sponsorship income

In addition to the core income, work programmes may seek sponsorship for specific activities. For example, Bank of America is sponsoring additional activities for CCWG (USD35,000) and LATF (USD20,000) in 2005-6.

### Note 3: Reductions in 4.4 Meeting costs & 5.2 Management Costs

- USD 60,000 reduction realised from:
  - UNEP Evaluation cost & audit fee for private bank account: 16,000
  - UNEP staff travel costs charged directly to work programmes from 2006: 36,000
  - Misc (hospitality, subscription, training, courier): 8,000

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For Your Information
1. Regional Issues

EPA Internship at UNEP FI in 2005
EPA Vic sent one of its Programme Officers to work for six months within the UNEP FI Secretariat in Geneva to obtain valuable insights into UNEP FI’s current initiatives and approaches as well as help contribute to building a better ongoing relationship within the Asia Pacific region.

Regional conference calls
The UNEP FI Secretariat has continued the conference calls for all regional task force chairs and regional partners on a monthly basis. The calls have been well attended with representatives participating from Africa, Asia Pacific, Australasia, Central and Eastern Europe, Latin America and North America.

2. Signatory Issues

Meeting of UNEP FI Signatories

France
Hosted by Groupama Asset Management, this informal meeting in January gathered key French Signatories for the first time to discuss their involvement in UNEP FI and the possibilities for collaboration within the group.

Nordic
Following an initial launch by the UNEP FI Secretariat in 2004, the Initiative’s Nordic signatories have been holding regular informal get-togethers for the 6th time running. Their most recent meetings were held in February and April this year.

United Kingdom
The UK-based UNEP FI signatories met again in September for the second time since 2004.

UNEP FI/ VfU Roundtable meeting for the German-Speaking Region, 1 March, Bonn.
In March 2005, eleven financial institutions from Germany and Switzerland came together to set up a Roundtable for German-speaking financial institutions. The Roundtable’s work programme will focus on organising workshops by individual participating institutions. The first workshop on socially responsible investment took place in June. Further workshops on environmental credit risk management, sustainability management and reporting as well as a high-level awareness-raising event are planned to be held in 2006.

New Signatories
The year 2005 saw a steady influx of new Signatories to the UNEP FI Statements on Sustainable development, with 10 new members coming on board.

Newcomers in 2005 include:
AIOI Insurance Co. Ltd., Japan
Domini Social Investments LLC, USA
Hyundai Marine and Fire Insurance Co. Ltd., South Korea, is recommitting itself by re-signing the UNEP Statements. An official Signing Ceremony will be held during the Annual General Meeting.

**UNEP FI Working with Associations**

UNEP FI was invited to participate in a workshop of the Associazione Bancaria Italiana (ABI) on the 5th of May, Rome. UNEP FI Signatory Standard Chartered’s Robert Tacon presented on environmental risk assessment, while Sean Gilbert presented the Global Reporting Initiative (GRI).

ABI invited UNEP FI to take part in its First CSR Forum of the Italian Banking Association (ABI), Rome on 3rd and 4th October. UNEP FI Steering Committee member and Senior Vice-President of Bank of America, Helen Sahi, gave a presentation on the connections between environmental risk and credit risk.

**Signatory Extranet Available Soon**

Signatory profiles describing UNEP FI members’ activities and sustainability commitments have now been collected and will be posted on the Initiative’s website. Ultimately, the Signatory page will be linked to an exclusive, members-only Signatory Extranet; it is hoped that this new tool will further facilitate networking and information sharing between UNEP FI members.

**Quarterly Update to Signatories**

At the end of each quarter, UNEPFI is releasing an electronic update, which gives an overview of all activities and events initiated by the Secretariat over the previous quarter. These include reports from the Working Groups, Task Forces, and outcomes on any events held, etc.

**UNEP FI at a glance**

This document provides a concise outline of all the current UNEP FI Working Groups, Task Forces and Projects, including major activities planned for 2005 as well as detailed membership lists and contact details. Building on the success of 2005, UNEP FI plans to issue a follow-up document in 2006.

**3. Published by UNEP FI in 2005**

*NB. All UNEP FI publications are available online at http://www.unepfi.org/publications/index.html*

**0.618 Issue 5 Total Risk**

UNEP FI’s published the 5th issue of its official newsletter in January 2005.

**Challenges of Water Scarcity: A Business Case for Financial Institutions**

The full report on the joint UNEP FI – Stockholm International Water Institute (SIWI) study was launched during the World Conference on Disaster Reduction held in Kobe, Japan, January 2005.
UNEP FI 2004 Overview
This concise, easy-to-use publication provides a summary of all UNEP FI activities and news for the year 2004.

Generation lost: young financial analysts and environmental, social and governance (ESG) issues
The result of a successful partnership between World Business Council for Sustainable Development (WBCSD) and UNEP FI, this report, published in June 2005, explores whether young analysts have an appetite for integrating ESG issues in their daily work.

Western European Forum – Conference Report
This report provides key points made by each speaker as well as detailed transcripts of the questions & answer periods which followed each session (May 2005). This event was supported by Deutsche Bank.

Still to Come in 2005

0.618… Issue 6 – A World of Risk. A World of Opportunities?
This issue of 0.618… will focus on the themes to be covered at the UNEP FI Global Roundtable 2005.

Asia Pacific Task Force (APTF) Brochure
This brochure introduces the aims, activities and members of the three groups (Australasia, Japan, and Outreach) of the APTF.

Climate Change CEO Briefing
The Future of Climate Policy - The Financial Sector Perspective

Sustainability Management and Reporting (SMR) CEO Briefing
Sustainability Management and Reporting: Benefits for Developing and Emerging Economies

Global Climate Change: Risk to Bank Loans
A report prepared by Ecossecurities for the UNEP FI North American Task Force