Natural Capital Declaration Receives CHF 4.2 Million (US$ 4.3 million) Pledge from the Swiss State Secretariat for Economic Affairs (SECO) to Advance Environmental Risk Management in the Financial Sector

News Release: 12 October 2015 Bern, Geneva, Oxford: The Swiss State Secretariat for Economic Affairs (SECO) has made a significant commitment to support the Natural Capital Declaration (NCD), the global finance-led initiative convened by the Global Canopy Programme (GCP) and the UN Environment Programme Finance Initiative (UNEP FI). SECO has allocated CHF 4.2 million (US$ 4.3 million) to support the NCD’s environmental risk management work programme to map natural capital risks across the portfolios of financial institutions and embed them in credit risk assessments.

“By funding the NCD project, we aim to catalyse sustainable investments and lending by the private sector globally, and to reduce risks from environmental and natural resource pressures in emerging markets in particular”, says Liliana de Sá Kirchknopf, Head of Private Sector Development Division of SECO. “The project will include a focus on banks and fund managers in South Africa, Indonesia, Colombia and Peru, priority countries of SECO’s economic development cooperation.”

Eric Usher, Acting Head of UNEP FI and NCD Co-Director, states “Financial institutions will be able to systematically evaluate risks from corporate impacts and dependencies on natural capital. To quantify and incorporate these risks into lending and investment decisions would provide a significant breakthrough in risk management practices. This work will also help to underpin the international momentum seen with the launch of the Sustainable Development Goals and the upcoming UNFCCC Climate Change negotiations (COP 21) taking place in Paris at the end of the year.”

Andrew Mitchell, NCD Co-Director says, “We are delighted that SECO is showing leadership in sustainable finance by supporting the NCD in our work with our signatories (over 80 financial institutions and supporters) to develop the much-needed approaches and tools to integrate natural capital risks and opportunities into financial institutions’ credit assessments and valuations. Several leading financial institutions
have committed to actively participate in this project in the knowledge that addressing these natural capital challenges will strengthen their portfolios, increase the resilience of the sector as a whole and support the transition to a greener economy.”

The ‘Advancing Environmental Risk Management’ project will commence in November 2015 and be completed over 2.5 years. It will utilise the collective expertise of the NCD’s signatories as well as supporters to ensure the delivery of customised approaches for different asset classes e.g. equities, fixed income, commodities etc. This project will build on other NCD tools to integrate natural capital data into financial analysis, such as the tool co-developed with Bloomberg LP to evaluate the implications of water stress for mining equities valuations.¹

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Notes to editors

- About the Advancing Environmental Risk Management Project
  This project will consist of two phases:
  1) The development and testing of methodologies for mapping risks associated with natural capital impacts and dependencies across lending and investment portfolios.
  2) The development of methodologies and guidance to embed natural capital considerations into credit risk assessments.
  Outcomes from the project will include financial institutions having:
  1) Greater awareness of the materiality of natural capital risks that they are exposed to in their loans and investments.
  2) A deeper understanding of how natural capital performance indicators translate into credit risk.
  3) Access to approaches and methodologies to embed natural capital parameters into credit risk, as well as creating risk adjusted premiums and valuations.

About the Natural Capital Declaration (NCD)
The NCD is a global finance-led initiative signed by 40 financial institutions that have committed to integrate natural capital considerations into financial products and services, and to work towards their inclusion in financial accounting, disclosure and reporting. A steering committee of signatories and supporters are overseeing a work programme of pilot projects, supported by a secretariat formed of the UNEP Finance Initiative and the Global Canopy Programme (GCP). The NCD is developing a range of tools and methodologies to strengthen management and monitoring of natural resource and environment-related risks and opportunities. For more information visit www.naturalcapitaldeclaration.org

About the United Nations Environment Programme Finance Initiative (UNEP FI)
UNEP FI is a unique partnership between UNEP and a global network of over 200 banks, insurers and investors from 51 countries. UNEP FI aims at creating an enabling environment for financial institutions to embed sustainable development policies into their operations, and its mission is to mainstream the integration of sustainability across the finance sector. It provides a neutral space to convene stakeholders and acts as a platform at the intersection between finance, science and policy. Visit www.unepfi.org

About the Global Canopy Programme
The Global Canopy Programme (GCP) is a tropical forest think-tank and international NGO, working to demonstrate the scientific, political and business case for safeguarding forests as natural capital that underpins water, food, energy, health and climate security for all. www.globalcanopy.org

About the Swiss State Secretariat for Economic Affairs (SECO)
SECO is the federal government’s centre for all core issues relating to economic and labour market policy. As part of this role, SECO’s Economic Cooperation and Development Division aims to support the integration of developing countries and Eastern European transition countries into the world economy. SECO also coordinates the relationships between Switzerland and the Work Bank Group, the economic development banks and the economic organisations of the United Nations. http://www.seco-cooperation.admin.ch/