



Technical Advisor

sustainable finance

FT SUSTAINABLE BANKING AWARDS 2009 Sustainable Investor of the Year

The Sustainable Investor of the Year Award highlights ground-breaking achievement in the area of sustainable investment, recognising specific investments or overall investment programmes with outstanding innovation, triple bottom line impact and replicability. The award recognises all forms of social and environmental investment, but will pay particular emphasis to initiatives that accelerate the transition to a low-carbon economy.

Who is eligible?

This award is open to all financial sector participants, including banks, private equity funds and asset managers, with a track record of leadership and innovation in sustainable investment.

What types of activities does the award cover?

The award covers all areas of investment generating environmental, social or governance benefits.

What are the criteria?

The three main criteria for the award are the innovation, triple bottom line impact and replicability of the investment programmes undertaken. Applications can relate to both individual investments and overall programmatic approaches.

What is the entry submission process?

Please complete this form and email it as an attachment to sustainablebanking@ft.com. The initial submission process is focused solely on this entry form. No further materials should be emailed or mailed at this time. **The deadline for applications is March 6, 2009.** Applicants may be asked to provide additional information at a later date to aid the decision-making process.

What is the judging process?

The judging panel will short-list five entrants in this category in April 2009. A winner and a runner-up will be announced at the FT Sustainable Banking Awards ceremony in London in June 2009.

To fill in a table or box in this application form, please click on the grey area, which will expand as you write. Please be concise in your responses to the questions and adhere strictly to the word limits.

CONTACT INFORMATION

Name	Jim Heyes
Title	Environment and Corporate Governance Officer
Organisation	Global Environment Fund
Address	5471 Wisconsin Avenue Suite 300 Chevy Chase, MD 20815 USA
Telephone	
Email	

1. SUMMARY OF INVESTMENT(S)

Please summarise the key aspects of the investment or investment programme that you wish to nominate. (50 words max in each box)

Investment Programme		Description	
Country/countries of operation		GEF invests in North America and in emerging markets, with current and prospective investments in China, India, Malaysia, Turkey, Hungary, Brazil, Mexico, Peru, Argentina, Chile, South Africa, Swaziland, and Mozambique.	
Annual investment US\$		Total assets under management exceed US\$1 billion.	
Main focus of investments		GEF invests in i) emerging markets environmental infrastructure and services; ii) North American clean technology; and iii) emerging markets sustainable forestry.	
Summary of overall approach		GEF brings a disciplined and rigorous investment approach to the clean energy, environment, and natural resource sectors, earning superlative returns for our investors while creating positive environmental impacts through the strategic deployment of private capital.	
Key ESG benefits	Environmental <input checked="" type="checkbox"/> Energy saving <input checked="" type="checkbox"/> Water use reduction <input checked="" type="checkbox"/> Waste management <input checked="" type="checkbox"/> Climate change <input checked="" type="checkbox"/> Biodiversity conservation <input type="checkbox"/> Other <i>please describe:</i>	Social <input type="checkbox"/> Base of the Pyramid <input type="checkbox"/> Disadvantaged communities <input type="checkbox"/> Women <input checked="" type="checkbox"/> Poverty reduction <input checked="" type="checkbox"/> Other <i>please describe:</i> Economic development; Job creation	Governance <input type="checkbox"/> Revenue transparency <input checked="" type="checkbox"/> Management systems <input type="checkbox"/> Institution building <input type="checkbox"/> Other <i>please describe:</i>

2. ENVIRONMENTAL BENEFITS

Please describe the main environmental benefits of the investment or investment programme (e.g. biodiversity, climate change mitigation). (400 words max)

Select if applicable

Global Environment Fund (GEF), founded in 1990, has been a pioneer in the field of environmental and sustainable investing. The Firm's top-down approach to investment sourcing includes an explicit consideration of the positive environmental impacts of the sector and the company, and GEF tracks this impact over time. These impacts range from the incremental—e.g. replacing dirty fuels with cleaner natural gas, leading to significant improvements in air quality—to the disruptive—e.g. replacing the combustion engine automobile with the electric car.

In 2006, GEF invested in the Bangalore, India based REVA Electric Car Company (www.revaindia.com), which is a manufacturer of electric vehicles for the Indian and European markets. REVA has sold over 2,500 of its vehicles in 21 countries, more than any other electric vehicle company in the world. The cars produce zero tailpipe emissions and minimal noise, reducing air and noise pollution in dense urban markets where they are designed to operate. Furthermore, the cars are designed to be affordable to emerging middle-class consumers, which will lead to more widespread adoption than higher price/performance electric vehicles which are still under development by numerous companies throughout the world.

In the area of sustainable resource management, GEF is an investor in Beijing, China based Deqingyuan Agricultural Technology Co. Ltd. (DQY), a Chinese producer of nationally certified, high quality, branded chicken eggs. In a country where food safety has become an urgent health concern due to heavy pollution and poor regulatory oversight, DQY's "eco-farm" near Beijing is operated under tight quality and bio-security conditions and high environmental and animal welfare standards. In 2008, the company produced 350 million eggs. The chicken manure is channeled to a biodigester, generating electricity and avoiding 100,000 tons of CO2 emissions per year.

GEF's emerging markets forestry investment program has a positive conservation and biodiversity impact while also sequestering global warming CO2. Each of GEF's five current forestry investments—in Malaysia, Swaziland, Mozambique, Chile, and Argentina—is managed to Forest Stewardship Council standards, the highest global standards related to sustainable management of forest resources. Significant conservation reserves are set aside for biodiversity protection, typically 30-50% of the property. GEF's existing and new plantations, currently over 70,000 hectares, sequester significant amounts of CO2, while GEF's two natural forest concessions are managed lightly, maintaining the existing stock of CO2 and avoiding any net emissions.

These examples provide a brief cross-section of the environmental impact of GEF's investments. Similar examples exist for many of the Firm's other investments. Additional investments include integrated waste management in Hungary and Mexico; clean water infrastructure in China; clean energy production in Eastern Europe; manufacture, installation and service of renewable energy infrastructure in North America; energy efficiency technology; and more.

3. SOCIAL BENEFITS

Please describe the main social benefits of the investment or investment programme, including estimated numbers and types of beneficiaries. (400 words max)

Select if applicable

All of GEF's investments provide jobs in safe and productive enterprises, many of which provide unique employment benefits. However, the social benefits that we are most proud of are the ones that happen in our rural forestry businesses, where GEF is often the only significant employer and driver of economic development in the region.

The archetypal example for GEF was the Firm's investment in Global Forest Products (GFP), a sawmill and plantation business in rural Mpumalanga Province in South Africa. When GEF acquired the business in 2001, the sawmills were badly run-down, the business was losing money, and the workforce of 2,000 plus employees was untrained and mired in the legacy of apartheid. With no mandatory testing and a huge social stigma against disclosure, GEF could anticipate that at any given time a quarter of the workforce was HIV positive. Unfortunately, it was not unusual for GFP management not to know an employee was suffering from HIV until he collapsed at his machine or did not come to work one day. Complicating matters was the fact that on paydays, a large swarm of money lenders would be waiting outside the sawmill gates to collect on loans to workers drawing triple-digit interest rates. GEF used education and information to solve these problems, and others, with the hope of impacting the quality of life for GFP's employees and having a positive impact on the firm's culture and the productivity of its employees.

By the time GEF sold the business in 2007, more than three-quarters of the company's growing workforce had been through training programs. A growing proportion of "previously disadvantaged peoples" had entered the top and middle levels of management in the company. For example, GFP's CEO had recognized the talent of a black employee on the shop floor in a remote mill and within 18 months elevated him to national sales manager. In addition, the first female sawmill manager in Africa was appointed. The company was recognized in South Africa as a model for healthcare practices, attention to educational needs, and social outreach, in a region where as many as 20 dependents still live off the paycheck of one employee.

The noble social and environmental goals would have been for naught if we had not been able to reverse the heavy cash flow losses of the business. GEF recruited a top-level international management team to turn around the business, modernize the sawmill facilities, access new lumber markets, and improve the forest management. The success of the business was a prerequisite for the sustainability of the environmental, social, and community initiatives GEF brought to the company—a model the Firm continues to pursue in rural enterprises throughout the world.

4. FINANCIAL BENEFITS

Please describe the main business benefits to the investor, e.g. historic and 2008 financial returns, new product development, reputational benefits, creation of new market. (400 words max)

GEF's clients are large institutional investors from around the world. As a result, GEF does not sacrifice returns in search of environmental and social impact. However, the Firm's track record indicates that GEF has been able to deliver the environmental benefits discussed elsewhere in this document while delivering top-quartile private equity returns for its investors. According to GEF's most recent private placement memorandum, from 1998 through 2008, the gross IRR on more than \$413 million invested by GEF on a firm-wide basis was 27.6%. The gross IRR on realized investments stands at 36.1%. [Please note that these figures are confidential and not for publication.] GEF's investors value the firm's focus on creating positive environmental change in the world through the effective deployment of private capital. This model is becoming more widely utilized by other private equity in recent years, as opportunities for investing in environmental businesses benefit from increased visibility and interest from a number of large and sophisticated institutional investors.

5. INNOVATION

Please describe any innovative or ground-breaking features of the investment or investment programme. (400 words max)

When GEF was established in 1990, there were few investors with an explicit environmental focus, and even fewer who were able to incorporate this environmental focus with an investment discipline that led to top-quartile financial returns in addition to the environmental impact. In recent years, other sophisticated institutional investors have entered the clean energy and clean technology spaces, and GEF has fostered the growth of these investment sectors through its founding roles in the Cleantech Venture Network and the Emerging Markets Private Equity Association.

6. REPLICABILITY: WHAT IS THE POTENTIAL FOR REPLICATING THIS APPROACH?

Please describe the potential for local or international replication of this investment approach, citing any major barriers that would need to be overcome. (400 words max)

GEF's investment approach is replicable. At a fundamental level, the Firm's success is built upon the investment team's top-down knowledge of its target investment sectors and a rigorous and disciplined investment review process. As such, the Firm relies on the same tools that successful private equity investors use in any sector. GEF's longstanding experience in its focus sectors has provided extensive domain expertise, which has proven to be a significant competitive advantage for the Firm.

Less common, perhaps, is the explicit incorporation of environmental, social, and governance (ESG) concerns into the due diligence process and portfolio company management. This process is described in more detail in response to question 7 below. GEF has incorporated these concerns into its investment process in an informal way since its founding in 1990. However, as the Firm has grown and investors have become more attuned to these issues, in recent years GEF formalized the ESG review process and continues to improve upon it. A few other firms have evolved in a similar direction, though an explicit ESG process is still more the exception than the rule among private equity investors. Greater attention to ESG issues on the part of Limited Partners and the public has begun to catalyze changes in this respect, though widespread adoption will require greater pressure from a greater number of Limited Partners, both in the public sector and the private sector.

7. FINANCIAL INSTITUTION'S ROLE

Please describe the financial institution's role, highlighting the specific environmental, social or financial value the institution added to the investment or investment programme. (400 words max)

GEF plays an active role from an ESG perspective both before and after the investment, and has established an internal governance process to formalize ESG due diligence review and monitoring. The process is overseen across the firm by a dedicated Environment and Corporate Governance Officer, who plays a supporting role to each of the teams on ESG issues throughout the deal process, from Initial Investment Summary through the due diligence process to the final Investment Memorandum. The ESG Officer works with the team to identify any issues of environmental concern and oversee the appropriate environmental and technical diligence.

In cases where the target company does not already meet agreed upon environmental and social standards, the ESG Officer works with the deal team and the company to develop an Environmental and Social Action Plan which is incorporated into the deal documentation. For example, in a recent investment in the Mexican integrated waste management sector, the company agreed to improve water quality monitoring, better handle waste oil in its maintenance depot, and provide safety equipment to informal waste collectors at the site. Naturally, if the risks are not manageable or there is uncertainty in

the ability and commitment of the company's management to address the outstanding issues, GEF will not invest.

The work the GEF investment teams do to bring companies up to an international set of environmental and social standards adds value both in the short term and the long term, reducing environmental risks, improving the company management, protecting both the company's and GEF's reputations, and making the company more attractive to international investors upon exit.

Each of the firm's portfolio companies reports annually to GEF on ESG issues for the year, providing an opportunity for both the investment team and the company management to revisit any areas of environmental or social risk as well as identify opportunities for improvement. A number of companies have recently asked for GEF's assistance in measuring their carbon footprint, which the firm is prepared to provide. GEF's teams have also helped companies with the design, implementation, and marketing of CDM carbon credit projects. Other companies, with GEF's support and encouragement, have created or expanded internal environmental initiatives, ranging from employee bicycle commuting programs to recycling aluminum waste remaining from the production of solar mounting racks.

8. NOMINEES

Please provide names and positions of up to seven core team members, including partners, clients and/or civil society organisations, involved as applicable.

NAME	TITLE AND INSTITUTION
Jeffrey Leonard	CEO, GEF
John Earhart	Chairman, GEF
Ken Fenner	Senior Investment Partner, GEF
Jim Heyes	Environment and Corporate Governance Officer, GEF
Elizabeth Lewis	Vice President, GEF
Chetan Miani	Deputy Chairman and CTO, Reva Electric Car Company
ZHONG Kaimin	CEO and Chairman ,Beijing Deqingyuan Agricultural Technology Company (DQY),