



United Nations Environment Programme

برنامج الأمم المتحدة للبيئة • 联合国环境规划署
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

Finance Initiative

Innovative financing for sustainability

Declaration on Climate Change by the Financial Services Sector

As heads of some of the largest financial service organisations in the world, we acknowledge that:

- Unequivocally, human activity is a fundamental driver of climate change, as confirmed in the IPCC Fourth Assessment Report.
- Unless action is taken now to set in motion a worldwide transition to a low carbon economy, some scenarios suggest that by 2040, the world could experience annual economic losses as high as USD 1 trillion¹; and grave social and environmental harm from climate-related disasters.
- Climate change could result in a reduction in global GDP equivalent to the economic impacts of the 20th century's major conflicts, as predicted by the Stern Review to the UK Prime Minister.
- The most severe impacts of climate change, including extreme weather events, drought, crop failure and disease will fall most harshly on those regions and people least able adapt to the impacts of climate change – the world's poor.

In 2002, the UNEP Finance Initiative Climate Change Working Group, made up of some of the largest financial institutions from around the globe, alerted the finance and business communities, governments and public at large, to a number of the major risks posed by climate change to the world economy. In the 5 years since the landmark report, *Climate Change and the Financial Services Industry: Threats and Opportunities*, UNEP FI and its members have urged governments to take greater and more concerted action, and have pushed for effective market-oriented solutions in tackling the problem.

More recently, there has been a seismic shift in how climate change is perceived, and is widely considered to be the greatest market failure ever. This is in part due to the fact that many of the effects of climate change are beginning to manifest, and that the threats posed by continued warming will affect—and even possibly disrupt—the operation of markets, societies, ecosystems and cultures. Many of the world's politicians and business leaders are already taking action and proposing solutions.

These efforts, however, can only be regarded as a modest beginning, given the scale of the climate change problem. A global effort involving all nations, governments, business and industry is required to address a problem considered one of the greatest threats to humanity and the future well being of the planet.

Our actions will be made much more effective by adequate political and economic frameworks created by government. Against this background, we recognise that there is an important role to be played by the financial services sector in tackling this crisis. We commit to:

- Advance our knowledge and understanding of both climate change risks and opportunities.
- Quantify and integrate those risks and opportunities into our core financial operations. This includes working with our clients and investments – through engagement and product development - to reduce their carbon emissions.
- Similarly, assist our clients to manage the risks and opportunities of climate impacts, by assessing their exposure and providing products and services that improve their adaptive capability.
- Reduce our own direct impacts and carbon footprint and report and assess our annual emissions transparently.
- Incorporate the issue of climate change into our investment decision-making process to promote and protect asset growth in the companies and sectors in which we invest. This includes cooperation to encourage and harmonise disclosure of climate-related items in regular financial reporting, to more accurately assess the impacts of climate change on company performance.

¹ “Adaptation and Vulnerability to Climate Change: The Role of the Finance Sector”, UNEP FI Climate Change Working Group, December 2006.

Despite the pressing nature of the challenges posed by climate change, we believe that there is still time to act, and that government leaders and policymakers need to take action forthwith to design the policy and market frameworks to facilitate this process. We call for and urge government leaders to:

- Set clear and mandatory, medium and long-term emission reduction targets in industrial nations, building on the existing framework, such as the proposals presented by the UK and EU for a mandatory emissions reduction target in the industrial nations of 20-30% by 2020 and 60-80% by 2050.
- Set ambitious emission targets to be formally adopted by 2009 as part of the post-2012 regime, in order to build confidence in the process and ensure time-sensitive carbon market continuity.
- Expand use of market instruments such as emissions trading and those established through the Kyoto Protocol's Clean Development Mechanism (CDM) and Joint Implementation (JI) to produce a carbon price and help drive low carbon investment.
- As part of the new international post-2012 agreements, simplify, standardise and streamline the CDM/JI process by 2009, such that these instruments can maximise their role in delivering environmental and sustainable development objectives.
- Adopt ambitious goals and incentives for renewable energy production, such as the target proposed by the EU to increase the share of renewable energy in European supply to 20% by 2020.
- Take steps to enable and encourage developing nations to adopt a climate-friendly path for their economic development.
- Implement energy efficiency programmes and Research and Development initiatives that include public-private partnerships and support the deployment of low carbon technologies.
- At the same time, we call for a systematic approach to adaptation that integrates climate change into existing and new programmes on disaster reduction and management, and sustainable development.

Signatories (in alphabetical order)

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