

Unlocking Value:

The scope for environmental, social and governance issues in private banking

**A product of the
UNEP Finance Initiative
Asset Management
Working Group**



UNEP Finance Initiative
Innovative financing for sustainability

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onValues
investment strategies & research

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Abbreviations

ESG	environmental, social and governance [issues] ¹
UN PRI	UN Principles for Responsible Investment
(U)HNWIs	(ultra-)high-net-worth individuals
UKSIF	united kingdom social investment forum

¹ In this report the term ESG (which was originally coined in the institutional investment domain) is also taken to cover issues that may be of interest to clients with ethical, cultural, political or religious motivations

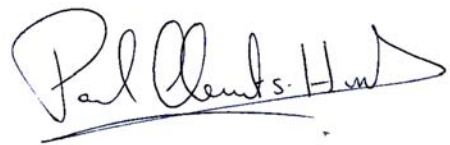
Foreword

The work of UNEP Finance Initiative's Asset Management Working Group to open a dialogue with the private banking community is a new departure for the FI partnership. The meeting held at the historic UN Palais des Nations in Geneva in November 2006 confirmed the rapidly growing interest amongst private bankers around responsible investment and sustainable finance.

The gathering also challenged the Swiss private banking community to take a leadership position amongst their global peers by setting the standards and through product innovation that serves a clearly growing demand for responsible investment products amongst their clients.

The expectation is that global assets of high net worth (HNW) individuals will reach more than USD 44 trillion by 2010. HNW individuals typically hold 4-5% of their assets in investments which integrate environmental, social and governance (ESG) considerations. At the same time, market analysis indicates that 32% of the HNW community find ESG investment concepts attractive. Private bankers willing to take a leadership role in ensuring the development of products and services that respect the two ROIs - - Return on Investment and Responsibility of Investment - - will be serving a market where client demand is set to outstrip supply.

The sustainability promoting potential of private wealth, marked as it is by an unencumbered flexibility and potential speed of allocation, is largely unexplored. UNEP FI is delighted to have begun this journey of understanding with the private banking community and we look forward to continuing this exploration.



Paul Clements-Hunt

Head of Unit
UNEP Finance Initiative

Message from the Chairs

In November 2006 we were delighted to welcome more than 40 senior representatives of some of the world's most prestigious private banking institutions to the Palais des Nations, the United Nations Office at Geneva, to discuss the incorporation of environmental, social and governance (ESG) factors into the management of the assets of High Net Worth Individuals (HNWIs).

UNEP FI was created exactly in the spirit of finding common ground between the objectives of the financial services sector and sustainable development. The UNEP FI Asset Management Working Group (AMWG) is a group of 14 asset management institutions that collaborate to advance the integration of ESG issues into investment decision-making and asset management practices. This Group assembles leading thinkers in this area from Brazil, Canada, France, Italy, Japan, the UK and the US.

Since our inception in 2003, our work has largely focused on institutional asset management for large asset owners such as public pension funds. As part of our mandate we realised there was an increasing need for the Working Group to initiate a dialogue with private banks and institutions that provide investment services to wealthy individuals. With the support of the UNEP FI Secretariat we convened a group of senior private banking executives and ESG-inclusive investment experts.

The setting for the meeting was appropriate for a number of reasons: Switzerland's central involvement in the sustainable development agenda at the political, scientific and economic levels is longstanding; sustainable development binds the Swiss Confederation and its cantons to the tenet of sustainability using the Brundtland Commission's path breaking work. Moreover, for more than 250 years Switzerland's financial institutions have provided banking services to private individuals and families, emphasizing the long-term stewardship of the assets entrusted to them and the growth and transfer of wealth between generations. Innovation at the intersection of financial management and ESG issues has been taking place in Switzerland for more than 15 years.

Research published in 2006 showed that in Switzerland the total assets managed using ESG-inclusive investment styles exceeded CHF10 billion at the end of 2005. The timing of the meeting was also apt: in April 2006 UN Secretary-General Kofi Annan launched the UN Principles for Responsible Investment, an initiative of institutional investors (currently representing more than US\$6 trillion in assets) committed to the integration of ESG issues into their investment decision-making and ownership practices.

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