



**UNEP Finance Initiative**  
Innovative financing for sustainability

# The State of Sustainability Finance Practices Amongst ADFIAP Members

**Takejiro Sueyoshi**  
Special Advisor to UNEP in the AP region

<http://unepfi.org>

**ADFIAP Annual Meeting, Nadi, Fiji**

# What is UNEP ?



## United Nations Environment Programme

**UNEP**, established in 1972, works to encourage sustainable development through sound environmental practices.

# What is UNEP FI ?

## United Nations Environment Programme Finance Initiative

**UNEP FI** is a unique global partnership between **UNEP** and **financial institutions** worldwide.



# UNEP Finance Initiative as a part of the UN-System

United Nations Organization UNO

Secretary-General: Kofi Annan

UNICEF

UNESCO

UN Environment Programme

ILO

WHO

...

Executive-Director: Klaus Töpfer

Technology,  
Industry and  
Economics

Early Warning  
and  
Assessment

Environmental  
Policy  
Implementation

Environmental  
Conventions

...

Division-Director: Monique Barbut

Chemicals  
Branch

Economics &  
Trade Branch

Energy  
Branch

OzonAction  
Branch

International  
Environmental  
Technology Centre

Economics

Trade

Finance Initiative

Head of Unit: Paul Clements-Hunt

7 Divisions

5 Branches

3 Units



# Mission

To realise best environmental and sustainability practice at all levels of financial institution operations.

# Expansion

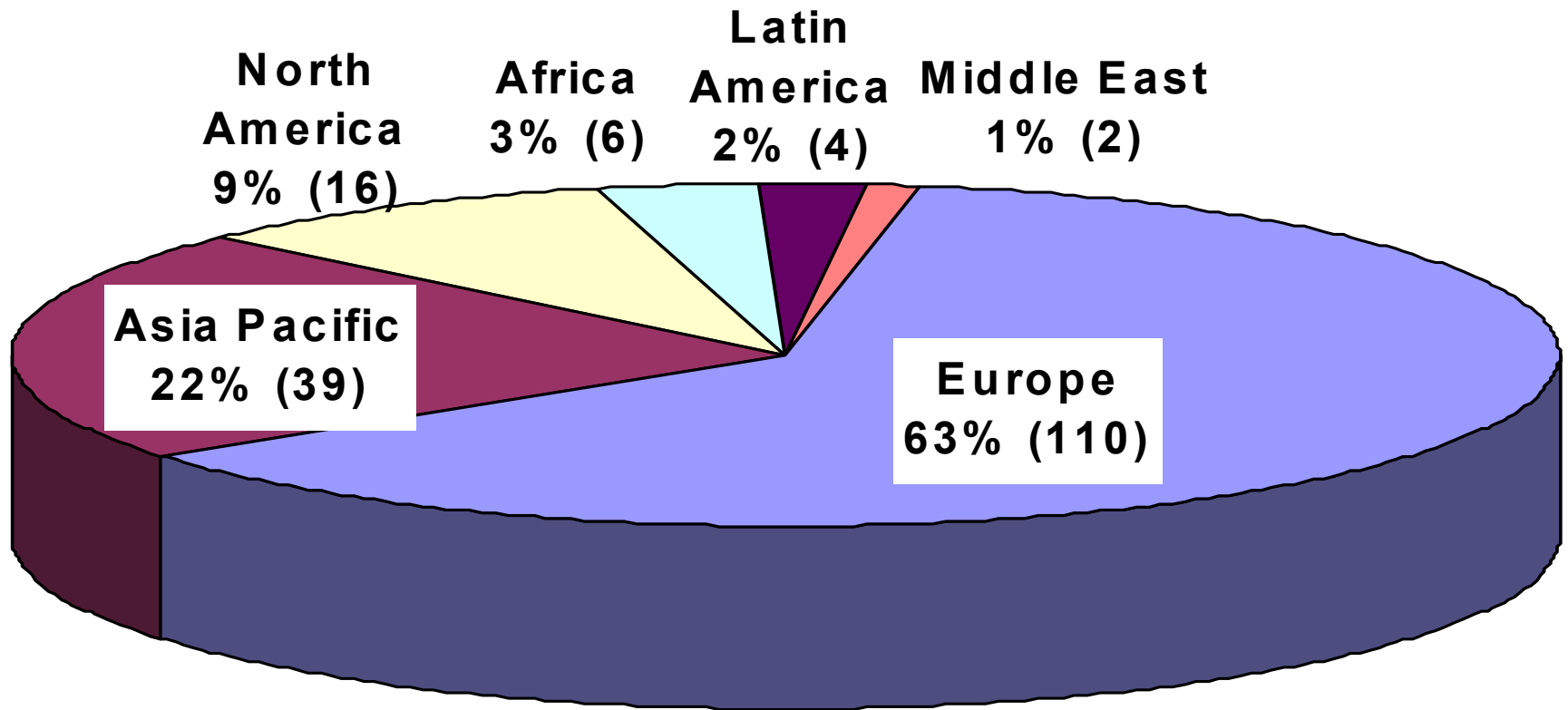
Conceived at the 1992 Rio Earth Summit, UNEP FI has grown from 6 to more than 200 financial institutions worldwide today.

# Commitment

By signing the UNEP FI statement of commitment, a company joins the initiative and avows to the approach of Sustainable Development.



# UNEP FI worldwide: 177 FIs



## Of which ADFIAP members:

Dev. Bank of Japan, Dev. Bank of the Philippines  
& Planters Dev. Bank



# UNEP Finance Initiative – Activities

Working Groups	Projects	Regional Task Forces
<ul style="list-style-type: none"><li data-bbox="79 339 542 472">✚ Asset management</li><li data-bbox="79 515 620 576">✚ Climate change</li><li data-bbox="79 619 471 752">✚ General insurance*</li><li data-bbox="79 795 562 1080">✚ Sustainability management, reporting and indicators</li></ul>	<ul style="list-style-type: none"><li data-bbox="693 339 1051 472">✚ Emerging markets*</li><li data-bbox="693 515 1311 576">✚ Finance &amp; conflict</li><li data-bbox="693 619 1250 681">✚ Finance &amp; water</li><li data-bbox="693 723 1174 938">✚ Sustainability training &amp; workshops*</li><li data-bbox="693 981 1143 1113">✚ Global Roundtables</li></ul>	<ul style="list-style-type: none"><li data-bbox="1352 339 1597 401">✚ Africa</li><li data-bbox="1352 444 1804 505">✚ Asia Pacific*</li><li data-bbox="1352 548 1702 762">✚ Central &amp; Eastern Europe</li><li data-bbox="1352 805 1669 938">✚ Latin America</li><li data-bbox="1352 981 1669 1113">✚ North America</li></ul>

\* New programme from 2005



# UNEP FI Q're on Sustainable Finance

## **Sustainable Finance:**

Linking operations of financial institutions with environmental protection and sustainable development

## **UNEP FI Asia Pacific Task Force conducting a survey on sustainable finance throughout AP**

### **Aim: To understand the state of sustainable finance in Asia Pacific**

- Level of awareness
- Implemented areas  
(products & services, policy & management, public reporting)
- Drivers & barriers
- Areas of interest for UNEP FI assistance

Q're distributed to all ADFIAP members: 19 respondents to date



# The State of Sustainability Finance Amongst ADFIAP Members

Findings from 19 ADFIAP members

Large (>1,000 employees)	Medium (200-1,000 employees)
Asaka Bank, Uzbekistan Bank for Invest. & Devt. of Vietnam Devt. Bank of Japan Devt. Bank of Philippines Industrial Devt. Bank of India Nat'l Bank for FEA of Uzbekistan	Bank Industri & Teknologi Malaysia Devt. Bank of Turkey DFCC Bank, Sri Lanka Fiji Devt. Bank Planters Devt. Bank, Philippines Sabah Credit Corporation, Malaysia
Small (<200 employees)	
Bhutan Devt. Finance Corp. Devt. Bank of Kazakhstan National Devt. Bank of Palau Nepal Devt. Bank	Rural Devt. Bank Cambodia Sabah Devt. Bank Berhad, Malaysia Tonga Devt. Bank



# Drivers for Sustainable Finance

## Reasons for adopting sustainable finance:

1. **Social Responsibility** (identified by 13 out of 19 respondents)
2. **Enhanced Reputation** (identified by 9 out of 19 respondents)
  - Attract new capital & customers
  - Improve stakeholder relations
3. **Direction of industry** (identified by 7 out of 19 respondents)
4. **Competitive Advantage** (identified by 6 out of 19 respondents)
  - Efficiently react to changes in business environment
  - Reduce/avoid sustainability risk
  - Early entry into new socio-environmental markets



# Growing Importance of Sustainability

18 out of 19 ADFIAP members agree:

**Importance of sustainability in the finance sector will grow in the next 5 years**

- 1) **SOCIAL** responsibility of FIs (especially **Devt. FIs**) will become important → Shift in mandate towards **SUSTAINABLE** Devt.
- 2) Sustainable development of **ASIA**, as major centre of global devt., important for global sustainability.  
→ Increasing attention to Asian Devt. FIs

**Sustainable Finance is about  
RISK management & OPPORTUNITY for growth**



# Risk Management

ADFIAP members are aware of importance of sustainability

**Relevance of sustainability as a business risk:**

**69% assign 4+ rating (1-5 scale)**

## **Sustainability issues increasingly regarded as part of risk management**

### **- Direct Risk**

eg. Clean up of customer's contaminated land turns into financier's legal responsibility

### **- Indirect Risk**

eg. Customer's ability to repay weakened by its environmental costs & liabilities

### **- Reputational Risk**

eg. Protests by NGOs & local residents to bank's involvement in a controversial project



# Opportunities for Growth

**ADFIAP members relevance of sustainability as a business opportunity: 63% assign 4+ rating (1-5 scale)**

New socio-environmental business opportunities:

**eg.1) Environmental loan** (already undertaken by 7 survey respondents)

<b>Env't'l loan example</b>	Loans for investment in <ul style="list-style-type: none"><li>- reduction of raw material inputs for production</li><li>- waste minimization &amp; clean technology</li></ul>
<b>Skills required</b>	Understanding of new markets Assessment of socio-environmental credit risks
<b>Benefits</b>	Devt. of new products & services Enhanced reputation Increased competitive advantage



# Opportunities for Growth.....cont'd

eg.2) **Micro finance** (already undertaken by 5 survey respondents)

<b>Market</b>	Underdeveloped market with few competitors
<b>Customers</b>	SMEs outside formal economy (deterred by high cost)
	Do not have credit track records
<b>Skills</b>	Risk assessment in microfinance
<b>Benefits</b>	Access to funding & capital for microfinance projects eg. IFC, Hivos (NGO), Triodos (Dutch ethical bank)
	With specialised knowledge, credit performance of micro credits are often competitive
	Empowerment of SMEs & reduced exposure to black economy risk
	Access to untapped market



# Sustainable Finance Practices

Sustainable finance practices are developing amongst ADFIAP members  
Many DFIs have mandate to undertake sustainable finance practices

<b>1. Community development</b>	Undertaken by 17 out of 19 respondents <ul style="list-style-type: none"><li>- Community investment</li><li>- Community outreach</li><li>- Corporate charities &amp; foundations</li></ul>
<b>2. Environmental products</b>	Undertaken by 15 out of 19 respondents <ul style="list-style-type: none"><li>- Env't'l loans</li><li>- Micro credit</li><li>- Env't'l leasing</li><li>- Env't'l advice</li></ul>
<b>3. Internal env't'l activities</b>	Undertaken by 13 out of 19 respondents <ul style="list-style-type: none"><li>- Env't'l policy</li><li>- Quantitative env't'l record keeping</li><li>- Other activities</li></ul>



# Sustainability Management Systems and Reporting

Despite active sustainable practices, few ADFIAP members are

- i) taking a strategic approach, and
- ii) communicating it effectively

	Sustainability Management Systems	Sustainability Reporting
ADFIAP members	<b>ISO 14001</b> 2 large FIs (>1,000 employees)	<b>Currently reporting</b> 3 large FIs (>1,000 employees)
	<b>Other SMS</b> 4 FIs (of which 3 small & medium)	<b>Planning to report</b> 4 FIs (of which 3 small & medium)
Benefits	Strategic management of sustainable practices	Improve stakeholder relations



# UNEP FI Asia Pacific Task Force

What can UNEP FI offer to ADFIAP members ?

Requests from ADFIAP members:

1. Education & Training (capacity building & skills devt.)
2. Info sharing (via events & publications)
3. Info sharing (via interactive website)

**UNEP FI APTF Outreach Programmes** (new from 2005)  
with UNEP FI partners incl. ADFIAP

**Aims:**

1. Raise awareness of sustainability in finance sector
2. Information exchange between FIs
3. Strengthen existing sustainability practices

**Activities:**

- Organise workshops (incl. training)
- Set up an APTF website

**JOIN US !      Contact: [ap@unepfi.org](mailto:ap@unepfi.org)**

