INTRODUCTION TO UNEP FI

The United Nations Environment Programme Finance Initiative (UNEP FI) exists to encourage systemic change in global finance to support a sustainable world. This world will be one that is low carbon, resource efficient and socially inclusive.

It does this by capitalising on its unique position as part of both the UN system and the finance sector. By providing a neutral, non-competitive space for stakeholders, it acts as a platform at the intersection between finance, science and policy.

Created in the context of the 1992 Rio Earth Summit, UNEP FI works to understand today’s environmental challenges, why they matter to finance, and how to actively participate in addressing them. The UNEP FI partnership now consists of a global network of over 200 banks, insurers and investors from over 50 countries.

Throughout its existence, UNEP FI has produced extensive research to fully understand the intersection between finance and the environment. It has also produced cutting-edge practical tools and training to enable practitioners to undertake the fundamental changes required to transition to a green economy. UNEP FI has further acted as a standard-setter, giving birth to both the Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI).

UNEP FI’s work also includes a strong focus on policy. It encourages national-level dialogues between finance practitioners, supervisors, regulators and policy-makers, and, at the international level, by promoting financial sector involvement in processes such as the global climate negotiations and the Sustainable Development Goals (SDGs).
### GLOBAL EVENTS & MEETINGS AT A GLANCE

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<tr>
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<td>3rd UN World Conference on Disaster Risk Reduction (Sendai, Japan)</td>
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<td>- Insurance 2030 Roundtable (Rüschlikon, Switzerland)</td>
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<td>- Climate Finance Day (Paris, France)</td>
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<td>- First UN Climate Resilience Initiative expert workshop by the UN Secretary-General's Climate Change Support Team (Geneva, Switzerland)</td>
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<td>- Global Insurance Forum of the International Insurance Society (New York, USA)</td>
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<td>- Launch of Insurance 2030 report</td>
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<td>07/15</td>
<td>- Third International Conference on Financing for Development (Addis Ababa, Ethiopia)</td>
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<td>09/15</td>
<td>- United Nations Sustainable Development Summit – Agreement of Sustainable Development Goals</td>
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<td>- Principles for Responsible Investment in Person Conference (London, UK)</td>
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<td>- Launch of Fiduciary Duty in the 21st Century (Also in New York and Toronto)</td>
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<td>- Launch of SSE Model Guidance on Sustainability Reporting</td>
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<td>- World Forestry Congress (Durban, South Africa)</td>
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<td>- Private Finance session – Investor Actions on Climate Change side event</td>
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<td>- CCAC High Level Assembly</td>
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<td>- Sustainable Stock Exchanges Leaders Luncheon</td>
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- UNEP FI event
- UNEP FI supported/contributed event
May 2015: National Roundtable on Financing and Investing in Green Economy (Dubai)

November 2015: co-organised with the Ministry of Environment and in association with the Central Bank (Dubai)

CEO Roundtable of Financial Institutions

Workshop on Environmental & Social Risk for Banking Industry

Complementing the national and regional outreach activities are the online training. Started in 2006, UNEP FI has run over 100 courses, training over 2,000 professionals from the financial sector all over the world. In 2015, the multi-lingual Environmental & Social Risk Analysis course was offered four times in English and Spanish respectively and once in French. The annual Spanish Corporate Eco-Efficiency in Financial Institutions course also took place. In 2016, further developments to its online training are planned with the extension of the ESRA training course for financial regulators and an upgrade of the Climate Change course.

October 2015: Natural Capital Risk and Opportunities Workshop (New York)

Green Protocol
April 2015 - Ciclo Siete: Sustainability Week Latin America 2015
August 2015 - PSI Market Event and Sustainable Insurance Seminar (Bogota)

May 2015: National Roundtable on Financing and Investing in Green Economy (Dubai)

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Workshop on Environmental & Social Risk for Banking Industry

May 2015: Bank al Maghrib CEO Roundtable on Sustainable Finance (Rabat)

July 2015: Nigerian Sustainable Banking Principles (Abuja)

Sustainable Finance Workshop for the Financial Services Regulation Coordinating Committee

May 2015: ESG Integration training for Investors (Mumbai)

May 2015: 3rd Sustainable Finance Forum Turkey (Istanbul)

2015 Sustainable Stock Exchanges South East Asia Regional Dialogue (Bangkok, Thailand)

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UNEP FI event
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2015 has been a landmark year for UNEP FI. In two agreements, on climate change and sustainable development, nearly 200 governments agreed on the roadmap for a sustainable world. UNEP FI’s contribution to that process, particularly to the Paris conference, was considerable. This is not the end of our work. Indeed, to paraphrase, nor even the beginning of the end. But it is, perhaps, the end of the beginning.

This is best explained, first by looking back at what we have done, and then by looking forward at the remaining challenge. As many will know, the first climate discussions began in Rio de Janeiro in 1992. At the time many felt it would be relatively straightforward to achieve an agreement, and that subsequently reform would be required in the finance industry to help finance the needed change, thus the need for the UNEP FI. In fact it was not until 2015 that agreement was finally reached. It took twenty-five years, but we finally got a deal; that was the significance of the Paris conference.

During that time, UNEP FI was busy at work. Our members, the institutions we have built, and the initiatives we have sponsored were central to the Paris agreement. We helped pull together investment institutions representing $25 trillion, to call for a robust agreement. A group organised by UNEP FI declared they would decarbonise their investment portfolios. The Principles for Responsible Investment, to whom UNEP FI was midwife, made similar contributions, as did the Principles for Sustainable Insurance, a UNEP FI group which, after just three years already represents 20% of global insurance premiums. UNEP FI banks were able to assure delegates of their commitment to begin funding the new economy; and able to demonstrate it in the growth of the green bond market.

After twenty years of work, and in a world where finance is often seen as the bogeyman of progress, UNEP FI was able to show that in fact, financial institutions welcomed, indeed demanded action. It is a testament to the many actions of the hundreds of people who have helped us over the years that this should be so.

But the job is not yet completed. Because Paris was not a definitive agreement that keeps the world safe. Rather it is a roadmap for action; by states, by the private sector and by finance. To that effect the finalization of the universal and integrated Sustainable Development Goals (SDGs) also in 2015 has further strengthened UNEP FI’s mandate and framework in catalysing new thinking and developing innovative concepts in sustainable finance. In 2015 we made significant progress in our attempt to bring about systemic change in global finance to support a sustainable world: Positive Impact Finance was launched with an ambition to establish a new impact-based and market-driven paradigm in the banking business and beyond. The Global Resilience Project has enabled insurers to share its expertise with governments and communities to form partnerships in reducing natural disaster risks. The Fiduciary Duty in the 21st Century inspired policy makers and investors to address the lingering failure of investors’ fiduciary duty in considering environmental, social and governance (ESG) issues. We are also supporting
“The UNEP Inquiry” into a sustainable finance system; it in turn is involved in scores of policy initiatives around the world, and supporting the G20. In dozens of ways we are helping reform the finance industry; from trying to ensure that sustainability considerations are included in property valuations, to identifying the proper price necessary to secure sustainable water supplies around the world. And we are continuously expanding the global sustainable finance community; We trained over 3,000 people in new ways of working in the last ten years and continue to outreach into new countries - Mongolia and the UAE among the new additions in 2015.

The agreements governments have made, on climate and on sustainable development, are indeed milestones. But they are only part of a longer journey, made step by step in every industry. As you read this annual report I hope you will get a sense of the depth and breadth of the changes which have, which are, and which need to take place within the finance industry, that our members are involved in. And we take this opportunity to congratulate them, and UNEP, for their joint achievement in 2015, and invite other financial institutions to join us on the journey to a finance industry that fulfils its purpose in funding a sustainable development.

"In a world where finance is often seen as the bogeyman of progress, UNEP FI was able to show that in fact, financial institutions welcomed, indeed demanded action"
UNEP FI’s motto *Changing finance, financing change* reflects a vision of a sustainable world economy that needs to be supported by a sustainable financial system.

**Changing finance:** promoting the integration of sustainability concerns into mainstream financial system, and financial institutions’ operations and decisions in all markets, as well as in their general business and governance.

**Financing change:** mobilizing finance to foster a more sustainable economy.

Based on this motto, UNEP FI supports the development and take-up of sustainable finance expertise among financial institutions. At the same time, it acts as a neutral platform for members to engage with policy makers and financial regulators to create a stronger enabling environment for sustainable finance. With these, UNEP FI’s ultimate goal is to bring about a paradigm shift within the financial system that goes beyond new financial products and services. Rather, the building of new markets. In 2015, UNEP FI has made ground-breaking progress in all these three areas (ie. expertise, enabling environment and market development).
TOWARDS INTEGRATION OF SUSTAINABILITY INTO THE MARKET DEVELOPMENT OF THE FINANCE INDUSTRY

2015 may later be remembered as a turning point when the finance industry started to align its market development with sustainability issues.

**POSITIVE IMPACT IN FINANCE**

With the launch of the Positive Impact Manifesto at UNEP FI’s AGM in October, 2015 marked a significant milestone in UNEP FI’s Banking agenda and beyond.

After many years spent on the exploration of the environmental and social drivers of risk for banks and vice-versa, the time had come to talk business. Can mainstream finance be used to finance sustainability needs, as now enshrined by the SDGs, or do the laws of risk and return simply prohibit that? As per the Manifesto, signed by a pioneering group of 10 banks, the answer is no.

Led by Société Générale, ING and Triodos, UNEP FI’s banks established a Positive Impact Roadmap. This involves experimentation of new business models with clients (Positive Impact Incubator) and the development of a common language for all, in the form of Positive Impact Principles, both of which are targeted at materializing a Positive Impact Marketplace.

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**Substantial changes in global financial flows required to realize sustainable development:**

- US$5-7 trillion /year needed to meet Sustainable Development Goals¹
- US$30 billion /year of investments decarbonised to 2029²

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INSURANCE DEVELOPMENT GOALS

As risk managers, risk carriers and investors, the insurance industry has the potential to play a strategic role in securing sustainable development.

In 2015 the Principles for Sustainable Insurance (PSI) has put out an agenda-setting idea to develop Insurance Development Goals (IDGs) to bring sustainable development at the heart of the insurance industry.

 anunciado by the UNEP Executive Director last year, the IDGs idea is captured in the PSI-UNEP Inquiry 2015 global report Insurance 2030: Harnessing insurance for sustainable development, as well as in the UN Global Compact and KPMG 2015 report, SDG Industry Matrix for Financial Services.

Energy efficiency is the most cost-effective way to reduce the EU’s reliance on energy imports of over €400 billion a year. Together with the European Commission, UNEP FI mobilized over 100 participants on the financing of energy efficiency in buildings and SMEs to develop the Energy Efficiency — the first fuel for the EU economy report. The report analyses the drivers of supply and demand of energy efficiency finance as well as the most imminent challenges. It formulates key recommendations to policy makers and financial institutions, on a sector-by-sector level, to scale up energy efficiency investments across the EU.

In energy efficiency financing, with one-third of all global emissions generated by buildings, current levels of investment in energy efficient buildings need an estimated increase of USD 300 Billion per year by 2020. For the buildings sector to contribute to the sub 2°C pathway, therefore, a coalition led by UNEP FI unveiled a briefing at COP21 on Integrating Climate Risks in Real Estate to send a signal of support to governments and to call on other investors to scale up their investments in energy efficient and sustainable buildings.
EMPOWERING FINANCIAL INSTITUTIONS WITH SUSTAINABLE FINANCE EXPERTISE

At the heart of UNEP FI’s activity is the development and dissemination of sustainable finance expertise that will empower financial institutions to play an active role in supporting sustainable development. In 2015, UNEP FI has expanded further and deeper in developing the proper expertise with our members and stakeholders.

PRINCIPLES FOR SUSTAINABLE INSURANCE (PSI) – ENHANCED VIA SUPPORTING INSTITUTIONS

Since its launch in 2012 the Principles for Sustainable Insurance (PSI) has become the largest collaboration between the UN and the insurance industry representing 20 per cent of world premium volume and $14 trillion in assets under management. It has 57 signatory companies and 48 supporting institutions, a total of 105 PSI members. Member companies represent some of the largest corporations in the world and combined, serve hundreds of millions of customers in well over 100 countries as well as employing many hundreds of thousands of people.

The PSI network is further enhanced by its supporting institutions who carry out activities relevant to the insurance industry but are not companies. These include, but are not limited to, insurance regulatory or supervisory authorities, insurance associations or federations, and insurance institutes or academies. In terms of its reach across the insurance industry, insurance associations and federations play a key role. For example, the Inter-American Federation of Insurance Companies (FIDES) connects PSI to nearly 8,500 insurance companies in 18 countries. There are also many supporting institutions whose leadership and sphere of influence on sustainable insurance contributes to the implementation of the PSI. For example, PSI greatly benefits from the leadership taken by the Brazilian Insurance Confederation and the leading state/national insurance regulators such as the California Department of Insurance and the Philippine Insurance Commission. While the PSI has insurance companies at its core, it is complemented with a rich and diverse ecosystem of key stakeholders in the supporting institutions.

The Natural Capital Declaration is also another initiative that already benefits from supporting institutions. UNEP FI is continuing to formalize its stakeholder relationships, including most recently in the banking sector, to reinforce UNEP FI’s unique value proposition and influence.
DEEPENING ESG INTEGRATION IN FINANCE WITH THE RIGHT TOOLS & GUIDANCE

There is no doubt that ESG integration in finance is accelerating. Approximately 80% of UNEP FI members say their institution has made significant progress on sustainability issues in the last five years.

To respond to the growing demand and to further accelerate this momentum, UNEP FI has been developing practical tools that address specific topics in ESG that enables UNEP FI members and the finance community in general to stay ahead of growing material environmental and social risks and opportunities. In 2015, it has launched a wide variety of tools and guidance.

SUSTAINABLE STOCK EXCHANGE INITIATIVE - MODEL GUIDANCE ON REPORTING ESG INFORMATION TO INVESTORS

The Stock Exchanges Initiative (SSE), successfully reached 48 Partner Exchanges representing nearly $48 trillion in market capitalization and welcoming new exchanges from emerging economies such as Bursa Malaysia, the Casablanca Stock Exchange or the National Stock Exchange of India, as well as exchanges from influential capital markets such as the NASDAQ Group exchanges and the Euronext Group. In 2015 the SSEI launched guidance and tools around stakeholder communications, climate change and Sustainable Development Goals. In particular, the Model Guidance on Reporting ESG Information to Investors: A Voluntary Tool For Stock Exchanges to Guide Issuers is being utilized to support a Global Campaign engaging and supporting all members of the World Federation of Exchanges and SSE exchanges to adopt their own Guidance on Corporate Sustainability Reporting by the end of the 2016.
GUIDANCE ON CLIMATE STRATEGIES & METRICS

UNEP FI has been offering practical strategies to institutions to help them consider the options for realigning their portfolios with decarbonization pathways. Many investors recognize that the “climate friendliness” of their portfolios will affect their long-term success in a changing economy. In 2015, UNEP FI, in partnership with the World Resources Institute (WRI), published the Carbon Asset Risk: Discussion Framework (CAR), which, discusses the identification by financial institutions of carbon-related financial risks along the capital stack, their qualitative and quantitative assessment, as well as their management and mitigation. This report was accompanied by a second report Climate Strategies and Metrics, guiding investors on the implementation of comprehensive strategies - spanning capital allocation, engagement, positioning/signalling and disclosure options - towards greater low-carbon economic alignment, at the portfolio-level.

WATER TOOLS

Water scarcity and drought issues are high on the agenda for companies, investors and governments. To facilitate the advancement of this area, the Natural Capital Declaration (NCD) launched two practical tools on water scarcity risk. The Corporate Bonds Water Credit Risk Tool enables analysts to identify companies that depend heavily on access to water in locations facing water constraints. Covering power utilities, mining and beverages, the tool demonstrates potential deterioration in company credit quality by internalizing water costs. The Water Risk Valuation Tool, developed with Bloomberg LP, enables analysts and asset managers to incorporate water risks into company valuations across copper and gold mining companies.
DEFORESTATION RISK IN SOFT COMMODITY SUPPLY CHAINS

2015 marked a year of change for the thematic area of Biodiversity, Ecosystem Services and Water as we completed our programmatic level merger with the REDD+ and Sustainable Land Use team. The new team will share resources and collaborate on projects of mutual benefit.

A first example of this enhanced collaboration is the joint work on deforestation risk in soft commodity supply chains, leading to two complementary sets of outputs in 2015. UNEP FI was able to address this key issue with increased effectiveness by initiating change at the levels of policy and of financial institutions simultaneously.

A UNEP Report developed by the Natural Capital Declaration (NCD) for a financial industry audience entitled Bank and Investor Risk Policies on Soft Commodities, was published with a practical Excel-based tool for financial institutions to develop, update and strengthen their own soft commodity risk policies.

Work was also initiated on developing a methodology for capturing the value at risk arising from deforestation related risks in palm oil production in Indonesia; and on potential models to increase the availability of long term finance for agricultural smallholders. The work will be published in 2016.

Launched by UNEP FI in conjunction with the UN-REDD Programme ahead of the 14th World Forestry Congress, Fiscal incentives for agricultural commodity production: Options to forge compatibility with REDD+ explores ways to reduce emissions from deforestation and forest degradation in developing countries. The brief calls for greater compatibility between rural development, commodity production and REDD+ objectives to ensure long-term sustainability of agricultural production, healthy ecosystems and well-being of local communities.
PUSHING THE BOUNDARIES OF SUSTAINABLE FINANCE WITH CUTTING-EDGE RESEARCH

The boundaries of sustainable finance are continuously expanding due to both natural and human changes in the operating environment of financial institutions. UNEP FI has repeatedly been the first to raise a new agenda in sustainable finance which later, has become an industry standard. In 2015, the most cutting edge research put forward by UNEP FI has been as follows:

MAPPING NATURAL CAPITAL IMPACTS & DEPENDENCIES

Building on projects focusing on specific indicators, broader analysis of natural capital impacts and dependencies is also underway through the Advancing Environmental Risk Management work programme. This will map material natural capital dependencies and impacts globally and integrate this into credit analysis for banks and investors. The project will support the development of global methodologies to quantify risk, and a have a focus on emerging markets such as South Africa, Indonesia, Colombia and Peru. A scoping study Towards Including Natural Resource Risks in Cost of Capital sets out the objectives and work programme for this project.

LEGAL ANALYSIS OF BANKS AND HUMAN RIGHTS

A joint UNEP FI - Foley Hoag LLP research paper Banks and Human Rights: A Legal Analysis was published that contributes to a better understanding of banking and human rights. This paper offers a legal analysis of the current banking and human rights landscape and provides an overview of the United Nations Guiding Principles on Business and Human Rights, exploring their implications for the banking sector. It examines both hard law and soft law related to banking and human rights, as well as the relationship between the two. The paper complements the UNEP FI Human Rights Guidance Tool for the Financial Sector which was updated and re-launched in December 2014.
SUPPORTING A STRONGER ENABLING ENVIRONMENT FOR SUSTAINABLE FINANCE

The behaviours of financial institutions are heavily influenced by economic policies and financial regulations. To that effect, UNEP FI has been supporting policy makers to adopt effective policies and engaging with financial regulators to integrate sustainability issues within regulatory objectives. In 2015, the highlights of UNEP FI’s policy and regulatory work include the following:

BANKING & SUSTAINABILITY: TIME FOR CONVERGENCE

Following the 2014 report Stability and Sustainability in Banking Reform – Are Environmental Risks Missing in Basel III?, an Expert Dialogue on Understanding and Addressing Environmental and Social Drivers of Systemic risk in Banking was held in conjunction with the Cambridge Institute of Sustainability Leadership and the UNEP Inquiry. The main insights obtained from the meeting and through additional bilateral engagements with a number of banking regulators have been captured in the paper Banking & Sustainability: Time for Convergence. This policy briefing provides a synthesis of the current state of thinking on the linkages between financial stability and environmental sustainability and is intended as a means of sharing key findings with policymakers and of engaging them on the matter.

FIDUCIARY DUTY IN THE 21ST CENTURY

Despite significant progress over the past decade, important barriers remain for investors to systematically and successfully integrate ESG in their investment decision making process. Building on the Freshfields report, UNEP FI in partnership with PRI, the UNEP Inquiry and the UN Global Compact published the report Fiduciary Duty in the 21st Century, which states that “failing to consider long-term investment value drivers, which include environmental, social and governance issues, in investment practice is a failure of fiduciary duty.” Following a forensic analysis of policy, regulatory trends and investment practices in eight countries—Australia, Brazil, Canada, Germany, Japan, South Africa, the UK and the US – the report proposes practical actions for institutional investors and policy-makers to address these barriers. It concludes that action is needed to modernize definitions and interpretations of fiduciary duty in a way that ensures these duties are relevant to 21st century investors.
SUSTAINABLE INSURANCE POLICY & REGULATION

One of the main objectives of the development of the PSI-UNEP Inquiry report Insurance 2030: Harnessing insurance for sustainable development was to undertake an extensive global consultation on insurance policy and regulation that could strengthen the alignment between the insurance industry and sustainable development through to 2030. One of the key recommendations to be realised in 2016 is the formation of a Sustainable Insurance Policy Forum (SIPF).

The PSI also offered its insurance policy expertise in the ground-breaking policy initiatives to green China’s financial system involving the Chinese government, UNEP Inquiry, IISD and other partners: See reports Establishing China's green financial system and Greening China's financial system.

SUPPORTING CLIMATE & DISASTER RESILIENCE

As specific entry point to the activities on sustainable insurance policy and regulation, PSI has been mobilising the insurance industry’s expertise to improve public policies on risk reduction and resilience in climate change and natural disasters. The PSI Global Resilience Project, started in 2014, is a collaborative project bringing together insurers from around the world and key stakeholders to build disaster resilient communities and economies by shifting the focus of governments, NGOs, communities and businesses to investing in upfront measures that reduce disaster risk, rather than post disaster relief and recovery efforts. The Project was completed in 2015 with the launch of the PSI Global Risk Map and the Collaborating for Resilience: Partnerships that build disaster-resilient communities and economies report. Succeeding the Global Resilience Project, the PSI resilience activity has further focused on the climate change resilience of cities with the launch of the first international survey on the climate resilience of cities and SMEs - Business unusual: Why the climate is changing the rules for our cities and SMEs.

DEMYSTIFYING PRIVATE CLIMATE FINANCE

Another key aspect of climate change is the need of governments to mobilize substantial levels of private finance to mitigate and adapt to climate change. To inform and support this climate agenda, UNEP FI, with partners, have launched a major research effort focused on demystifying private climate finance. Its aim is to deliver answers to three questions: 1. What does the private financial landscape look like? 2. Where and how does it connect with climate change mitigation and adaptation? 3. And how can it best be mobilised by public actors? In 2015 UNEP FI launched the first issue of Demystifying private climate finance which will be followed in 2016 by more specialized issues focused on i) private finance for climate change adaptation; and ii) private finance for REDD+ and sustainable land-use.

G20 ENERGY EFFICIENCY FINANCE TASK GROUP

As part of the Secretariat of the G20 Energy Efficiency Finance Task Group (EEFTG), UNEP FI conducted five multi-stakeholder consultations in different key geographies and produced a 2015 Activity Report with a series of case studies of energy efficiency investments. Energy Efficiency Investment Principles for countries were also released, aimed at contributing to the establishment of more investment-enabling policy environments. The Investment Principles were welcomed in the G20 Energy Ministers Communiqué in October 2015.
PRIVATE FINANCE COMES TOGETHER TO SUPPORT GOVERNMENTS ON SUSTAINABILITY

In environmental terms, 2015, quite rightly, will be remembered as the year that the world finally came together to agree to keep the rise in world temperature to 2°C or less. This achievement should not be underestimated – the world has been waiting for this moment since the Rio Earth summit of 1992, and were cruelly denied it at Copenhagen in 2009.

A major part of UNEP FI’s focus in 2015 was therefore not unnaturally on the preparations at COP21. Under the auspices of the Portfolio Decarbonization Coalition (PDC), UNEP FI urged financial institutions to demonstrate leadership in cutting greenhouse gas emissions. Having set itself the ambitious target of achieving a total commitment to decarbonize $100 billion worth of Assets Under Management (AUM), at the start of the year, the PDC excelled itself with a total of $600 billion at the time of COP. As a further mark of the PDC’s success, it was referenced in speeches by French President Hollande, UN Secretary General Ban Ki-moon, French Foreign Minister and COP President Laurent Fabius, and Environment Minister Segolene Royal.

The PDC highlights a growing trend in recent years where governments are increasingly reaching out to the private sector for support on sustainable development. A key turning point was perhaps Rio+20 (United Nations Conference on Sustainable Development) in 2012 but clearly stated at the Third International Conference on Financing for Development at Addis Ababa in 2015. By COP 21, with further understanding of the huge role private climate finance need to play to respond to the pace and scale required to tackle climate change, the active support of financial institutions was arguably a key contributor to the successful Paris Agreement.

To that effect, UNEP FI member institutions have shown great leadership by coming together to support all the key intergovernmental processes on sustainability throughout 2015, not just limited to PDC. For example:

- At COP21, UNEP FI members turned out in large numbers to participate in 18 different events to demonstrate their capacity and leadership. For example, the UNEP FI co-ordinated Sustainable Stock Exchanges Initiative marked the joining of nine new exchanges to the Initiative at COP21, including the Euronext Group of exchanges and the National Stock Exchange of India.
Principles for Sustainable Insurance members played a central role in the launch of the UN Secretary-General's Climate Resilience—Anticipate, Absorb, Reshape — A2R initiative. In line with this initiative was also the launch of an agenda-setting idea to develop Insurance Development Goals (IDGs) to support the achievement of the 2030 UN Sustainable Development Goals (SDGs).

The UNEP side event, Redesigning Finance for Sustainable Development, at the Third International Conference on Financing for Development, featured the voices within the financial community including those of financial regulators who were calling for a “loud revolution” to redesign the financial system to mobilise the trillions of dollars needed for the transition to a greener, more sustainable world economy. Many more UNEP FI members have been mobilized to sign up to various statements in support of successful international agreements and calls on government to take action. For example:

- The Global Investor Statement on Climate Change, an initiative of UNEP FI and the Global Investor Groups, reached 409 signatories representing $24 trillion in assets under management. The statement sets out the contributions that investors can make to increasing low carbon and climate resilient investments, whilst also offering practical proposals on how UNEP FI’s contribution can be scaled up through targeted government action.

- The unprecedented mobilization of over 100 banks from 42 countries and investors managing close to USD 4 trillion supporting two specific Statements to increase energy efficiency finance was presented at the 2015 Paris Climate Conference. It highlights the fast growing awareness within the finance industry of the relevance of energy efficiency to remain under a 2°C Scenario, while also serving sustainable development goals.

- The United for Disaster Resilience Statement was released by top insurance companies, members of the UNEP FI Principles for Sustainable Insurance (PSI), urging governments to adopt the UN Post-2015 Framework on Disaster Risk Reduction, emphasizing that the insurance industry is well placed to understand the economic and social impact of disasters given that its core business is to understand, manage and carry risk.
After years of frustration, there is no denying the success of the climate change conference (COP21) in December.

In brief, agreement was reached:

To review each country’s contribution to cutting emissions every five years so they scale up to the challenge

That rich countries should help poorer nations by providing “climate finance” to adapt to climate change and switch to renewable energy

To keep global temperatures “well below” 2.0°C (3.6°F) and “endeavour to limit” them even more, to 1.5°C

To limit the amount of greenhouse gases emitted by human activity to the same levels that trees, soil and oceans can absorb naturally, beginning at some point between 2050 and 2100
Following years of negotiation at the highest levels, September saw final agreement over the Sustainable Development Goals (SDGs). Seeking to build on the Millennium Development Goals and to complete what these did not achieve, the 17 SDGs and 169 targets demonstrate the overarching ambition and commitment of the world’s governments to create a more sustainable future for all. Crucially, the SDGs balance the three dimensions of sustainable development: the economic, social and environmental.

As UNEP FI’s global partnership is to ensure that the financial system is “fit for purpose” for sustainable development, UNEP FI’s key contribution to the SDGs came under Goal 17: to “strengthen the means of implementation and revitalize the global partnership for sustainable development”
The UNEP Inquiry into the Design of a Sustainable Financial System was established in January 2014 with a mandate to advance policy options that would improve the effectiveness of the financial system in supporting sustainable development.

Harnessing the financial system is a pre-requisite to deliver the transition to a low carbon, resilient and inclusive economy as part of the wider shift to sustainable development. Over the past two years, the UNEP Inquiry has mapped the practice and potential for advancing such an alignment.

This convergence of national-level innovation with international frameworks, goals and ambitions is providing the opportunity to create a new pathway for promoting green finance in the broadest sense.

**KEY FINDINGS**

The Inquiry has identified five types of measures that are being introduced by financial rule-makers:

- Enhancing market practice through better disclosure, clearer responsibilities and improved product criteria.
- Harnessing the public balance sheet, through fiscal incentives, public financial institutions and central bank action.
- Directing finance through policy measures, such as priority sector lending, legal requirements and liability regimes.
- Transforming financial culture, through capacity building, reformed incentives and market structure.
- Upgrading system governance, through guiding principles, regulatory mandates and performance measurement.

In total, the Inquiry found over 100 measures that are already in place, including:

- China, a portfolio of 14 distinct recommendations to advance China’s green financial system, covering information, legal, institutional and fiscal measures.
- France, new disclosure requirements on climate change have been introduced for institutional investors as part of the country’s energy transition legislation.
- Kenya, has advanced financial inclusion through scaling of mobile based payment services, which is now also supporting green financing.
- Peru, new due diligence requirements have been introduced for banks to help reduce social and environmental externalities.
- USA, emphasizes fiscal measures to accelerate green finance, and had made significant advances in disclosure and investor action.
The Inquiry’s report presents a Framework for Action that includes a toolbox of nearly 40 different measures, a set of five policy packages across banking, bond and equity markets, institutional investors and insurance, and a prioritized set of 10 next steps to promote international financial cooperation.

The Inquiry’s mandate has been extended to a second phase, in large part because of the very positive response to its findings, its impacts to date, and growing calls on it to engage and support further developments.

From its 20+ years of experience in sustainable finance, UNEP, through the Inquiry, has taken a lead in advancing awareness and knowledge as well as both policy and market engagement in the need, challenge and options for a sustainable financial system. A clear example of this is China establishing a Green Finance Study Group (G20 GFSG) under its presidency of the G20 in 2016, with the group’s co-chairs – the People’s Bank of China and the Bank of England - asking the UNEP Inquiry to be the secretariat.
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Now being held for the 14th time, the Global Roundtable (GRT) has become the key global agenda-setting event on sustainable finance, bringing together hundreds of leaders from all parts of the financial system as well as from civil society, academia, government and the United Nations.

Building on the Sustainable Development Goals (SDGs) and the Paris Climate Agreement which were successfully agreed to by countries around the world in 2015, the 2016 GRT will be a vitally important gathering of global green economy leaders. It will identify the role and pathway for the finance community to become catalysts for sustainable, climate resilient development.

The 2016 GRT will ask and answer some of the most pressing questions facing the finance sector today:

- What do the new sustainable development and climate change agendas mean for the finance sector?
- How can the sector become a driver of sustainable development?
- What does Green Islamic finance look like? How can it be up-scaled?
- What leading-edge business opportunities are emerging?
- How are policy and technology innovations changing the future of sustainable finance?
- How can the transition to sustainability in the financial sector be accelerated?
- How can emerging environmental and social risks be better quantified?

Find registration, agenda, speakers and more at www.unepfi.org/grt2016