



# UNEP FI INPUTS TO THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Facilitating the flows and integration of climate information for a smooth but determined transition to the new climate economy

*Eric Usher, Acting Head, UNEP Finance Initiative*

First meeting of the TCFD

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# UNEP FINANCE INITIATIVE

A UNEP-run network of **financial institutions** worldwide

- Members: 230 listed and un-listed financial corporations from banking, insurance, and asset management; development banks.
- Objective: Financial institutions fit for financing sustainable development
- **Two agendas:**
  - ✓ **Environmental risk** agenda (managing brown problems)
  - ✓ **Environmental performance** agenda (delivering green solutions)
- **Availability + integration** of information central to both agendas



# UNEP FINANCE INITIATIVE

- UNEP FI has track record both on
  - ✓ Financial institutions as the **readers** of information
  - ✓ Financial institutions as the **issuers** of information
- **FIs as readers:** require standardised; material, integrated and verified information.
- **FIs as issuers:** FI disclosure less advanced than disclosure in the real economy.



# RELEVANT INITIATIVES



**Positive Impact Workstream**  
*130 banks driving positive impact. Enabling assessment and disclosure.*



*Risk managers, risk carriers and investors*

**PSI**  
**Principles for Sustainable Insurance**



*100+ investors comitted to disclosing carbon footprints*



**GREENHOUSE GAS PROTOCOL**

**Portfolio Carbon Initiative**  
*FI disclosure approaches and metrics*



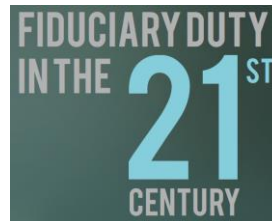
**UNEP Inquiry:**  
*Design of a Sustainable Financial System*



**Sustainable Stock Exchanges**  
*48 members; 15 providing ESG reporting guidance; 13 committed to do so*



*Investor action as the next step to disclosure*  
*USD 600 bn committed towards decarbonization*



*Integrating ESG/carbon information into investment practice.*



**From:**

**Real economy actors**

Risk information

**Financial economy actors**

*Recommendation 1: Include finance sector climate disclosure in the scope of your work.*

**To:**

**Real economy actors**

Risk information

**Financial economy actors**

**Owners  
Beneficiaries  
Regulators**



## Rationale for finance sector disclosure:

1. Enables assessment of climate risks to systemic financial stability
2. Investor disclosure drives corporate disclosure + corporate action
3. It's already starting to happen:



*Liberté • Égalité • Fraternité*

RÉPUBLIQUE FRANÇAISE

 PRI | Montréal PLEDGE



## However:

1. Disclosure requirements, approaches, and metrics for financial actors, as issuers of information, will differ from those for actors in the real economy.
2. Even within the financial economy, disclosure approaches, and metrics are likely to differ according to asset class.

## Therefore:

*Recommendation 2: Distinguish between the approaches, requirements, and metrics needed for disclosure by:*

- i) Corporations/actors in the real economy*
- ii) Institutional investors such as pension funds*
- iii) Other FIs such as lenders*



## The different objectives of finance sector disclosure:

1. Assessments of the **climate risk** exposure of financial portfolios, financial institutions & the financial system
  - *how well are FIs reacting to the climate economic transition and effects of climate change?*
2. Assessments of the **climate performance** of financial portfolios, financial institutions & the financial system
  - *to what degree are FIs supporting the climate economic transition?*

### Therefore:

*Recommendation 3: Distinguish between climate risk objective and climate performance objective, and include the latter in your scope of work.*





## Rationale for distinguishing between risk and performance objectives:

- Climate risk disclosure by FIs allows for an assessment of a rather immediate risk exposure.
- Doesn't say much about the degree to which FIs are conducive (or not) towards the low carbon economy.
- Considering long-term financial stability concerns, shouldn't financial system help **drive the transition?**
- The **French regulation** makes the distinction and asks FIs to disclose on both.



*Recommendation 4: Push for integrated reporting by engaging the financial accounting and audit community*

- COP21 agreed to limit climate change to well below 2°C increase.
- This has profound effects on the **valuation** of many economic assets that are incompatible with these commitments.
- Critical that financial accounting and audit organizations start to address the valuation implications of the economic transitions that Governments have committed to.



# UNEP FINANCE INITIATIVE'S CLIMATE CHANGE ADVISORY GROUP

A group of recognized climate change experts from the different industries of the finance sector

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Karsten Löffler, Allianz

## From banking

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Madeleine Ronquest, FirstRand

## From investment

Bruce Duguid, Hermes

Frederic Samama, Amundi

## From insurance

David Bresch, SwissRe

## From UNEP

Nick Robins, Co-Director, UNEP Inquiry

Merlyn VanVoore, Climate Change Coordinator



**Recommendation 1:** Include finance sector climate disclosure in the scope of your work.

**Recommendation 2:** Distinguish between the approaches, requirements, and metrics needed for disclosure by:

- i) Corporations/actors in the real economy
- ii) Institutional investors such as pension funds
- iii) Other FIs such as lenders

**Recommendation 3:** Distinguish between climate risk objective and climate performance objective, and include the latter in your scope of work.

**Recommendation 4:** Push for integrated reporting by engaging the financial accounting and audit community

**THANK YOU.**

*Eric Usher, Acting Head, UNEP Finance Initiative*

