United Nations Environment Programme
برنامج الأمم المتحدة للبيئة • 联合国环境规划署
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ
UNEP

PRESS RELEASE

CREATING A GLOBAL ALLIANCE OF INVESTORS

UNEP and investors join forces to launch New Responsible Investment Initiative

LONDON/NAIROBI, 15 July 2004 – United Nations Environment Programme (UNEP) will work with major institutional investors to develop a set of globally recognised principles for responsible investment by September 2005.

The new principles will protect both the planet and long-term shareholder value by integrating environmental, social and governance concerns into investor and capital market considerations.

Today's launch of the so-called "Responsible Investment Initiative" follows a meeting of more than 40 investors and fund managers held last month in Paris. At the meeting, organised by the UNEP Finance Initiative and hosted by Groupama Asset Management, participants proposed a global alliance of investors to guide responsible investment best practice.

The initiative is being launched by UNEP in response to this proposal and the results of a 14 month study published last month by the UNEP on the financial impacts of sustainable development.

"The time is now right to develop principles to guide best practice in responsible investment decisions worldwide," said Klaus Toepfer, UNEP's Executive Director. "The world's largest banks have the Equator Principles to guide their actions in a manner supportive of sustainable development. We believe the investor community is now ready for similar principles to assist with the complex process of responsible investment that meets investor expectations," he said.

The global public and private investor community, which has a duty to protect long-term asset values, is a key sector in bringing environmental, social and governance disciplines to the heart of capital market considerations.

"The short-termism inherent in our markets is a critical challenge when it comes to addressing environmental and broader sustainability issues," Toepfer continued.

"Many investors, at best, view environment and social issues as a mid-to-long-term concern and therefore of little relevance to the cut and thrust of modern capital markets. This is why asset owners can play such an important role. While investing in our capital markets asset owners and their advisors are beginning to appreciate the importance of retaining a long-term view that anticipates new opportunities and threats."

Sir Graeme Davies, Chairman of the Universities Superannuation Scheme Ltd, the third largest UK pension fund, said: "Pension funds have liabilities which last several decades so it's inevitable that the serious social and environmental issues which the UN system seeks to address will increasingly become material investment issues as well.

The focus of the investment system - on relative returns over the short or medium term - can mean both the impact of institutional investors on these wider issues and the investment opportunities they present get less attention than they deserve. That's why I welcome principles which focus attention on material but currently "extra-financial" issues, principles which each fund can interpret and implement as it judges to be appropriate."

Commenting on the importance of the UNEP's involvement Sir Graeme said: "The UN and its sister organisations (eg the World Bank, OECD and IMF) have the international legitimacy and expertise to lead this work, as well as considerable clout as investors in their own right.   That is why USS is participating in this important initiative."

Keith Jones, CEO of Morley Fund Management agreed, commenting "It is clear to us that success for companies focused on consistent progress over time means embracing the concept of sustainable economic growth. And an aspect of Morley's success has been our use of SRI expertise to identify companies that are successful because they adopt environmental, social and corporate governance best practice as part of their own idea of winning. We look forward to working with UNEP on this."

Michael Hölz of Deutsche Bank and chair of the UNEP Finance Initiative added, "UNEP FI is the largest and oldest public private partnership between the UN and the financial sector, with 226 member companies worldwide. As chair of this Initiative Deutsche Bank firmly believes in the potential of public private partnerships to develop and ensure governance, environmental and social performance. The results of UNEP FI's Asset Management Working Group, which form the basis for this announcement, are an example of the success of this network."

UNEP will now convene a group of major investors in a learning process to jointly explore how to best develop and disseminate the principles.

At the Paris meeting on 16 June investors also encouraged UNEP to co-ordinate its work with relevant international organizations including the World Bank, the OECD, the CFA institute, the International Corporate Governance Network and the Carbon Disclosure Project. Regional groups pinpointed for collaboration included the Investor Network on Climate Risk in the USA and the Institutional Investors Group on Climate Change in the UK.

The new UNEP initiative is framed in support of the UN's Global Compact. It also builds on the recent launch of a UNEP study that warned of a threat to stock markets if environmental, social and governance issues are ignored by financial analysts and the broader investment community.

The study, "The Materiality of Social, Environmental and Corporate Governance Issues to Equity Pricing," was launched at the UN Global Compact Leaders Summit on 24 June in New York. To compile the study, UNEP worked with a group of 21 fund managers and brokerage houses to explore the impact of environmental, social and governance issues on share prices.

UNEP and the asset management companies (listed below), working under a public-private partnership called the UNEP Finance Initiative, concluded the work by calling upon investors, government and business leaders to embed environmental, social and governance best practice at the heart of our markets. The new initiative to develop a responsible investment approach to guide investors is a response to that call.

END

Note to Editors

"The Materiality of Social, Environmental and Corporate Governance Issues to Equity Pricing" is based on eleven sector reports by brokerage house analysts that were produced at the invitation of the UNEP Finance Initiative Asset Management Working Group. Copies of the report are available on the web at: www.unepfi.net/stocks

The reports covering eight industry sectors provide a rich insight into how mainstream financial analysts are tackling a range of complex new threats and opportunities in their assessments of corporate performance.

The report is a clear recognition from major financial institutions that the environmental and social components of sustainable development, as well as the economic considerations, should sit at the heart of investment and capital market considerations.

Some of the key findings include:

> Environmental, social and corporate governance issues affect long-term shareholder value. In some cases those effects may be profound.
>
> Financial research is hindered both due to the paucity of reporting on the part of many companies concerning environmental, social and corporate governance issues and because of insufficient disclosure of these issues in annual reports.
>
> Financial research is greatly aided when there are clear government positions with respect to environmental, social and corporate governance issues. In some cases analysts were not able to provide in-depth reports due to a lack of certainty regarding government policy.

Brokerage houses contributing sector research for the UNEP FI report included:

ABN AMRO Equities (UK); Deutsche Bank Global Equity Research and South African Equity Research; Dresdner Kleinwort Wasserstein Europe and UK; Goldman Sachs European Equity Research; HSBC; NikkoCitigroup Japan Equity Strategy; Nomura Japanese Equity Markets; UBS Global Equity Research; and West LB Equity Markets.

The 12 financial institutions that worked with UNEP on the report include:
Acuity Investment Management, Canada, BNP Paribas Asset Management, France
Calvert Group Ltd., USA., Citigroup Asset Management, USA, Groupama Asset Management, France, Morley Fund Management, UK, Nikko Asset Management, Japan
Old Mutual Asset Managers, South Africa, San Paolo IMI Asset Management, Italy, Storebrand Investments, Norway, ABN AMRO Asset Management, Brazil
HSBC Asset Management, Europe

For more information please contact:
Robert Bisset, UNEP Spokesperson in Europe on Tel: +33 1 44377613, Mobile: +33 6 22725842, E-mail: robert.bisset@unep.fr. Eric Falt, Spokesperson/Director of UNEP's Division of Communications and Public Information, on Tel: 254 2 623292, E-mail: eric.falt@unep.org or Nick Nuttall, UNEP Head of Media, on Tel: 254 2 623084, Mobile: 254 733 632755, E-mail: nick.nuttall@unep.org.

UNEP Finance Initiative contact:
Jacob Malthouse, Tel. +41 22 917 8268, Mob. +41 79 707 6932 email: jacob.malthouse@unep.ch

Morley Fund Management contacts:
Laura Cook, Monina Villaroman
+(44) 20 7809 8618
Laura.Cook@morleyfm.com, monina.villaroman@morleyfm.com

UNEP News Release Paris 2004/11