UNEP Finance Initiative

Unlocking private finance for the implementation of the 2030 Agenda

United Nations Environment Programme
Finance Initiative
November 2015
Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

UNEP Finance Initiative

Global partnership to ensure the financial system is «fit for purpose» for sustainable development
UNEP Finance Initiative: Shaping the sustainable finance agenda since 1992 Rio Earth Summit

- Global membership of **200+ financial institutions** across banking, investment and insurance
- UNEP FI dual focus
  i. Integrate environmental & social risks and opportunities into the mainstream financial system (**changing finance**)
  ii. Mobilise finance for a sustainable economy (**financing change**)

**Diagram:**

- UNEP
- UNEPFI Secretariat
- Members
- Work Programme
  - Research & Awareness
  - Standard Setting
  - Tools & Training
  - Dialogues & Engagement
- Changing Finance Integration
- Green Finance Financing Change
- $\rightarrow$
### UNEP FI Programme Structure

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<th>3 Commissions</th>
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<td><strong>3 Thematic Workstreams</strong></td>
<td>Climate change (incl. Energy Efficiency)</td>
<td>Biodiversity &amp; ecosystems services (incl. REDD)</td>
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Linkages to other UNEP programmes

**Political Economy**

UN conferences, conventions: eg. climate change
Commitments: Sustainable Development Goals, etc
Development funds: Green Climate Fund, etc

**Macroeconomic policies**
Green Economy planning
10 YFP*

**Sectoral policies**
Buildings  Chemicals & Waste
Trade  Energy & Transport
Tourism  Technology transfer
Land use CSR & Reporting

**Science-policy interface**
- International Resource Panel
- TEEB**

**Financial Regulations**
UNEP Inquiry

**Financial Institutions**
UNEP FI
Banking  ●  Insurance  ●  Investment

**Financial Transactions**
CET Finance Unit  ●  FS UNEP Centre

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*10 YFP = 10-year framework programmes on sustainable consumption and production
**TEEB (The Economics of Ecosystems and Biodiversity)
Examples of sub-initiatives under UNEP FI

Launched at the Rio+20 Summit, the Principles for Sustainable Insurance (PSI) Initiative is now backed by insurers representing 20% of world premium and USD 14 trillion in assets under management.

Since 2009, the Sustainable Stock Exchanges Initiative partners with 30 Stock Exchanges, listing over 21,000 companies, $41+ trillion in market capitalization.

Co-hosted by UNEP FI, UNCTAD, PRI and UN GC.
Goal 12: Ensure Sustainable consumption and production patterns

Mainstreaming environmental & social issues in finance

Changing finance to finance change
Example - Working towards sustainable banking

Positive Impact Movement (launched October 2015)

Catalysing national movements

Regulatory engagement (Basel Committee on Banking Supervision)

Paradigm/Culture shift

Market Development

Better Regulation & Supervision

Proper Expertise

• Online Guide to Banking & Sustainability Sharing best practice

• Training Programme (5000+ trainees)
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Working with the UNEP Inquiry towards sustainable financial policy & regulation
Sustainable financial policy & regulation

- **Stability & Sustainability in Banking Reform: Are Environmental Risks Missing in Basel III (2014)**

- **Fiduciary Duty in the 21st Century (2015)**
  Report providing legal & regulatory clarification of investors’ fiduciary duty in 8 countries.

- **Sustainable Insurance Policy Forum (in development)**
  Led by UNEP FI comprising insurance regulators, UNEP Inquiry, UN SG’s Executive Office and UNFCCC
Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Mobilising investment in energy efficiency
Co-convened with EC DG Energy, a policy/finance working group on investment in energy efficiency in buildings and SMEs/industry.

G20 Energy Efficiency Finance Task Group (2015-)
Enabling G20 policy makers to engage with the finance community, industry and international organisations.
Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable

Goal 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

UNEP FI mobilising the insurance sector to support disaster-resilient communities & economies
• PSI Global Resilience Project: Building disaster-resilient communities and economies (2014)  First-ever international study by the insurance industry on the climate resilience of cities & SMEs

• PSI United for Disaster Resilience Statement (2015)  commitment by insurers to help implement the Sendai Framework for Disaster Risk Reduction

• Exploring Insurance Development Goals (ongoing) to support SDGs
PSI Global Resilience Risk Map (2015)

Goal 13: Take urgent action to combat climate change and its impacts

Decarbonizing investments

Mobilising finance towards a low carbon economy
**Portfolio Decarbonization Coalition (2014-)**
Launched at the UN Climate Summit 2014. Mobilizing institutional investors to commit to decarbonize investments worth $100bn in Assets Under Management (AUM) by COP21.

**Carbon Asset Risk Framework (2015)**
Guidance to financial institutions to systematically address financial risks linked to carbon-intensive businesses & assets
Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Embedding natural capital into the finance sector
Natural Capital Declaration (2012-)

- Embedding natural capital into financial products and services
- Working towards natural capital accounting and disclosure

**Recent outputs e.g.** Bank/investor policy tool for managing deforestation risk in soft commodity supply chains

**Future work e.g.** mapping natural capital risks globally

**Fiscal incentives for agriculture commodity production:**

**Options to forge compatibility with REDD+ (2015)**

Policy brief warning government subsidies for agriculture may exacerbate deforestation. UNEP FI participates in the UN-REDD programme.
Goal 6: Ensure availability and sustainable management of water and sanitation for all

Introducing water stress information into the financial analysis of businesses

To mobilise businesses to take action on sustainable management of water
Corporate Bonds Water Credit Risk Tool (2015)
Enabling financial institutions to integrate water stress into company analysis of mining, power & beverage sectors.

Enables financial analysts to incorporate water risks into company valuations (equity prices) across copper & mining companies.

Integrated into Bloomberg terminals used by 300,000 high-end traders & analysts. Builds on Bloomberg’s Carbon Risk Valuation Tool (2014).
**SDGs human rights-based approach**

Preamble: “The 17 SDGs and 169 targets seek to realize the human rights of all”

UNEP FI enhancing FIs understanding of human rights risks and impacts since 2006:

- Human Rights Guidance Tool for the Finance Sector

- Research proving a legal perspective on banks and human rights