



United Nations Environment Programme

Finance Initiative



Butch Bacani
Programme Manager – Insurance & Asset Management
UNEP Finance Initiative



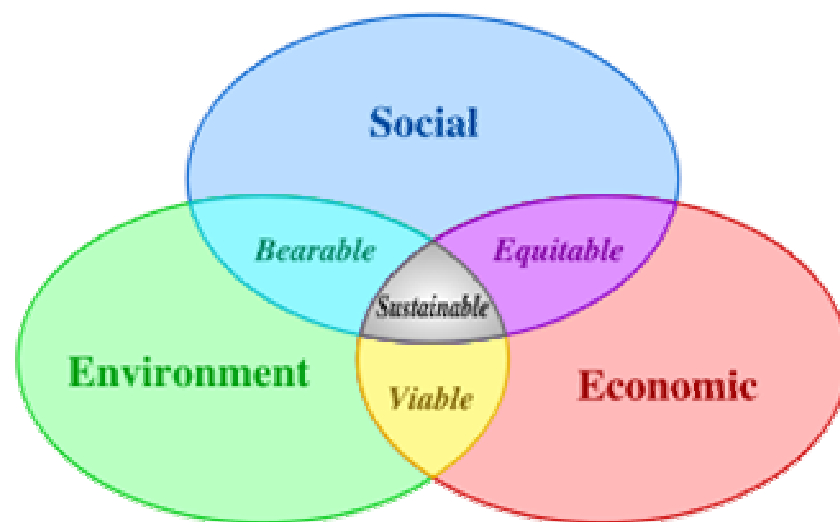
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Innovative financing for sustainability

Sustainable Development

- Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (*Bruntland Commission, 1987*)



Sustainability



Sustainable Finance

- Banking
- Insurance
- Investment

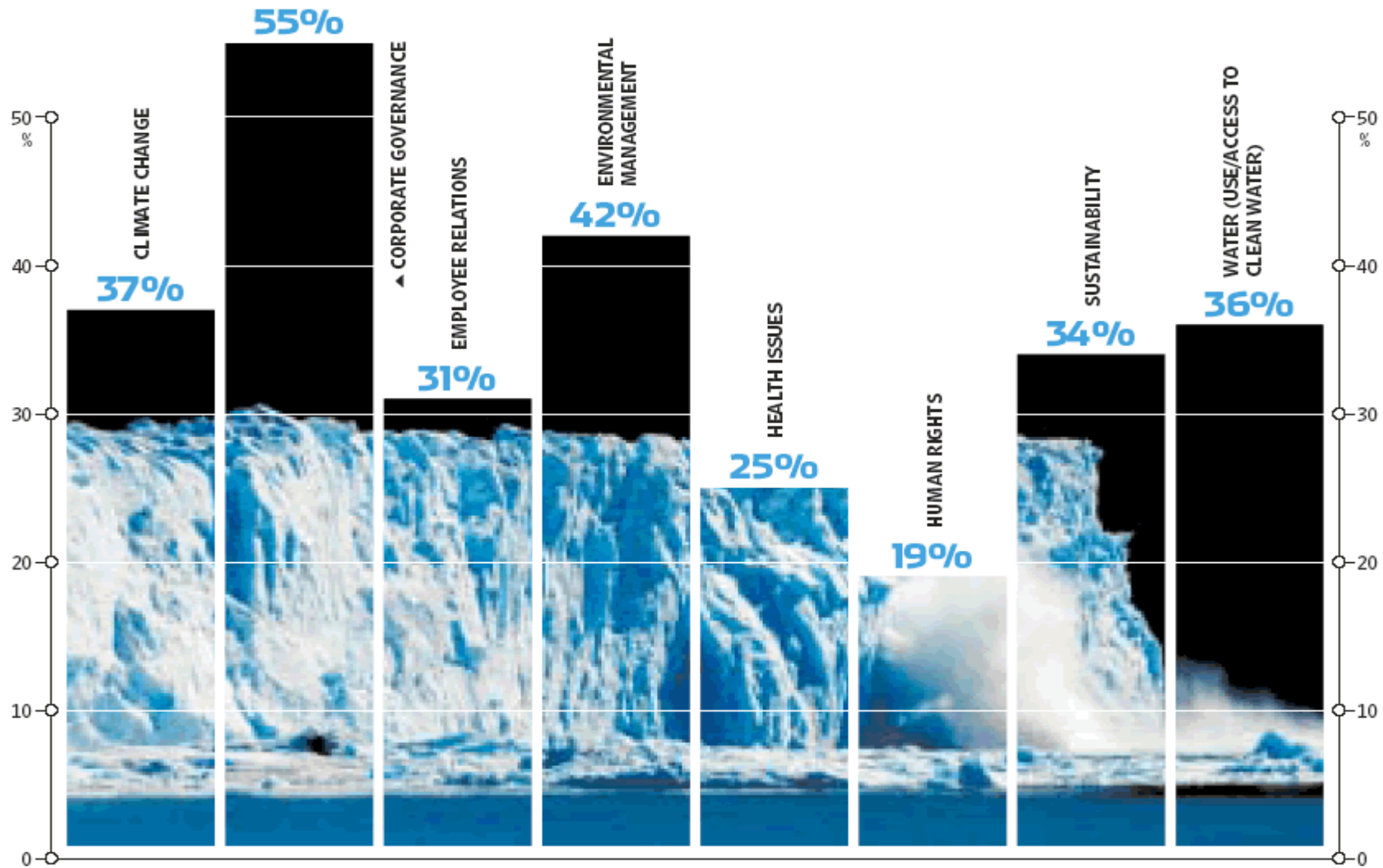


The UN and the global financial sector: What's the connection?

- **UNEP FI** – United Nations Environment Programme Finance Initiative
- **Public-Private Partnership** – UNEP and the global financial sector
- **Signatories** – over 170 financial institutions worldwide
- **Mission** – identify, promote and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations



Global poll of managers who feel that the following factors will become or will remain important in five years, average, per cent



Source: Mercer Investment Consulting; The Observer (UK) - 7 May 2006



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Work Streams

Asset Management/Investment
Biodiversity & Ecosystems
Climate Change
Human Rights

Insurance
Property
Sustainability Mgt. & Reporting
Water

Regional Task Forces

Africa
Asia-Pacific
Central & Eastern Europe

Latin America
North America
Western Europe



UNEP FI Insurance Working Group (IWG)

A Strategic Alliance of Industry Leaders

Achmea

Allianz

American International Group

AXA (Co-Chair)

HSBC Insurance Brokers

Folksam

Insurance Australia Group (Co-Chair)

Interamerican Hellenic Life

Lloyd's

MAPFRE

Munich Re

Norwich Union

Storebrand

Swiss Re

The Co-operators Group

Tokio Marine & Nichido

XL Insurance



Sustainable Insurance

- Strategic business approach; not philanthropy
- Environmental, social and governance (ESG) issues integrated into core processes, products and services
- ESG material in enhancing long-term company value
- Acting sustainably is an integral part of corporate responsibility
- Consistent with 'Triple Bottom Line' – People, Planet & Profit
- Contributes to sustainable development

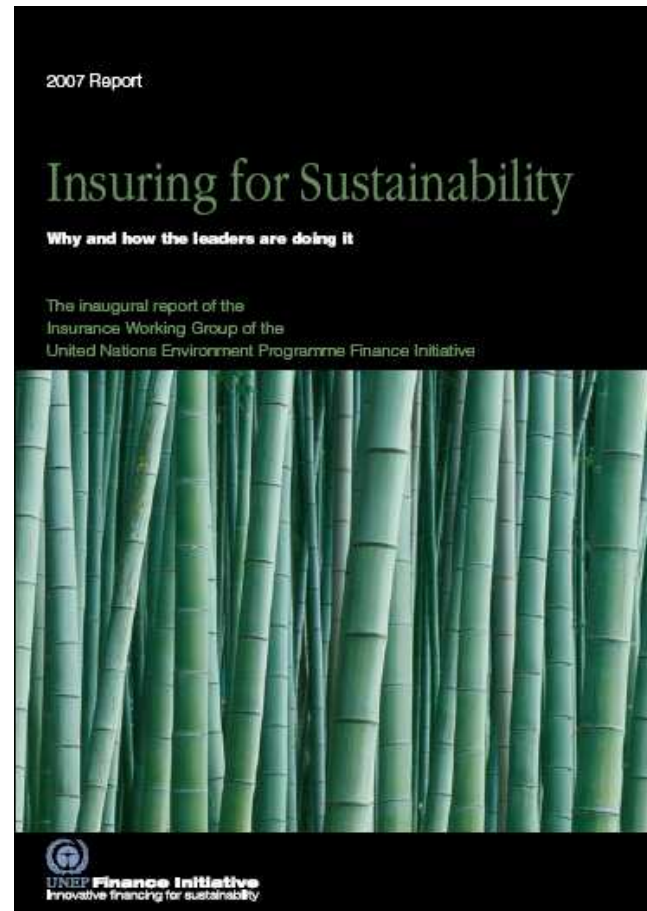


IWG Strategic Objectives

- Raise awareness on current and emerging sustainability issues
- Promote best practices in sustainability
- Improve knowledge and understanding of environmental, social and governance (ESG) risks and opportunities
- Embed ESG issues in core processes, products and services
- Support the development of sustainable insurance
- Underpin the vital role of the insurance industry in sustainable development



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Insuring for Sustainability

Why and how the leaders are doing it

The Global Sustainability Issues

- Climate Change
- Microinsurance
- Lifelong Income
- Health
- Emerging Manmade Risks
- Environmental Liability
- Natural Resources
- Recycling
- Internal Efficiency



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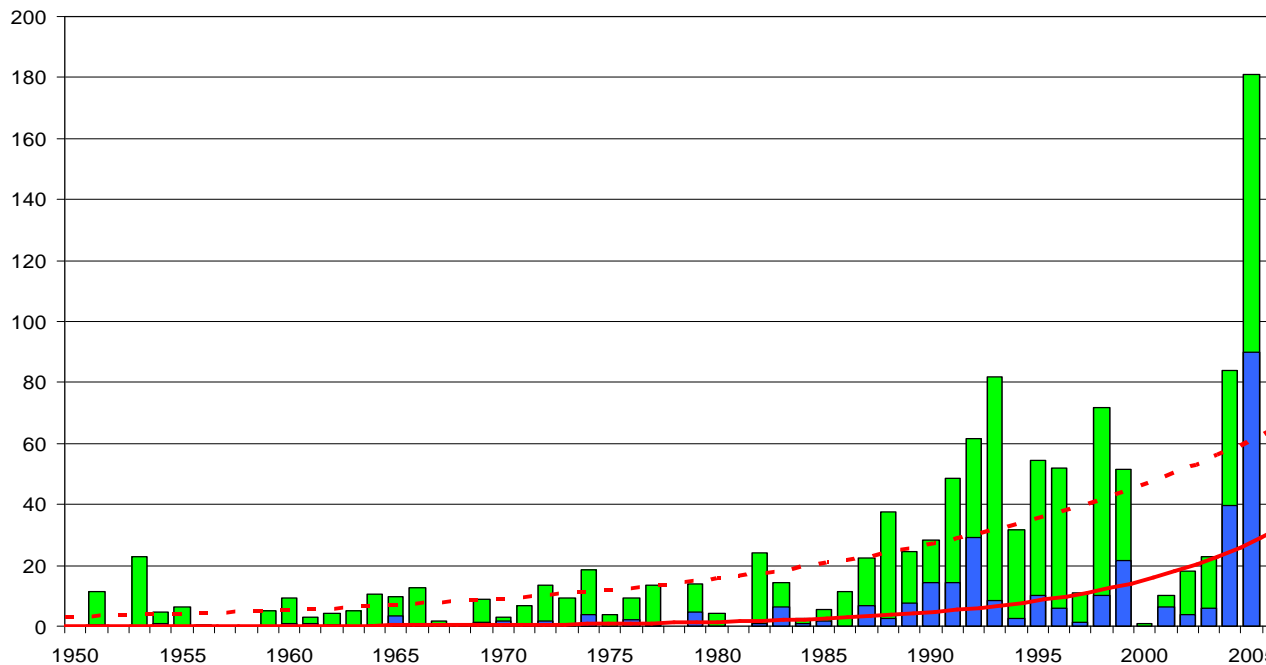
Risks & Opportunities

- Will climate change be the ‘perfect storm’ or a golden opportunity?
- What is the macro potential of microinsurance?
- Will ‘baby boomers’ have enough for their retirement years?
- How are modern day health risks being addressed?
- Could nanotechnology be the next asbestos?
- Are there are products to protect the environment and our natural resources?
- How can assets ‘written off’ be disposed off profitably and sustainably?
- How is the industry managing its own carbon footprint?



Great Weather Disasters (1950 – 2006)

USD billion (2006 values)



Strong upward trend:

Higher insurance penetration

Growing property values

Coastal value concentration

Climate change (flood)

Source: Munich Re



Overall Losses



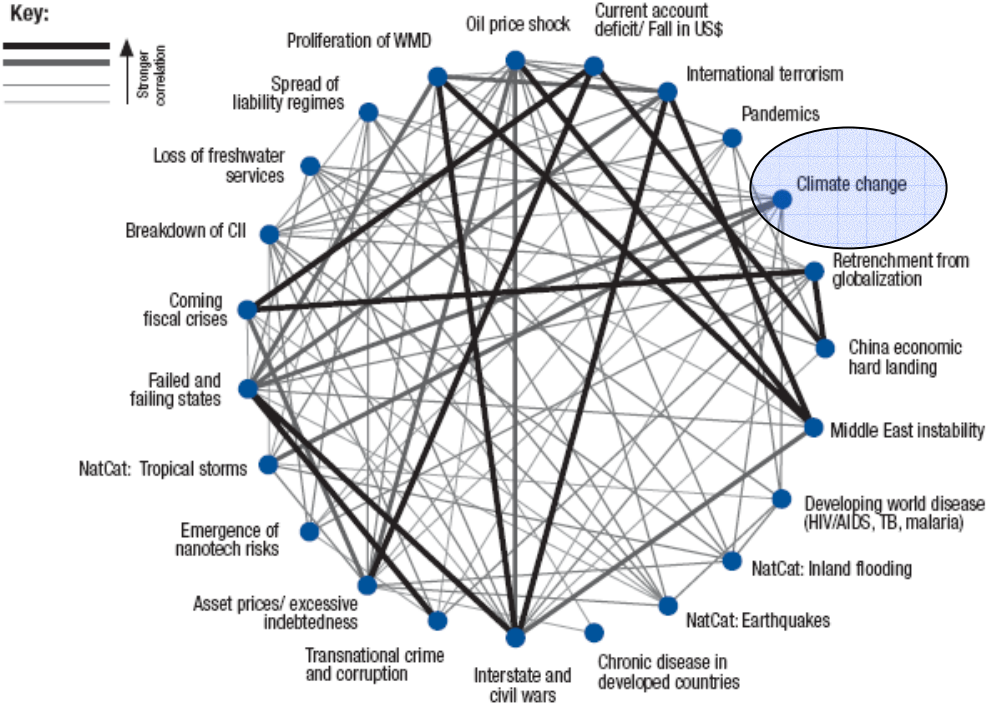
Insured Losses



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Interconnectedness of Global Risks

Correlation Matrix



Source: World Economic Forum

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II. Study on Microinsurance, Natural Catastrophe Insurance & Alternative Risk Transfer

- Link innovative insurance solutions
- Optimise business opportunities
- Recognise climate change and geo-hazards
- Emphasise social dimension addressed
- Help the poor escape the 'poverty trap'
- Insurance – a vital tool for sustainable development
- Consistent with UN Millennium Development Goals
(e.g., eradicate extreme poverty and hunger, ensure environmental sustainability)



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III. Principles for Sustainable Insurance

- Sustainability guidelines for the global insurance industry
- Underlying premise – ESG issues are material in enhancing long-term company value
- Framework to embed ESG in core processes, products & services
(e.g., underwriting, product design, claims handling, sales & marketing)
- Global network of sustainable insurers
- Envisioned to be complementary to the Principles for Responsible Investment





 **PRI**

Principles for Responsible Investment



 **PRI**

APRIL
27
THURSDAY

 **NYSE Group**

Principles for Responsible Investment

Objective

- To develop and implement a set of global principles that facilitates the integration of environmental, social and corporate governance (ESG) issues into mainstream investment practices



Principles

- 1 We will incorporate ESG issues into investment analysis and decision-making processes.



2 We will be active owners and incorporate ESG issues into our ownership policies and practices.



3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.



4 We will promote acceptance and implementation of the Principles within the investment industry.



5 We will work together to enhance our effectiveness in implementing the Principles.



6 We will each report on our activities and progress towards implementing the Principles.



Principles for Responsible Investment

- Convened by UN Secretary-General
- Process implemented by UNEP FI and UN Global Compact
- 6 Principles – and 35 possible actions
- Voluntary and aspirational
- Over 240 signatories
 - Asset Owners (pension funds, insurers, foundations)
 - Asset Managers
 - Service Providers (research firms, brokers, consultants)
- Over USD 10 trillion in combined assets under management
- Approximately 15% of global capital market value
- Investor-led





“I applaud the leadership of the institutions that have committed themselves to this undertaking, and urge other investors around the world to join this historic effort.”

Ban Ki-moon
UN Secretary-General

A Question from the UN

How about the global insurance industry?

- **Climate Change – the spectre of a perfect storm**
(triple hit – underwriting, investment, reputation)
- **Over USD 1 trillion in losses in a single year by 2040**
(UNEP FI report – potential total cost of climate-related damage, if no adaptation)
- **Largest industry in the global economy**
(over USD 3.7 trillion in annual premiums and 17 trillion in assets under management)
- **Core strength – risk management**
(research & analysis, loss prevention, loss mitigation)
- **Society's early warning system**
- **Sustainability – the way forward**



Questions for the Panel (Part I)

1. What is being done by the insurance industry to address the major sustainability risks it is facing? What are the opportunities?
2. What are examples of sustainable insurance products and services? Is it push or pull?
3. How can insurers embed sustainability in their core processes?
(e.g., risk management, underwriting/pricing, product design, claims handling, sales & marketing and investment)
4. Is the environmental, social and governance (ESG) performance of a company a good proxy for risk management? Has this been objectively assessed? If so, what do the results show?
5. What concrete actions must be taken to achieve a sustainability mandate that cuts across the entire organisation? What are the roadblocks, internally and externally? How can they be overcome?



Questions for the Panel (Part II)

6. What is the value of sustainability from a rating perspective?
 - How do rating agencies assess insurers in this respect and how much weight does sustainability carry in the overall credit rating?
 - Are investors increasingly looking into the sustainability strategies and performance of an insurer?
 - Conversely, are insurers paying sufficient attention to sustainability in their own investment decisions?
7. Are insurers lagging behind the banking and investment communities in integrating sustainability into their business models? If yes, why?
8. What is the state of sustainability in insurance education and training? Are courses and programmes embedding sustainability being offered?

