

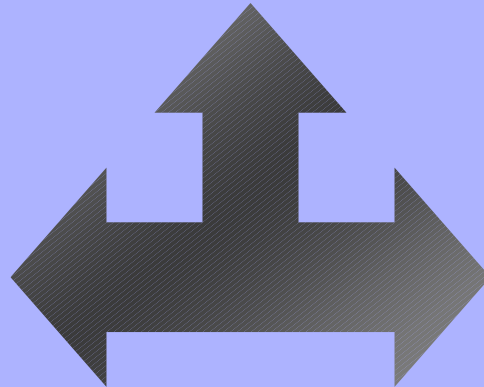


# Finance and Sustainability

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External Relations

***[www.unepfi.net](http://www.unepfi.net)***

# What is UNEP FI?



**Financial  
Services  
Sector**



# Sustainability and Finance

*“The financial services sector has the power to direct financial resources towards projects or companies that have demonstrated good environmental performance.”*

**- Klaus Töpfer, UNEP Executive Director**

*Worldwide economic losses due to natural disasters appear to be doubling every 10 years, which given current trends will amount to almost \$150 Billion in losses for the insurance sector over the next 10 years*

**- UNEP FI CEO Brief**

*79% of CEO's believe sustainability is critical to profitability*

**- PWC CEO survey, 2003**



# Sustainability Principles

*How can Sustainable Finance be achieved?*

- **Accountability and Transparency**
- **Corporate Governance**
- **Environmental/Ethical/Social Reporting**
- **Monitoring and Reduction of Risks**
- **Quantifying Non-Financial Risks**



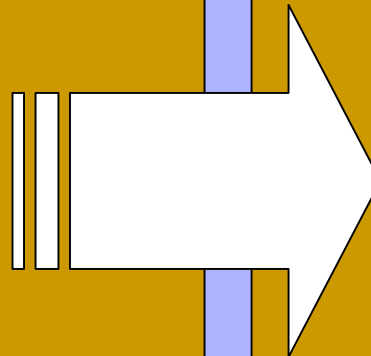
# Role of Stakeholders

## Stakeholders

Community  
Companies  
Competitors  
Employees  
Governments  
Media  
NGO's  
Shareholders

## Companies

Economic Value  
Environmental Value  
Ethical Value  
Social Value



# Risks for the Finance Sector

## Quantitative

- Financial
- Liquidity
- Litigation
- Project

## Qualitative

- Operational
- Price Volatility
- Reputation
- Structural

***Qualitative risks are basically hard-to-measure Quantitative risks***



# Recent Developments

- Corporate Governance Reform
  - Higgs Review, Sarbanes-Oxley
- Disclosure Requirements
  - ASX, French NRE law
- Finance Sector Guidelines
  - Equator Principles, London Principles, Basel III
- Legal Challenges
  - Nike v. Kasky, Class Action Lawsuits
- Pension Reform
  - Myners Report
- International Protocols
  - Kyoto Protocol
- Shareholder Activism
  - Proxy Voting Initiatives

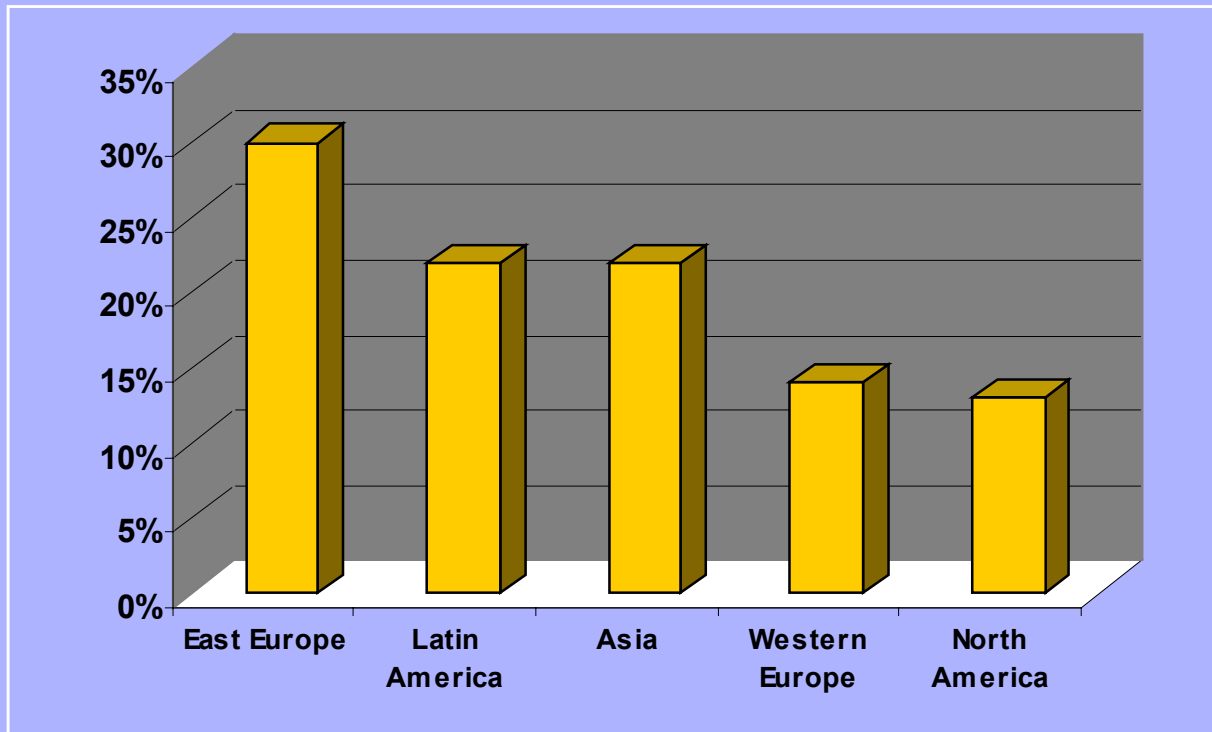


# Values to Value

- Fiduciary Duty
- First Mover Advantage
- Lower Volatility in Financial Markets
- Moral Dividend
- Qualitative Risk Management
- Stock Price Premiums



# Corporate Governance Premium



Source: McKinsey Global Investor Opinion Survey, 2002



# SRI to Mainstream Investing

	<b>\$ (Billions)</b>
<b>US</b>	<b>2332</b>
<b>UK</b>	<b>326</b>
<b>Canada</b>	<b>31.4</b>
<b>Europe</b>	<b>17.6</b>
<b>Japan</b>	<b>1.8</b>
<b>Australia</b>	<b>1.1</b>

Source: Spratt, Sparkes (2002)



# Challenges for the Finance Sector

- Board Level Buy-In
- Comprehensive Reporting
- Development of Guidelines
- Materiality of Qualitative Indicators



# What is UNEP FI doing?

***UNEP FI acts as a global voice for the financial sector on sustainability issues***

- Financial Sector Engagement
- Multi-Stakeholder Platform
- Research and Publications
- Regional Task Forces
- Working Groups



# Working Groups

## Asset Management

- Research on SRI issues by practitioners

## Climate Change

- UNEP FI CEO Brief

## Environmental Management, Reporting and Indicators

- Financial Sector supplement for GRI

## Financial Systems Engagement

- UN Global Compact secretariat on Investors and Sustainability



# Addressing Sustainability

- Develop SRI Strategies
- Multi-Stakeholder Engagement
- Transparency and Accountability
- Stakeholder Activism
- Standardized Reporting



# Final Message

**Goal is to effectively integrate the  
SRI drivers into mainstream investment**

*“ In today’s world, where ideas are increasingly displacing the physical in the production of economic value, competition for reputation becomes a significant driving force, propelling our economy”*

**- Alan Greenspan  
Chairman, US Federal Reserve**



# UNEP FI Global Roundtable

2003

**UNEP FI**



**Global Roundtable**

Tokyo, Japan  
20-21 October, 2003



To hear the latest developments from the Global SRI and Sustainable Finance community, join UNEP FI at our 2003 Global Roundtable

Tokyo, Japan  
October 20-21, 2003

For more information:  
[www.unepfi.net/tokyo](http://www.unepfi.net/tokyo)



**UNEP Finance Initiatives**  
Innovative financing for sustainability