UN ENVIRONMENT FINANCE INITIATIVE

2017 HALF YEAR HIGHLIGHTS AND OUTLOOK

Webinar
Session I: Americas/Europe/Africa & Middle East

June 27, 2017
4:00pm CEST
Agenda for Today’s Webinar

Eric Usher, Head, UNEP Finance Initiative

- Development in Banking
  - Simon Connell, Head, Impact and Reporting, Group Sustainability Corporate Affairs, Standard Chartered
    - Task Force on Climate-related Financial Disclosures

- Development in Investment

- Development in Insurance
  - Olivia Fabry, Programme Manager, UNEP FI Principles of Sustainable Insurance (PSI)
    - World’s 1st Investor Statement in support of World No Tobacco Day
    - Sustainable Insurance Forum for Supervisors (SIF)
    - ESG Standard on Insurance Underwriting
  - Lucia Rueckner, Senior Corporate Responsibility Consultant, Munich Re Germany
    - Insurance Development Goals for Cities

- UNEP FI Important Updates
BANKING

*Eric Usher, Head, UNEP Finance Initiative*

Positive Impact Finance Initiative
Energy Efficiency Toolkits
Drought Stress Testing
Natural Capital Risk

*Simon Connell, Head, Impact and Reporting, Group Sustainability Corporate Affairs, Standard Chartered*

Task Force for Climate-Related Financial Disclosures
POSITIVE IMPACT FINANCE: IMPLEMENTING THE PRINCIPLES

3 Working Groups:
- WG 1 - Frameworks
- WG 2 - Impact indicators
- WG 3 - Assessment

WG 1 - How to embed Positive Impact analysis within FI procedures/frameworks, building on existing standards?

<table>
<thead>
<tr>
<th>Underlying</th>
<th>Equity</th>
<th>Bonds</th>
<th>Loans (etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counterparty (eg corporate)</td>
<td>e.g. GBP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects</td>
<td></td>
<td></td>
<td>e.g. EP</td>
</tr>
<tr>
<td>Physical assets (e.g. real estate)</td>
<td>e.g., GRESB</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Review of existing standards and frameworks
- Gap analysis vis a vis the positive impact approach
- Guidance and recommendations to implement positive impact (first sets of guidance end of 2017)
POSITIVE IMPACT FINANCE: DEVELOPING POSITIVE IMPACT BUSINESS

Position Paper: Unpacking SDG financing challenge

• Clarification of the financing gap vs the investment need – what needs to be financed and where?

• Distinguishing between the “shift” and “add” agendas:
  o Shift: reallocating capital from (existing) unsustainable to (existing) sustainable business.
  o Add: developing new business

• The potential for scale through impact-based business models and the role of the finance sector

  • In partnership with WBCSD and PWC
  • To be released in 2017

Recorded Webinar & Slides: http://www.unepfi.org/positive-impact/may2017-webinar
ENERGY EFFICIENCY FINANCE

Recorded Webinar & Slides: http://www.unepfi.org/events/webinars/europe-work-plan-ee/

Online Version of Toolkit: https://valueandrisk.eefig.eu
STRESS TESTING LOAN PORTFOLIOS FOR DROUGHT SCENARIOS

Analytical framework assessing impact of environmental shocks on corporate loan portfolios in Brazil, China, Mexico and USA.

- Between 70% and 100% of companies experienced downgrades due to direct and indirect drought impacts
- Indirect impacts considerable yet rarely taken into account
- Geographic concentration matters more than exposure by sector
Natural capital risk: Risk of reduction in the benefits that humans and their economy receive from nature as a result of human pressures on the environment.

- How does natural capital risk affect businesses?
  - What are the dependencies? Do dependencies mean risk?
- How can FIs integrate natural capital risk in their assessments?
  - Output 1 (2017)
    - Database of sub-industries, processes and associated natural capital dependencies with factsheets of ecosystem service variability
    - 167 sub-industries with 48 ecosystem services
  - Output 2 (2018)
    - Mapping natural capital-related risks (dependencies and impacts)
    - Assessing risk by quantifying exposure for financial institutions
PILOTING THE IMPLEMENTATION OF THE FSB TASK FORCE’S RECOMMENDATIONS ON CLIMATE-RELATED FINANCIAL DISCLOSURE

Simon Connell,
Head, Impact and Reporting, Group Sustainability Corporate Affairs,
Standard Chartered
UNEP FI’s TCFD Project

Working Group of 10-15 first-mover banks

- **Pilot** an agreed-on **subset of recommendations** and jointly address implementation challenges
- Jointly develop **scenarios** and **models** and test **indicators** and **methodologies**.

**Objectives:**

- **Develop the knowledge and tools** for banks to disclose in alignment with TCFD recommendations
- **Support** the needed **harmonization** of climate-risk disclosures in the finance sector
What will this pilot project achieve?

1. Publicly signal finance sector acknowledgement and progress vis-à-vis the FSB’s push for climate risk transparency

2. Pro-actively support interested UNEP FI members to pilot disclosure in alignment with FSB recommendations

3. Support further the needed harmonization of climate-risk disclosures in the finance sector.

4. Bring the following benefits to the bank:
   a) Considerably reduce the cost of disclosure per FI by jointly developing resources required by all
   b) Collaborating to secure the best outside expertise available and benefit from joint problem-solving, sharing of experiences, insights in real time
   c) Opportunity of within-group, confidential benchmarking.
   d) Position banks’ leadership as first-movers.
Where we stand... 
...in terms of deliverables

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Models</th>
<th>Assessment and Disclosure Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• General scenarios developed jointly</td>
<td>• General macro-economic and potentially sector-specific models developed jointly</td>
<td>• tbd</td>
</tr>
<tr>
<td>• Adoption to national/regional level by participating banks (possibly expert support)</td>
<td>• Adoption to national/regional level by participating banks (possibly expert support)</td>
<td></td>
</tr>
</tbody>
</table>
Next steps

UN Environment and bank news releases to announce TCFD Project and working group members in July.

UNEP FI members are welcome to join the project’s stakeholder group. Please contact Simone Dettling (simone.dettling@unep.org)

- **Timeline for delivery:** June 2017 – April 2018

- Press Release *will be published in Mid July 2017*
INVESTMENT

Eric Usher, Head, UNEP Finance Initiative

Fiduciary Duty Output Series

Sustainable Stock Exchanges Report on Gender Equality
FIDUCIARY DUTY IN THE 21\textsuperscript{ST} CENTURY COUNTRY ROADMAPS

Our recommendations cover five categories, across all jurisdictions:

1. Regulatory action
2. Investor education
3. Corporate reporting
4. Stewardship and engagement
5. Industry guidance

www.fiduciaryduty21.org
SUSTAINABLE STOCK EXCHANGES INITIATIVE

How can stock exchanges advance gender equality?

Key issues for the private sector across international frameworks:
1. female representation in leadership;
2. equal remuneration;
3. sexual harassment in the workplace;
4. family leave;
5. flexible work options;
6. support for women-owned small businesses.

‘At the current rate of progress, the gender pay gap will not close for over 100 years, and the global average of women on boards will not reach 30% until 2027.’

www.sseinitiative.org

Upcoming: SSE Green Finance Toolkit
INSURANCE

Olivia Fabry, Programme Manager, UNEP FI Principles for Sustainable Insurance

World’s 1st Investor Statement in support of World No Tobacco Day

Sustainable Insurance Forum for Supervisors (SIF)

ESG in Insurance Underwriting

Lucia Rueckner, Senior Corporate Responsibility Consultant, Munich Re Germany

Insurance Development Goals for Cities
Launched the SIF in Dec 2016 at event co-hosted by UN Environment and the California Insurance Commissioner.

The SIF is a groundbreaking initiative to strengthen insurance regulators’ and supervisors’ understanding of and responses to sustainability challenges and opportunities for the insurance business. UN Environment will serve as SIF Secretariat.

2017 SIF work programme → disclosure, access to insurance, sustainable insurance roadmaps, climate risk, disaster risk reduction, capacity building for insurance regulators.

Inaugural SIF meeting: 1-2 Dec 2016, San Francisco, California, USA

1st SIF Progress Meeting on July 1, Old Windsor UK
Global Investors Support Government Action on Tobacco Control

- **World’s 1st Investor Statement** launched on 31 May 2017 in support of World No Tobacco Day & **Sustainable Development Goal (SDG) Target 3.a**

- The statement led by **AMP Capital, AXA, CalPERS and SCOR**.

- More than 50 investors, health systems, pensions and insurers, representing **more than USD 4 trillion in assets under management**, have signed the statement

- Statement will remain open for others to sign **until 27 September 2017**
Global ESG Standard on Insurance Underwriting

Co-led by Allianz and PSI Secretariat | Supported by various PSI members & academics

PSI Principle1: “We will embed in our decision-making environmental, social and governance issues relevant to our insurance business”

Objectives:

- Engage global insurance industry stakeholders to **identify key ESG risks, priority lines of underwriting**, and types of insurance cover

- Develop **shared understanding** on how to approach ESG risks

- Benefit wider economy and society by mitigating insured and ESG risks

- Support achievement of **UN Sustainable Development Goals** through improved risk management and contribute to a **more sustainable financial system**

Approach:

- Expert interviews
- Regional in-person consultations
- Global online consultation

First outputs expected by second-half 2018

![Allianz ESG Integration Framework](image-url)
Insurance Development Goals for Cities

A global initiative by the PSI and ICLEI – Local Governments for Sustainability

UNEP FI Half-Year Webinar
27 June 2017

Lucia Rueckner, Senior Corporate Responsibility Consultant, Munich Re
The need for sustainable and resilient cities

- Nearly **55% of people** live in urban areas. By 2050, **two-thirds of the world’s population** will live in cities.

- Cities consume **two-thirds of the world’s energy** and generate **over 70% of global greenhouse gas emissions**.

- Globally, **80% of the largest cities are vulnerable** to severe earthquakes and **60% are at risk from tsunamis and storm surges**.

- Increasing disasters due to **rapid urbanisation**, **poor land-use planning**, **unenforced building codes**, **lack of disaster preparedness**, **degraded ecosystems**, and **climate change** have resulted in many lives, livelihoods and assets lost, wiping out many years of hard-won development gains.

- Global sustainable development agenda requires significant changes in the way cities are **planned**, **designed**, **constructed and managed**, and the way urban communities manage risk.

“Cities are on the front line of sustainable development challenges such as climate change and natural disasters. That’s why cities are working more and more with the insurance industry to better manage risk. We are delighted that the Insuring Resilient and Sustainable Cities Summit was a success and look forward to further shaping the global agenda for cities and the insurance industry through the Bonn Ambition.”

Gino Van Begin, Secretary General of ICLEI
The “Insuring Resilient and Sustainable Cities Summit”

5 May 2017, Bonn

- First-ever insurance industry and cities summit
- Convened by PSI & ICLEI and sponsored by Munich Re
- Supported by other PSI signatories such as Allianz, Risk Management Solutions and GIZ as well as by city mayors and officials from ICLEI’s global network
- Part of ICLEI’s 2017 Resilient Cities Congress which convened more than 400 participants
The “Insuring Resilient and Sustainable Cities Summit” explored various ways to close 3 gaps in cities:

1. Close the disaster risk reduction gap
   - Catastrophe risk modelling
   - Ecosystem-based adaptation
   - Insurance loss data sharing
   - Land-use planning
   - Loss prevention
   - Disaster preparedness

2. Close the insurance protection gap
   - Insurance solutions for low-income people
   - SMEs
   - Local governments
   - Green technologies

3. Close the financing gap
   - Investments in sustainable infrastructure, energy, buildings and transportation
   - Instruments such as green bonds and catastrophe and resilience bonds
The “Bonn Ambition”
3 goals to be achieved by the June 2018 ICLEI World Congress

Goal 1
Create “Insurance Development Goals for cities”
Convert Sustainable Development Goal 11’s stated targets into Insurance Development Goals that would set the long-term global agenda for the insurance industry and cities

Goal 2
Develop city-level sustainable roadmaps
To drive strategic approaches and collaborative actions by insurers and local governments and complement national sustainable insurance and finance roadmaps

Goal 3
Organize the first-ever roundtable of insurance industry CEOs and city mayors
At the 2018 ICLEI World Congress to accelerate global and local action
The Bonn Ambition: Create “Insurance Development Goals for Cities”

“This landmark initiative by the insurance industry and cities is an excellent example of the type of ambition and leadership needed to achieve the goals of the Paris Climate Change Agreement. We look forward to strengthening our collaboration with UN Environment’s Principles for Sustainable Insurance Initiative and ICLEI to accelerate the transformation to a low-emission, climate-resilient and sustainable world.”

Patricia Espinosa, Executive Secretary, UN Framework Convention on Climate Change

UN Sustainable Development Goal 11: "Make cities inclusive, safe, resilient and sustainable"

Examples of SDG 11 targets:

- “By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels”

- “By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations”
UNEPIUPDATES

Global Steering Committee (GSC) Election
Annual General Meeting
Regional Roundtables 2017
2016 Annual Overview
GSC Elections

UNEP FI will be calling for self-nominations in September to fill five positions within the Global Steering Committee (GSC).

Positions will be from January 2018 to December 2020 and are for members in the industry-region combinations as below.

- Position 1: Europe – Banking
- Position 3: Latin America – Banking
- Position 5: Africa & Middle East – Banking
- Position 8: Europe – Investment
- Open Position 9 shared amongst:
  - Africa & Middle East – Insurance
  - Asia Pacific – Investment
  - North America – Banking
  - North America – Investment

The full GSC composition can be found on the members’ extranet.
Annual General Meeting

AGM-by-webinar

• 3 October, two time-slots to accommodate different time zones: 08:00 am to 10:00 am CEST and 16:00 to 18:00 CEST. (repeat)

AGM in-person

• 17 October in Geneva as part of European Regional Roundtable
2017 REGIONAL ROUNDTABLES

UNEP FI is establishing Regional Roundtables to provide an opportunity for members and actors in the sustainable finance community in their own region to come together. 2017 marks UNEP FI’s 25th anniversary, and in this landmark year, we are holding our first series of Regional Roundtables across three to five regions:

AFRICA AND MIDDLE EAST
Johannesburg
November 27-29

ASIA PACIFIC
Tokyo
December 11-12

EUROPE
Geneva
October 16-18

LAT. AMERICA & CARIBBEAN
Buenos Aires
September 5-6

NORTH AMERICA
New York
September 18-20

www.unepfi.org/rrt2017
UNEP FI OVERVIEW 2016: OUR ANNUAL REPORT

UNEP FI’s key initiatives, projects, publications and events during 2016 summarised in one place

www.unepfi.org/2016-overview
THANK YOU

QUESTIONS & ANSWERS

WW.UNEPFI.ORG