INTRODUCTION TO UNEP FI

The United Nations Environment Programme Finance Initiative (UNEP FI) is a unique partnership between the UN and a global network of over 200 banks, insurers and investors in more than 60 countries. By joining the partnership, financial institutions recognise that the financial sector has a vital role to play in contributing to sustainable development. This role is just as crucial as it was when the initiative launched in 1992 as the private sector takes on more responsibility in supporting goals to move towards a low carbon, resource-efficient and socially inclusive world.

UNEP FI has a cross-sectoral work programme to catalyse sustainable financial institutions—investors, banks and insurance companies—that embed environmental, social and governance issues in their operations. Its mission is to bring about systemic change in finance to support a sustainable economy.

We support the development of sustainability knowledge and expertise within financial institutions and foster collaboration and innovation. Through our research, capacity building and development of principles, standards and tools, UNEP FI and its stakeholders enhance expertise within the industry. Members work to produce research and guidance to help financial institutions understand and address the interaction between their financial products and services, and the environment. Innovative tools and training enable financial professionals to implement strategies, policies and practices to ensure their organisations are both resilient to environmental risk such as climate change, and able to mitigate the negative impacts of financed activities on the environment and society. The Initiative also acts as a standard setter, having launched both the Principles for Responsible Investment, and the Principles for Sustainable Insurance. UNEP FI provides a neutral, non-competitive space to convene stakeholders and acts as a platform at the intersection between finance, science and policy. It is the ‘interpreter’ between financial institutions, the United Nations and policy makers to mobilise private finance towards the sustainable development agenda.

The Initiative facilitates dialogue between financial institutions and policy makers to better align finance and sustainable development. At the national-level, UNEP FI encourages dialogue between finance practitioners, supervisors, regulators and policy makers, and works closely with UN Environment’s Inquiry into the Design of a Sustainable Finance System, to create an enabling environment and build market leadership around the sustainable finance agenda.

Our work would not be possible without our members and donors, and we thank them for their continuing commitment and active engagement. During 2016 we were supported by the following donors: the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Generation Foundation, the Global Environment Facility, the MAVA Foundation, the Swiss State Secretariat for Economic Affairs (SECO), and the Ministry of Climate Change and Environment of the United Arab Emirates who hosted the Global Roundtable.
FOREWORD

As 2016 began, we started to see the public and private sectors rolling up their sleeves and working on applying the new global sustainable development agenda that had been set the previous year. 2015 had been a momentous year for collaboration that saw governments and business from around the globe signing up to, and joining together on, the Paris Climate Accord and the Sustainable Development Goals. These commitments demonstrated a new determination to shift markets and society onto a more sustainable footing. In last year’s UNEP FI Overview, it was noted that the achievements of 2015 marked not the end of our work, but perhaps the end of the beginning. By the end of 2016, we are reminded that we still have a long way to go and that progress can be interrupted.

We are living through a period of far-reaching change in society and in the natural environment, as well as economic uncertainty and geopolitical upheaval. Economic trends include growing protectionism, technology disruption, market commoditisation, demographic changes and a shift toward emerging markets. Meanwhile, 2016 was the hottest year ever, extreme weather events are on the increase, natural capital is on the decline and a growing number of cities face air pollution crises.

With so much uncertainty, sustainable finance is at a critical juncture. The sector’s ability to assess and manage environmental, social and governance risks needs to shift gears towards forward-looking scenario analysis and stress testing approaches. For example, new approaches to stress testing lending portfolios against drought risk and other natural capital dependencies. New methodologies are needed to assess climate transition risk, and sustainable underwriting guidelines need to be developed for the insurance industry.

"We need to look beyond risks and also focus on growing the pool of finance available to deliver positive impacts"
We need to look beyond risks and also focus on growing the pool of finance available to deliver positive impacts. With the Sustainable Development Goals agreed, the frameworks to finance sustainable development solutions need to be established.

The globalisation of the sustainable finance agenda was evident as we held our 14th Global Roundtable in Dubai in October 2016, the first time the event has taken place in the Middle East. Thought leaders from around the world shared a common vision of the finance sector and its importance as a driver of sustainable development. Participants witnessed how quickly financial institutions and policy makers in the region were taking up sustainable finance, including through the launch of the Dubai Declaration, a commitment to support the UAE’s Vision 2021 to deliver a green economic transformation.

We started 2016 with growing consensus from policy makers and regulators globally towards adopting sustainable development, and more evidence that the private and public sectors were coming together to work in partnership to tackle climate change. During the year, we saw progress on global policy initiatives such as the G20 Green Finance Study Group, the Financial Stability Board’s Task Force on Climate-related Financial Disclosures, and the establishment of the European Commission’s High-level Expert Group on Sustainable Finance. By the end of the year we had less certainty, although the push for sustainable development is likely to continue globally as a result of different pressures and motives as our long-term economic, social and environmental challenges intensify.

During 2017, UNEP FI will celebrate its 25th anniversary, and we will be looking back at our achievements and celebrating with our members. We will also be looking forward to the challenges ahead such as the urgent need to develop a vibrant Sustainable Development Goal—serving financial market and measuring our progress towards those targets. We hope that as you read the review of our activities during 2016, you will be impressed by the joint successes our collaborative partnership was able to achieve, and that while we are shaped by the changes around us, we in the finance industry can also be a catalyst for change.
HOW CAN THE FINANCE SECTOR DRIVE SUSTAINABLE DEVELOPMENT?

UNEP FI’s motto “Changing finance, financing change” encapsulates our mission: to drive the change to a sustainable world economy that is supported by sustainable financial institutions.

**Changing finance**: promoting the integration of sustainability concerns into the financial services industry through mainstreaming of the issue within financial institutions.

**Financing change**: mobilizing financial institutions to channel finance towards a more sustainable economy.

UNEP FI members are working together to develop sustainable financial institutions, which will be part of a resilient finance industry that can both deliver products and services that address environmental and social issues, and build new markets that seek to create positive impact. We approach this goal in two ways: by supporting the development of sustainability knowledge and expertise within financial institutions, and by supporting developments that foster a stronger enabling environment for sustainable finance, in particular collaborating on financial regulations and economic policies.

We are now working towards assessing financial institutions on the degree to which they integrate environmental, social and governance (ESG) factors into their governance, managerial, appraisal, and decision-making processes, and we will expand this aspect of our work into 2017 and beyond.
MAKING SUSTAINABILITY PART OF EVERYDAY BUSINESS PRACTICE

A large part of UNEP FI’s work aims to build expertise on sustainable finance and thereby enable financial institutions to play an active role in supporting sustainable development, and integrate environmental and social considerations into their daily operations.

FIRST-EVER GLOBAL STUDY ON INSURANCE UNDERWRITING, ESG RISKS AND INFRASTRUCTURE PROJECTS

Infrastructure projects could have associated environmental, social and governance (ESG) risks such as environmental pollution, natural resource degradation, forced resettlement, poor working conditions, and corruption. Such projects could also be exposed to climate and natural disaster risks. However, there has been no comprehensive study to guide surety bond underwriters in the insurance industry in assessing ESG risks associated with infrastructure projects. The Principles for Sustainable Insurance Initiative, together with Munich Re, the International Finance Corporation, other insurers and academics have carried out the first-ever global study on how and to what extent ESG risks are being integrated into surety bond underwriting for infrastructure projects with the final report to be published in 2017.

INCLUSIVE INSURANCE: COLLABORATING TO SUPPORT CAPACITY BUILDING

The Principles for Sustainable Insurance and the International Labour Organization’s Impact Insurance Facility (the Facility), a PSI supporting institution, began work on their first collaborative activity during 2016—a series of webinars on how to make inclusive insurance work. Part of a strategic collaboration to drive insurance industry practices and solutions that promote economic, social and environmental sustainability, the sessions are designed for the global networks of the PSI and the Facility and cover topics such as clients and impact metrics, health, and distribution and technology.

THE GUIDE TO BANKING AND SUSTAINABILITY: WHAT DOES A SUSTAINABLE BANK LOOK LIKE?

The Guide, which was first published in 2011, is a high-level, functional overview of how a sustainable bank operates. The second edition which was published during 2016 is a tool designed for banking practitioners, in particular, senior management and board members seeking to educate themselves and their employees on banking and sustainability. It will help sustainability teams seeking to engage employees across the bank, employees seeking to understand the relevance of sustainability issues to their work, and employees who are engaging with external shareholders and stakeholders on sustainability expectations, risks, inquiries, and other matters.
The Sustainable Stock Exchanges Initiative 2016 Report on Progress launched at the Sustainable Stock Exchanges Global Dialogue which took place in Singapore. The biannual report summarizes developments since 2014 and examines specific Sustainable Development Goal targets, highlighting examples of good practice that exchanges can build upon as they work to contribute to the global effort in achieving the UN’s 2030 Agenda for a sustainable world.

Key statistics:
- 60 stock exchanges now partner with the Sustainable Stock Exchanges Initiative (SSEI)
- Market capitalization of over US$55 trillion represented, and more than 70% of the listed equity market that has made a public commitment to advancing sustainability in their market.
- 12 stock exchanges now require ESG reporting as a listing rule
- 15 provide formal guidance on ESG reporting to issuers
- 23 additional SSE Partner Exchanges have committed to issue guidance as part of the SSEI Campaign to close the ESG guidance gap
- 11 list green bonds
- 38 provide ESG indices.

The buildings sector has one of the highest carbon footprints – it currently contributes 30% of global annual greenhouse gas (GHG) emissions and consumes around 40% of the world’s energy. Following through on the commitments made under the Paris Agreement on Climate Change means avoiding 77% in total carbon dioxide emissions in the buildings sector by 2050 compared to today’s levels. To support real estate investors with this work, UNEP FI and its global partners Investor Group on Climate Change (IGCC), Institutional Investors Group on Climate Change (IIGCC), Ceres Investor Network on Climate Risk, Principles for Responsible Investment, and the Royal Institution of Chartered Surveyors (RICS) have come together to create clear signposts for action for real estate stakeholders. These easy-to-understand and apply actions and the accompanying framework distil all the available material published over the last five years, enabling real estate stakeholders to take action.
Stress Testing Lending Portfolios for Environmental Risk

During 2016, the Natural Capital Finance Alliance implemented a project to enhance modelling of environmental risks in the banking sector. Building on techniques used in the insurance industry, the Natural Capital Finance Alliance and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) jointly developed a prototype tool to enable banks to quantify the potential impact of drought on corporate loan portfolio performance.

The tool incorporates scenario modelling for four countries—Brazil, China, Mexico and the United States—to account for drought impacts on up to 19 industry sectors. The tool was tested on the corporate lending portfolios of nine international financial institutions which together represent more than US$10 trillion in assets, including leading UNEP FI members Citigroup (USA), UBS (USA), Itaú Unibanco (Brazil), Santander Brazil, Banorte (Mexico), Citibanamex (Mexico), and Industrial and Commercial Bank of China (ICBC).

A consortium, led by UNEP FI member, and global modelling expert Risk Management Solutions (RMS), designed and developed the tool and framework which underlies it. The project was financed by the Federal Ministry for Economic Cooperation and Development (BMZ).

An Overview of Natural Capital Dependencies and Impacts: The Finance Sector Supplement to the Natural Capital Protocol

The Natural Capital Coalition recently launched the Natural Capital Protocol—a framework designed to help business managers make informed decisions in relation to the natural capital upon which their businesses rely. To enable financial institutions to apply this framework to their portfolios, the Natural Capital Finance Alliance (NCFA), the Dutch Association of Investors for Sustainable Development (VBDO), and the Coalition are working jointly to produce a Finance Sector Supplement which will:

- equip financial institutions with the most current knowledge and tools
- focus on portfolio impacts and dependencies
- inform risk appetite decisions at an industry and country level
- inform active ownership decision making and impact investing alongside product and service opportunities.

The work was introduced at the Global Roundtable in October 2016 and will launch at the end of 2017.
Risk in Soft Commodity Supply Chains

In October 2016, UNEP FI and the UN-REDD Programme (United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries) published a policy brief which explores the business case for removing deforestation from commodity production. Taking Out Deforestation From Commodity Supply Chains is one of the first examinations of the implications of continued deforestation on palm oil production and financing, and builds on a deforestation value at risk model developed by UNEP FI in 2015.

The UNEP FI team also supported the UN-REDD Programme in engaging the private sector in the REDD+ Programme. Studies scoping investment opportunities in the land use sector took place in Costa Rica and Cote d'Ivoire and workshops to present the findings of the work took place in March and April respectively.

Advancing Environmental Risk Management: Mapping Natural Capital Impacts and Dependencies into Credit Risk

The Advancing Environmental Risk Management project aims to enable the systematic integration of natural capital-related risks in financial institutions’ risk assessment methods and decision-making tools. The first phase of the project (2016–2017) will review the current body of knowledge and information on natural capital risk to make it available in a simple and structured way to users in the financial sector.

The project’s second phase (2017–2018) will build upon the information gathered in phase one. In close collaboration with financial institutions in the project, we will develop risk assessment methodologies and tools to assess the economic impacts of specific natural capital risks and seek to embed the systematic consideration of these risks within financial institutions’ existing risk assessment and other investment decision-making tools.

By enabling financial institutions to understand and embed natural capital-related risks in their day-to-day operations, this project will demonstrate that sustainable management of natural capital assets makes good business sense by highlighting the costs and risks associated with natural capital degradation. The natural capital risk exposure information, together with the risk assessment methodologies, will enable financial institutions and others to replicate the piloted assessments in their own portfolios. The project has received significant support from the Swiss Secretariat for Economic Affairs (SECO), the MAVA foundation, and participating financial institutions.

Environmental Risk Integration in Sovereign Credit

The aim of the Environmental Risk Integration in Sovereign Credit (ERISC) project is to help financial institutions integrate environmental risks into their risk assessments and investment decisions by identifying and quantifying how they can affect countries’ economic performance and thereby—potentially—sovereign credit ratings.

While phase one showed that environmental risks could be material, it did not quantify this materiality. In the second phase of research, the project focused on food prices as one of the key transmission mechanisms between environmental risks and economic impacts in order to better quantify the potential risk that national economies could face. The resulting report, How Food Prices Link Environmental Constraints to Sovereign Credit Risk was published in May 2016.

ERISC is a partnership between UNEP FI and Global Footprint Network, and was published in collaboration with Cambridge Econometrics and several financial institutions: Caisse des Dépôts, First State Investments, HSBC, Kempen Capital Management, KfW, and S&P Global Ratings.
EMBRACING TRANSPARENCY AND DISCLOSURE

Financial institutions can win public trust and recognition for their progress in sustainability through transparency and disclosure. During 2016, UNEP FI continued its work in this area.

MEASURING PROGRESS TOWARDS LOW-CARBON PORTFOLIOS

The Portfolio Decarbonization Coalition (PDC) smashed its ambitious target of achieving a total commitment to decarbonize US$100 billion worth of assets under management by the time of COP 21, when it achieved total commitments of US$600 billion. 2016 was spent building on this momentum. The PDC is helping catalyse the development of tools and strategies that can be used by investors to decarbonise their portfolios, and to report on performance outcomes in a consistent, credible manner. PDC held a series of workshops and webinars in 2016 where members of the coalition presented their strategies and outcomes. PDC launched its annual progress report at Climate Finance Day in Casablanca, which took place just before COP 22. Investment Portfolios in a Carbon-constrained World reflects on the experiences of members, and offers suggestions on how governments, investors and the PDC can accelerate the process of portfolio decarbonization in ways that support the transition to a low-carbon economy.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

During 2016, UNEP FI worked with the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) which released its draft Recommendations Report in December 2016. The task force will develop final recommendations for voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders. The recommendations also apply to financial sector organisations, with supplemental guidance for banks, insurers, asset owners and asset managers. This has led us to set up a UNEP FI working group of financial institutions to work together towards the piloting of TCFD-aligned climate-related disclosures.

THE STATE OF SUSTAINABILITY IN GLOBAL FINANCIAL INSTITUTIONS

UNEP FI is developing a dashboard which will allow financial institutions to conduct self-assessments into their progress towards achieving full integration of environmental, social and governance factors. Institutions will be able to measure their progress across a number of areas including governance, management, assets and liabilities.

A preparatory phase was completed in 2016, focused on initiating the conceptual frameworks, definitions, and approaches needed to undertake the required assessments. UNEP FI is developing the evaluation approaches during 2017, as part of developing the first global report on the state of sustainability in financial institutions in 2018.
SUPPORTING A STRONGER ENABLING ENVIRONMENT

UNEP FI has been supporting policy makers to adopt effective policies and engaging with financial regulators to integrate sustainability issues into regulatory objectives to create an enabling environment for sustainable finance. In 2016, the highlights of UNEP FI’s policy and regulatory work included the following:

INTEGRATING ESG INTO FIDUCIARY DUTIES

Fiduciary Duty in the 21st Century

Following publication in September 2015 of *Fiduciary Duty in the 21st Century*, during 2016 the Principles for Responsible Investment, the Generation Foundation, and UNEP FI began work on roadmaps to advance fiduciary investment practice. The culmination of consultation with regulators, investors, policy makers and attorneys globally, roadmaps examining the Australian, US and UK markets were published at the end of 2016. They make a series of recommendations to enable the market-wide adoption of environmental, social and governance integration, and address corporate reporting, shareholder engagement, investor education and regulatory change. Further roadmaps are being published throughout 2017.

Investor Obligations and Duties in Six Asian Markets

One component of the work is extending research into fiduciary duties to six Asian markets: China, Hong Kong, India, Malaysia, Singapore and South Korea.

Based on over 50 interviews with policy makers, investors and stakeholders, the report analyses investment practice and investor obligations and duties in the six markets. The report aims to bridge the needs of policy makers and investors to support the integration of ESG factors in the six markets.
SUSTAINABLE INSURANCE POLICY AND REGULATION

A growing number of insurance regulators in different jurisdictions are addressing sustainability challenges—such as climate change adaptation and mitigation, disaster risk reduction, and access to insurance—through various approaches. Advances in this area during 2016 included the establishment of an international collaboration of insurance supervisors: the Sustainable Insurance Forum. San Francisco was the setting for the inaugural meeting of the forum in December 2016, jointly convened by UNEP FI’s Principles for Sustainable Insurance (PSI) and UN Environment’s Inquiry into the Design of a Sustainable Financial System. Also during 2016, the insurance regulators of Brazil, California, Costa Rica, the Philippines, and Washington State signed the Principles for Sustainable Insurance.

THE NEW URBAN AGENDA: THE INSURANCE INDUSTRY WORKING TO ENSURE SUSTAINABLE AND RESILIENT CITIES

By 2050, two-thirds of the world’s population will live in cities, with implications for the way cities are planned, designed, constructed and managed. ICLEI—Local Governments for Sustainability is the leading global network of more than 1,500 cities, towns and regions that works to support the creation of sustainable, resilient, and low-carbon urban areas. In February 2016, the PSI collaborated with ICLEI on an international webinar on risk reduction and risk transfer approaches, part of ICLEI’s Resilient Cities series. The PSI also supported ICLEI’s Resilient Cities Congress in Bonn in May 2016, and in October 2016, a workshop with the city leadership of Dar es Salaam as part of the City Innovation Platform for African Infrastructure Risk and Resilience project, led by Santam and ICLEI. This work is continuing in 2017 in the form of a series of webinars and collaboration at events.

SUPPORTING THE UN FRAMEWORK CONVENTION ON CLIMATE CHANGE AS IT MOVES THE AGENDA FORWARD

On the global climate change agenda, the PSI Secretariat participated in the meetings of the UN Framework Convention on Climate Change (UNFCCC) in April and July 2016 in Bonn. This engagement led to the PSI’s contribution to the 2016 Annual Forum of the UNFCCC Standing Committee on Finance in September 2016 in Manila, which focused on financial instruments that address the risks of loss and damage, such as insurance, catastrophe and resilience bonds, contingency finance, forecast-based finance, and social protection mechanisms. To complement the aims of the UNFCCC Forum, the PSI and the Philippine Insurers and Reinsurers Association (PIRA) convened the international event, “Insuring climate and disaster resilience: Innovations and solutions for sustainable development” in Manila during the same week. The PSI-PIRA market event, which was supported by the UNFCCC, covered the risk management value chain of the insurance business.
COLLABORATING TO SUPPORT SUSTAINABLE FINANCE IN MONGOLIA

UNEP FI started to collaborate with the Partnership for Action on Green Economy (PAGE) and the Mongolian Bankers Association (and indirectly IFC and FMO) in late 2015, supporting the 3rd Mongolian Sustainable Finance Forum. PAGE, a collaboration between five UN agencies – UN Environment, International Labour Organization, UN Development Programme, UN Industrial Development Organization, and UN Institute for Training and Research—was launched in 2013 at Rio+20 in response to the call to support those countries wishing to embark on greener and more inclusive growth trajectories. The involvement of PAGE provided added value to Mongolia’s sustainable finance efforts by strengthening its focus towards supporting Mongolia’s Green Development Policy and 2030 Sustainable Development Vision. Under the direction of the Ministry of Environment and Tourism, UNEP FI and PAGE have provided the expertise, tools and the network to explore the upside potentials of sustainable finance in Mongolia. In 2016, UNEP FI, together with the Global Green Growth Institute, Swiss Agency for Development and Cooperation, and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), worked with local stakeholders to establish the Mongolian Green Credit Fund Working Group, conduct a market study on green finance demand, and co-host the 4th Mongolian Sustainable Finance Forum.

DEMYSTIFYING ADAPTATION FINANCE FOR THE PRIVATE SECTOR

The adoption of the Paris Agreement at COP 21 in December 2015 was a landmark achievement, with 197 countries endorsing an ambitious climate change agreement, which importantly included global goals on adaptation. This raised the political profile of adaptation and climate resilience.

After the launch of Demystifying Private Climate Finance in 2015, UNEP FI delivered the second instalment in the series, ‘Demystifying Adaptation Finance for the Private Sector’ in November at the 22nd Conference of Parties of the UNFCCC (COP 22) in Marrakesh. This report addresses climate change adaptation and resilience, and the multi-billion dollar gap that exists between the public funds available for global adaptation and the investment required. The report calls for private finance to fill the gap, provides an economic assessment of the ‘barriers to adaptation finance’, and makes recommendations to policy makers and the Global Climate regime designed to stimulate both the demand and supply of private finance for adaptation and resilience activities.
DESIGNING THE SUSTAINABLE FINANCE SYSTEM WE NEED

The UN Environment’s Inquiry into the Design of a Sustainable Financial System (the Inquiry) was established in January 2014 with a mandate to advance policy options that would improve the effectiveness of the financial system in supporting sustainable development. In September 2016, the Inquiry published its second annual progress report, *The Financial System We Need: From Momentum to Transformation*. With US$118 billion in green bonds now in issuance, a quiet revolution is happening amongst financial regulators, policy makers, governments and financial institutions, in the adoption of sustainable finance. The momentum is growing; at the 2016 G20 summit it was announced that the G20 and the Financial Stability Board are exploring how the financial system can take greater account of environmental factors.

UNEP FI contributed to the Inquiry report and jointly launched a paper at the Global Roundtable in Dubai, titled *Connecting Financial System and Sustainable Development: Market Leadership* which highlights how financial institutions are taking the lead incorporating sustainable finance approaches into their daily business.

G20 ENERGY EFFICIENCY FINANCE TASK GROUP

G20 countries account for more than three quarters of global energy consumption and greenhouse gas emissions, and it is clear that increasing energy efficiency will be key to achieving the global climate goals.

UNEP FI has been a member of the Secretariat of the G20 Energy Efficiency Finance Task Group (EEFTG) since its inception in 2015—the first time that UN Environment has participated in a G20 group. Co-chaired by France and Mexico, the EEFTG—which aims to enhance capital flows for energy efficiency investments—has 14 members and promotes the need for coherent long-term policy on energy efficiency investments, as well as coordinating a dialogue with the financial sector. Under the Chinese G20 Presidency, the topic of energy efficiency gained increased attention with the adoption in June 2016 of a new long-term G20 energy efficiency strategy.

In parallel to these policy advances and since COP 21, UNEP FI has:

- Led a mobilisation of financial institutions: investors managing USD 4,000 billion of assets and 117 banks from over 40 countries have committed to work towards increasing their financing of energy efficiency.
- Organized a workshop in China on the sidelines of the G20 meetings in April 2016 which focused on the financing of energy efficiency in the building sector.

DESIGNING THE SUSTAINABLE FINANCE SYSTEM WE NEED

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MOVING TOWARDS IMPACT-BASED FINANCE

An estimated US$5–7 trillion a year until 2030 will be needed to realise the Sustainable Development Goals (SDGs) worldwide, including investments into infrastructure, clean energy, water and sanitation, and agriculture. The greater part of the necessary financing and investment will need to stem from private finance.

While a wide range of sustainable finance products and services are available in the market, these mobilise limited funds compared to what is needed and for a limited number of things—based on a pre-identification of acceptable sectors and activities. Hindered by often unattractive risk and return profiles, to-date the amount of private finance mobilised to achieve the SDGs remains in marked contrast to the scale of the needs.

In 2015, UNEP FI launched the Positive Impact Manifesto, in which its banking and investment membership proposed that sustainable development and the attainment of the SDGs is both a macroeconomic necessity and a business opportunity.

The manifesto suggests that, to meet the challenge and take advantage of the opportunities presented by sustainable finance, a new financing paradigm is needed, based on a holistic approach to economic, social and environmental issues.

To deliver the aims of the Manifesto, UNEP FI established in early 2016 a Positive Impact Working Group and Roadmap which focuses on two core needs:

■ A common framework to help the finance community and a broader set of public and private stakeholders identify, assess and promote positive impact activities, entities and projects.

To address this need, the Principles for Positive Impact Finance were published in January 2017.

■ A collaborative, solution-building approach to developing and implementing new business models and financing approaches that will help address the SDG funding gap and realize the SDGs themselves.

As a first step, a grounding paper on approaches to SDG financing is being developed in partnership with the World Business Council for Sustainable Development (WBCSD) and PricewaterhouseCoopers (PWC), for release in the third quarter of 2017.

An estimated **US$5–7 trillion a year until 2030** will be needed to realise the **Sustainable Development Goals** worldwide.
The Portfolio Decarbonization Coalition’s 2016 report on progress was launched at Climate Finance Day (see page 12).

Eric Usher moderated a discussion which included Amundi, one of the co-founders of the PDC, addressing how leadership shown by investors can become the ‘new normal’.

A finance sector panel highlighted the actions that AXA, Citibank, MN, Aviva, the New York State Comptroller and Deutsche Bank, are taking to both weather the new risks that climate change poses to the finance sector, as well as to capitalize on the opportunities presented by the climate economic transition.

A panel discussed and agreed on the need for a new, comprehensive, global standard on private climate finance to replace the only existing, but incomplete standard focused on so-called ‘carbon financing’ in the context of the Clean Development Mechanism.

At a session aimed at mobilising finance for energy efficiency, participants discussed how the energy efficiency financing strategies of individual financial institutions such as ING, and the leadership shown by signatories to the UNEP FI statements on energy efficiency, can support intergovernmental policy processes such as the G20 Task Group on Energy Efficiency Financing.

A UNEP FI event presented the original policy/finance work of this group. Public and private financial institutions, including from developing countries, shared best practices and discussed how they can scale up energy efficiency financing.

A side event discussed the specific roles of fiscal, as well as financial regulation in mobilizing private climate finance, for both mitigation and adaptation. The event focused on both sides of the climate finance challenge: the policies and public interventions required to stimulate demand for climate finance, as well as a readily available supply of it.

UNEP FI moderated one of the sessions of the High-Level Ministerial Meeting on Climate Finance, addressing the challenges faced in scaling up climate finance flows from both public and private sector sources. Speakers included the UN Secretary-General, Ministers of Finance and Climate Change, and for the first time, finance sector CEOs and representatives.

The Sustainable Stock Exchanges Initiative, which is co-convened by UNCTAD, UNEP FI, the Principles for Responsible Investment, and the UN Global Compact, held a conference addressing the roles of stock exchanges, particularly those in the MENA region, in mainstreaming climate related disclosures from companies to investors.
2016 GLOBAL ROUNDTABLE: INTERPRETING THE NEW GLOBAL SUSTAINABLE FINANCE AGENDA

In 2016, the UN Environment Finance Initiative held its 14th Global Roundtable in Dubai, United Arab Emirates on 25–26 October. The event was hosted by the United Arab Emirates Ministry of Climate Change and Environment with the support of the Central Bank. It was the first such event held in the Middle East, and was a critical step in moving towards the delivery of the Sustainable Development Goals, the Paris Climate Agreement and other major global agreements and events of 2015.

The previous Roundtable, held in Beijing, had looked at how to align the financial system to a low-carbon, resource-efficient and sustainable path and spurred important advances in China, such as making green finance a major focus of its G20 presidency. A major focus of the 2016 Global Roundtable was to help the finance community to understand what this new global agenda means for the finance sector.

**ANNOUNCEMENT HIGHLIGHTS**

- Unveiling of the Dubai Declaration on Sustainable Finance
- New partnership between the Finance Initiative and the RFI Foundation to advance sustainable Islamic finance
- Launch of the Finance Sector Supplement to the Natural Capital Protocol consultation
- Launch of the Finance Initiative’s paper Connecting Financial System and Sustainable Development: Market Leadership Paper
- Development of the Principles for Positive Impact Finance
- Launch of a new process by the Finance Initiative to track progress in the sustainability of finance institutions.

**PROGRAMME HIGHLIGHTS**

Over the two-day event, nearly 400 participants, including leaders from all parts of the financial system as well as from civil society, academia, government and the United Nations discussed the most pressing sustainable development issues for the finance sector. Sessions explored a variety of topics, including the meaning of the new global sustainability agenda for the finance sector, sustainable Islamic finance, decarbonizing finance, creating environmental assets, and many more. The thought-provoking discussions generated insights into several key questions about the future of finance. To read the summary of the event, or the full report detailing all the sessions, please go to unepfi.org/grt2016.
The Global Roundtable launched with a major commitment from local financial institutions. During the opening session, the Dubai Declaration on Sustainable Finance was unveiled: UAE-based financial institutions announced their commitment to the Declaration, confirming their support for the UAE Vision 2021, and to transforming to a green economy. H.E. Dr. Thani Ahmed Al Zeyoudi, Minister of Climate Change and Environment, UAE said: "The Dubai Declaration is the continuation of work to bring about a fundamental change in the finance sector, both conventional and Islamic, establishing strategic partnerships with major local investment and financing institutions. UAE’s Vision 2021 is a set of national targets to be achieved by the country’s 50th anniversary, and part of a drive towards implementing green and sustainable finance". A total of 32 financial institutions have now signed the Declaration.

"The Dubai Declaration is the continuation of work to bring about a fundamental change in the finance sector"
GLOBAL EVENTS & MEETINGS AT A GLANCE

02/16
- Sustainable Real Estate Investment Framework Launch (Held in London, UK. Followed by 13 global launches)

05/16
- Environmental Risk and Sovereign Bonds - ERISC II launch (London, UK)
- UN Environment Assembly Symposium on Mobilizing Sustainable Investments (Nairobi, Kenya)

04/16
- Enhancing Financial Flows for Energy Efficiency in the Building Sector (Shenzhen China)

06/16
- Statement into Investor Obligations and Duties, Global Launch (Paris, France)

09/16
- UN Sustainable Stock Exchanges Global Dialogue (Singapore)
- 2016 Forum of the Standing Committee on Finance, UNFCCC (Manila, Philippines)
- Sustainable Investment Forum, (New York, USA)

11/16
- Climate Finance Day (Casablanca, Morocco)
- UN Climate Change Conference COP 22 (Marrakech, Morocco)
- Natural Capital – Let’s talk business (The Hague, Netherlands)
- UN Forum on Business and Human Rights (Geneva, Switzerland)
- Launch of Investor Obligations and Duties in Asian Markets Report (South Korea)

12/16
- 13th Meeting of the Conference of the Parties to the Convention on Biological Diversity (Cancun, Mexico)
- UNEP Sustainable Insurance Forum for Supervisors (San Francisco, USA)
- RI Americas (New York, USA)
REGIONAL EVENTS AND MEETINGS AT A GLANCE

UNITED STATES
- August 2016: US Launch of Statement into Investor Obligations and Duties

UNITED KINGDOM
- April 2016: Launch of Fiduciary Duty in the 21st Century: UK Roadmap
- July 2016: Environmental Finance - Forest Finance and Sustainability Conference 2016

ZAMBIA
- November 2016: Environmental and Social Risk Analysis Workshop

ECUADOR
- November 2016: Constructing Sustainable Finance Agreements

PERU
- July 2016: Introductory Training Workshop on Environmental and Social Risk Analysis in the Housing and Construction Sector

PARAGUAY
- September 2016: Introductory Training Workshop on Environmental and Social Risk Analysis

CHILE
- November 2016: Introductory Training Workshop on Environmental and Social Risk Analysis
- November 2016: Promoting Sustainable Finance in the Southern Cone

MONGOLIA
- May 2016: Kick-off meeting of Mongolian Green Credit Fund Working Group

TURKEY
- May 2016: 4th Sustainable Finance Forum Turkey

INDIA
- July 2016: Launch of Fiduciary Duty in the 21st Century: Focus on Asia

CHINA
- April 2016: Enhancing Financial Flows for Energy Efficiency in the Building Sector
- July 2016: Fiduciary Duty in the 21st Century: Focus on Asia – Launch events in Shanghai and Hong Kong

SOUTH KOREA
- September 2016: Launch of Fiduciary Duty in the 21st Century: Focus on Asia at PRI In Person

SINGAPORE
- November, 2016: Joint seminar with Korean Nabo on the impact of climate - environmental regulations on industry and finance

PHILIPPINES
- September 2016: Principles for Sustainable Insurance-Philippine Insurers and Reinsurers Association international event on climate and natural disaster risk management

ONLINE TRAINING
- UNEP FI’s training complements the national and regional outreach activities. Since 2005, UNEP FI and its partners have run 122 online courses and over 40 in-person workshops, training over 4,500 professionals from the financial sector all over the world. In 2016, the multilingual Environmental and Social Risk Analysis online course was offered four times in English and Spanish respectively and once in French. Four ESRA in-person training workshops took place in Latin America. The annual Spanish Corporate Eco-efficiency in Financial Institutions online course also took place. The Online Course on “Climate Change: Risks and Opportunities for the Finance Sector” was renewed and will be launched to the market in English and Spanish in 2017.
## CO-CHAIRS

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
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<tbody>
<tr>
<td>Denise Hills</td>
<td>Banco Itau Holding Financeira S.A.</td>
</tr>
<tr>
<td>Christian Thimann</td>
<td>AXA Group</td>
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## UNEP REPRESENTATIVE

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
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<tr>
<td>Ligia Noronha</td>
<td>UN Environment - Economy Division</td>
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## APPOINTED

<table>
<thead>
<tr>
<th>Name</th>
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<tr>
<td>Archana Hingorani</td>
<td>Infrastructure Leasing and Financial Services</td>
</tr>
<tr>
<td>Saker Nusseibeh</td>
<td>Hermes Investment Management</td>
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## OPEN POSITIONS

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<th>Name</th>
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<tr>
<td>Barbara Turley-McIntyre</td>
<td>The Co-operators Group Limited</td>
</tr>
</tbody>
</table>

## REGIONAL REPRESENTATIVES

### Africa and Middle East - Banking
- Omobolanle Victor-Laniyan
  - Access Bank

### Asia Pacific - Banking
- Steve Lambert
  - National Australia Bank Limited

### Asia Pacific - Insurance
- Jacki Johnson
  - Insurance Australia Group Limited

### Europe - Banking
- Chris Bray
  - Barclays Group plc
- James Vaccaro
  - Triodos Bank NV

### Europe - Insurance
- Christian Thimann
  - AXA - Group Management Services

### Europe - Investment
- Frank Hovorka
  - Caisse des Dépôts

### Latin America - Banking
- Denise Hills
  - Banco Itau Holding Financeira S.A.

### North America - Banking
- Paul Blagbrough
  - The Bank of Tokyo-Mitsubishi UFJ

### Latin America - Insurance
- Patricia Coimbra
  - SulAmérica (Brazil)
SECRETARIAT 2016

Head
Eric Usher

Programme Manager
Yuki Yasui

Signatory Relations
Liesel Van Ast

Banking
Careen Abb
Simone Dettling
Teresa Hartmann
Elisa Vacherand

Insurance
Butch Bacani

Investment
Elodie Feller
Katharina Luetkehermoeller

Climate Change
Remco Fischer
Lisa Petrovic
George Scott

Ecosystems & Sustainable Land Use
Jacinto Coello
Jonathan Gheyssens
Martin Halle
Anders Nordheim

Energy Efficiency
Sarah Challe
Annie Degen

Social Issues
Sabina Timeo

Training
Carolina Lopez

Communications & IT
Richard Hansen
Ravenna Nuaimy-Barker
Rob Wilson
Sally Wootton

Regional Outreach
Diana Almoro
Paola de Baldomero
Matias Gallardo
Geeda Haddad
Daewoong Lim
Kaori Nomura
Lara Yacob

Administration
Lydia Beaujois
Ken Maguire
2017 REGIONAL ROUNDTABLES

2017 MARKS UNEP FI’S 25TH ANNIVERSARY, AND IN THIS LANDMARK YEAR, WE ARE HOLDING OUR FIRST SERIES OF REGIONAL ROUNDTABLES:

To find out more about opportunities to sponsor, or to get involved in these key sustainable finance events please visit unepfi.org/regions, or contact us at: info@unepfi.org

AFRICA AND MIDDLE EAST
ASIA PACIFIC
EUROPE
LAT. AMERICA & CARIBBEAN
NORTH AMERICA

Building on over two decades of successful Global Roundtables, these regional events create rich opportunities for UNEP FI members to connect with one another and to raise awareness of sustainable finance work in progress across banking, investment, and insurance. The events will provide insight into emerging knowledge and good practice around key environmental, social and governance topics and inspirational market leadership.

THE REGIONAL ROUNDTABLES PROVIDE AN UNPRECEDENTED OPPORTUNITY TO SHOWCASE AND LEARN ABOUT LEADING-EDGE SUSTAINABLE FINANCE PRACTICES AND THE FUTURE DIRECTION OF THE INDUSTRY.