

In 1992, the United Nations Environment Program (UNEP) launched the Finance Initiatives to engage banks and investors on issues of economic development, environmental protection and sustainability.

Its mission is to work with financial companies and institutions to identify, define and promote good and best environmental practice in their internal and external operations. Its members include about 200 commercial and investment banks, insurance and re-insurance companies, fund managers, multilateral development banks and venture capital funds.

Membership in UNEP FI

Although UNEP FI is now one program, it originally included two distinct parts: (a) the Financial Institutions Initiative and (b) the Insurance Industry Initiative. Financial Institutions become members of UNEP FI by endorsing a statement of commitment to sound environmental and sustainability management principles. These statements are:

I. The "UNEP Statement by Financial Institutions on the Environment and Sustainable Development", which was designed in 1992 and revised in May 1997 to include other institutions than just banks.

II. The "Statement of Environmental Commitment for the Insurance Industry".

The statements are "aspirational, voluntary declarations of intent" and do thus not bind the signatories in any legal way.

In 2004, after some criticism that not enough was being done to ensure that endorsers were taking their commitment seriously, UNEP FI introduced other membership criteria that require members to pay an annual fee, attend UNEP FI meetings and submit a brief annual report on the steps the institution has taken to comply with the UNEP FI statements. This report is for internal use by UNEP FI only.

The Focus of the UNEP FI Statement

Both Statements focus on the commitment of financial enterprises to environmental sustainability in the three areas of their activities.

- **Internal operations**, including energy consumption, resource efficiency and waste recycling.
- The Statements emphasize that **identifying and quantifying environmental risk** should be part of the normal process of risk assessment and management. It supports the precautionary approach to environmental management.
- The Statements promote the **development of products and services** that will actively promote environmental protection.

The signatories promise to make periodic reviews of management practices and to integrate changes in environmental management in core activities and in communication with employees. They also pledge to encourage research for creative solutions and to strive to adopt best practices in environmental management within the industry and with their suppliers. Further, they promise to create measurable environmental goals and standards for undertaking regular internal environmental reviews. Within the limits of "commercial confidence", the commit to share relevant information with stakeholders.

Activities

Besides recruiting financial institutions to endorse the two Statements, UNEP FI also aims to stimulate discussion among decision-makers and staff of financial firms around the world. It does so by organizing annual meetings, thematic conferences and publishing or commissioning reports. Some of these issues are also debated during UNEP FI's yearly Global Roundtables.

In this context, UNEP FI has three key working groups:

A. Climate Change: experts of banks and insurance companies join in this group to assess the role finance can play in reducing greenhouse gas emissions and promoting renewable energy, and to inform policymakers of their findings.

B. Investment: this program aims to provide a platform for sustainable investments, especially in emerging markets. The working group has also designed sustainability indicators for capital markets.

C. Sustainability Management and Reporting (SMR): this program offers guidelines and a discussion forum for SMR, and collaborates with the Global Reporting Initiative on environmental performance indicators for the financial sector.

In addition, UNEP FI currently has two projects:

A. Finance and Conflict: this project attempts to analyse the role financial companies have in sustaining conflicts, and consequently seeks to assess in what ways financial enterprises can help promoting peace.

B. Water: this project focuses on the role financial institutions could have in promoting water sustainability. It aims to assess potential risks and opportunities of engagement in the water sector and water related domains.

Besides these thematic groups, the UNEP FI also has established five regional task forces in Africa, Asia-Pacific, Latin America, North America and Central and Eastern Europe to promote environmental awareness among financial institutions in those markets. Those regional groups are supposed to work closely together with the general working groups and projects.

Critical issues

Although the UNEP FI has played an important role in sharing best practices and bringing together

experts of the financial world, it also has some important shortcomings:

- The commitments in the statement are not very far-reaching nor strongly worded, which casts doubts about the meaningfulness and impact of the statement. The main focus lies on the environment, while social issues are not addressed.
- UNEP FI has sometimes been criticized as a "talking shop." In 2003 the launch of the Equator Principles, which set specific environmental credit procedures and standards, challenged UNEP FI's leadership in the area of finance and sustainability. Since then, UNEP FI has started working on projects that are more directly related to establishing industry-wide environmental investment or credit policies.
- The initiative does not enable outside verification of the implementation of the UNEP FI commitment by the signatory financial firms. Though the signatories are required to report on their progress, this is not made public. Civil society groups have thus no way of monitoring true implementation, and this has raised concerns that there is not much happening. NGO's have expressed their worries that only a very limited number of signatories have made genuine attempt to implement the Statement. Meanwhile, many other firms have been 'free-riding' on others' efforts. Without a verification framework, the statements therefore remain a mere expression of intent.
- Although it is a program of the United Nations, UNEP FI lacks a multi-stakeholder governance process that is expected of UN initiatives. The Steering Committee is run by financial institutions themselves, with no room at the table for government representatives. NGOs cannot even observe Steering Committee meetings.

Web references:

www.unepfi.org

www.banktrack.org