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# UNEP FI Annual Overview

**01/2017–06/2018**



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UNEP  
FINANCE  
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35 Investment  
members

66 Insurance  
members

133 Banking  
members

ASSETS  
REPRESENTED  
US\$62tr

SUPPORTING  
INSTITUTIONS  
↑74

COUNTRIES  
↑60

PROFESSIONALS  
TRAINED  
↑5,500

EXPERIENCE  
↑26yrs

STOCK  
EXCHANGES  
↑74

# FOREWORD

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**“it is clear that we still have a long way to go to achieve our vision of a sustainable global financial system”**

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During 2017 UNEP FI members and stakeholders from across the global sustainable finance community joined Regional Roundtables to celebrate 25 years since the initiative was born. Events held from Buenos Aires, New York and Geneva, to Johannesburg and Tokyo, marked the deepening imperative to address environmental, social and governance (ESG) challenges and to expand adoption of sustainable finance frameworks that has taken place between 1992 and 2017. The events also focused attention on the outlook for financing for the UN Climate Change and Sustainable Development Goals across all five regions. Although a recent report<sup>1</sup> estimates that half of global assets under management are now expected to incorporate ESG considerations, it is clear that we still have a long way to go to achieve our vision of a sustainable global financial system across banking, insurance and investment. This will rely on the continued dedication of individuals across the financial community to provide the leadership needed to steer their organisations towards market transformation.

The roundtables epitomised how UNEP FI provides a platform to share the passion and peer-to-peer learning needed to deepen sustainability integration across market practice. The industry is at a crossroads between business-as-usual and repositioning its role in a dynamic system being disrupted by socio-economic imbalances and the crossing of planetary boundaries, not least of which is the capacity of the earth to absorb greenhouse gases being pumped into the atmosphere. Continuing to build momentum around sustainable finance is critical to the industry's role in contributing to the transition to a low-carbon, green and inclusive economy that supports society's needs.

We are as passionate as many of our members about working together to seize this opportunity and shape a resilient future. Building on our shared achievements over the past quarter of a century, UNEP FI is continuing to work with our members to equip the financial sector with the tools and expertise to assess and manage environmental, social and governance risks and opportunities. During 2017 and the first half of 2018, we helped our members develop a number of frameworks which help financial institutions to evaluate environmental factors, from the finance sector supplement to the Natural Capital Protocol to approaches to implementing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Sixteen of UNEP FI's member banks worked together to develop methodologies that will help the banking industry assess risks and opportunities linked to climate change in line with the TCFD recommendations, and UNEP FI is convening similar pilots for our insurance and investment members.

These frameworks represent a shift towards a forward-looking approach and the strategic consideration of the opportunities available in positioning portfolios for the 21<sup>st</sup> century. It is becoming increasingly clear that the financial sector's response needs to change gears, to employ risk management approaches that take a long-term view and can accelerate the shift to sustainable low-carbon and climate-resilient economies. And in order to remain competitive, financial institutions will need to start looking beyond risks, towards opportunities and the overall alignment with the needs of society.

Financial institutions are starting to refocus their efforts on growing the pool of finance available to deliver positive impacts, and realising the imperative for them to play their part in achieving the Sustainable Development Goals (SDGs). Members involved in UNEP FI's Positive Impact Finance initiative have been helping to identify products, services and ways of working that will deliver positive impact. By mid-2018, 24 of UNEP FI's members were part of the Positive Impact working group, creating guidance for delivering Positive Impact products and programmes.

Achieving a sustainable economy will necessitate magnifying solutions; scaling up the green, and having the management, the products and value chains in place to provide market leadership. A key initiative that demonstrates this kind of leadership is the work of 28 of our banking members to develop a set of principles that will help the global banking industry realign their business with the Sustainable Development Goals and the requirements of the Paris Climate Agreement. Developing the Principles for Responsible Banking is an ambitious initiative, which we hope will quickly become a driving force in the banking industry in the same way that the Principles for Responsible Investing have transformed the investment management industry, and the Principles for Sustainable Insurance are driving the sustainable insurance agenda.

UNEP FI's goal is to support its members as they adopt business approaches that integrate sustainability as a value creation driver and contribute to the UN Sustainable Development Goals. As you read about the work undertaken by UNEP FI and its members in this latest overview of our work, we hope that you will be inspired to help scale up action towards our common goal of changing finance, and financing change.

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**“Achieving a sustainable economy will necessitate magnifying solutions; scaling up the green, and having the management, the products and value chains in place to provide market leadership”**

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**BRANDEE MCHALE**  
UNEP FI Co-Chair



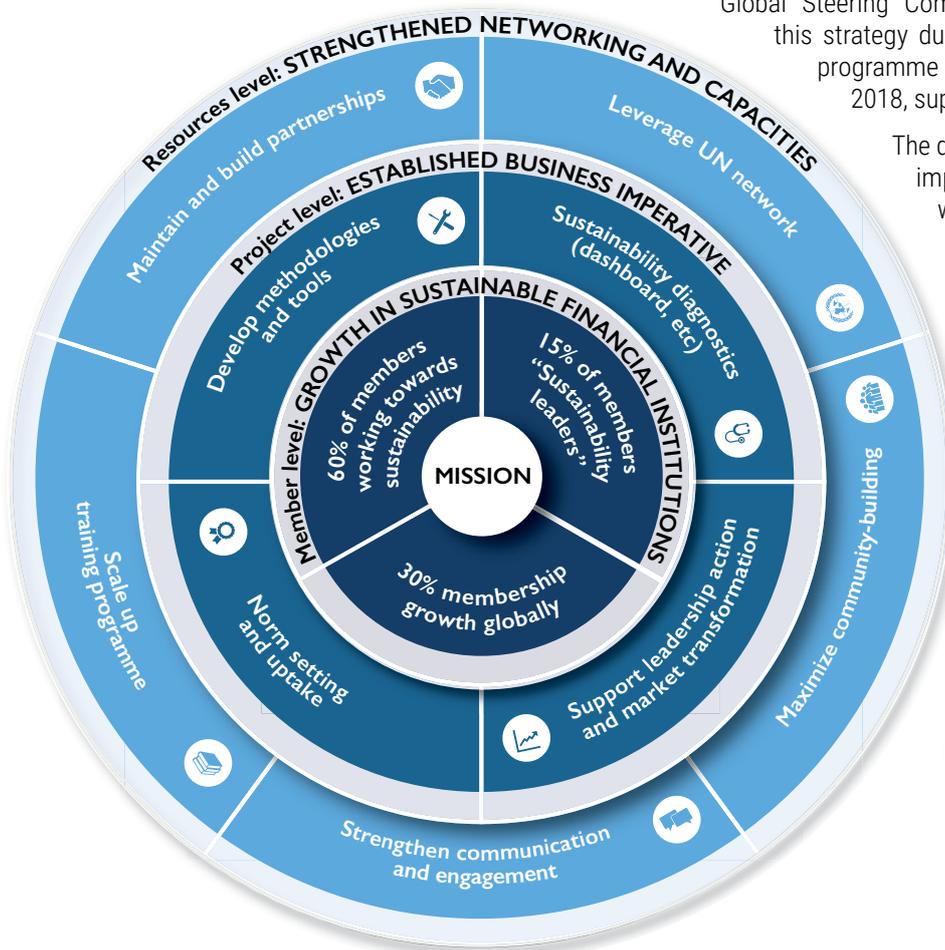
**ERIC USHER**  
Head, UNEP FI

# HELPING BANKS, INSURERS AND INVESTORS MAKE SUSTAINABLE FINANCE THEIR BUSINESS

UNEP FI's mission is to increase the number of private financial institutions around the globe whose business is driven by sustainability, and who include the achievement of the UN Sustainable Development Goals as a strategic priority across all lines of business. Our strategy to achieve this over the next five years is two-fold: we aim to create the most effective network for sharing knowledge and best practice, and to amplify the collective voice of the finance sector in policy debate. We will measure our success by the growth in the quantity and quality of "sustainable financial institutions." UNEP FI's

Global Steering Committee led the development of this strategy during 2017 and the one-year work programme which we embarked on in July 2018, supports its implementation.

The diagram here illustrates how we will implement our strategy: the goals by which we will measure our success are at the centre and we will achieve our mission of growing the number of sustainable financial institutions through collaborative projects and access to shared learning. Our work will concentrate in the following areas: developing methodologies and tools, establishing sustainability diagnostics, encouraging norm setting and uptake, and supporting leadership, and you can read more in this overview about the work we have done towards these goals in the last 18 months.



# HOW DOES UNEP FI OPERATE?

We work with banking, insurance and investment members on projects that advance the industry's efforts to embed sustainability into their organisations and ensure that the strategic consideration of environmental, social and governance issues in decision-making becomes business-as-usual. Much of the value that financial institutions derive from their membership is their ability to work on first-mover projects that help them take the lead in shaping sustainable finance. Members can also learn from each other as part of the largest UN-backed global network of banks, insurers and investors, as well as benefitting from the sustainable finance expertise that UNEP FI provides access to. Guided by the UNEP FI secretariat, members work together to develop methodologies and tools that enable them to deepen integration of environmental, social and governance considerations. At the financial sector level, UNEP FI takes the lead on sharing knowledge and best practice, setting norms and increasing the uptake of sustainable products and ways of doing business: we support the financial institutions that are taking the lead in this area, and engage policymakers to help transform markets across regions.

We also work with supporting institutions such as banking associations, non-governmental organizations and central banks who support resilience in their local markets. We engage policymakers, regulators and civil society to help raise awareness of the frameworks needed to scale up the key role that the finance industry stands to play in delivering a sustainable economy.

The following pages summarise our activities in these areas from January 2017 until June 2018. In future, we will report on our work on an annual basis from July until the following June in line with our annual work plan timing.

**To celebrate UNEP FI's 25<sup>th</sup> Anniversary, we established regional roundtables, enabling members to meet with local peers**





# Supporting leadership action & market transformation

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UNEP FI's members take part in market-leading initiatives that pave the way to transforming the global financial market. For instance, UNEP FI has framed the global sustainable finance agenda through the development of industry principles to provide frameworks for integrating sustainability into financial practice. In 2012, UNEP FI developed a guiding framework for the insurance industry, the Principles for Sustainable Insurance, and more recently has been working on principles for the banking industry, as well as a framework that will help the finance industry ensure it is making a positive impact on the environment, society, and the economy.



## PRINCIPLES FOR RESPONSIBLE BANKING

In April 2018, UNEP FI launched a working group of banking members to develop global Principles for Responsible Banking. Both the UN Sustainable Development Goals (SDGs) and the Paris Agreement on climate change have set ambitious targets to deliver a sustainable future for all. As two-thirds of financing worldwide is provided by banks, the global banking system will be instrumental in achieving these goals. In early 2018, UNEP FI's banking membership decided to start work on drafting a set of responsible banking principles that would help the banking industry align their business practices with these objectives. Twenty-eight of UNEP FI's banking members are now leading this ambitious initiative for banks worldwide to reaffirm their purpose and align their business practices with these objectives. Supported by the UNEP FI secretariat, the banks are developing a set of principles—accompanied by an accountability framework—that will enable banks to credibly demonstrate their contribution to society's needs and challenges, respond to increasing expectations from shareholders

and regulators, and help re-establish trust in the banking industry as a critical part of a sustainable economic system. The draft Principles will be launched in November at the UNEP FI Global Roundtable and will then be open to a public consultation process that will include stakeholders such as civil society organizations, banking associations, regulators and other UN bodies. The final Principles will be ready for signing in September 2019. This global responsible banking framework—the world's first—will guide UNEP FI's member banks and UNEP FI's work in the years to come.



**The Principles for Responsible Banking will build on UNEP FI's experience in setting up the Principles for Responsible Investment (PRI) in 2006 and the Principles for Sustainable Insurance (PSI) in 2012. Both are defining the industries' approaches to sustainability. UNEP FI continues to collaborate closely with the PRI, now a stand-alone private limited company outside of the UN, on the responsible investment agenda. The PSI provides a global framework for the insurance industry to address environmental, social and governance risks and opportunities.**

## IMPACT-BASED APPROACH TO BRIDGE THE GAP IN FINANCING THE SUSTAINABLE DEVELOPMENT GOALS

In January 2017, the Principles for Positive Impact Finance were published, and UNEP FI's Positive Impact Initiative created to help banks, investors, corporations and governments co-create commercially viable, impact-based solutions to the Sustainable Development Goals (SDGs). By adopting an impact-based approach, business and finance can help create new markets. In doing so, they create added value for clients and investee companies at a time of major technological and economic disruptions, rapid social change and mounting environmental pressures. This can bring about a step-change in their contribution to the SDGs and help to fill the estimated \$5–7 trillion SDG financing gap.

The Principles for Positive Impact Finance set out an

approach to developing SDG-aligned financial products based on definitions, frameworks, transparency and assessment. UNEP FI members are collaborating under the Positive Impact Initiative to test and develop guidance for financiers and investors to analyse, monitor and disclose the social, environmental and economic impacts of the financial products and services they deliver. They are working with non-financial institutions to test approaches to impact-based finance across different business lines, including retail and wholesale lending, corporate and investment lending, and asset management. Positive Impact Finance takes an innovative approach that requires a holistic appraisal of positive and negative impacts on economic development, human well-being and the environment. Launches

of the Principles took place during 2017 in the Netherlands, Morocco, South Africa and ten other countries.

The Positive Impact Initiative's "Grounding Paper", which will be published in November 2018, will clarify the scope and nature of the SDG financing gap and explains the need for a new, impact-based economy. The research establishes what

we know about SDG financing needs, flows and gaps, zeroing in on the significant regional discrepancies. The paper will explore recommendations for the roles of the finance, business and public sectors in developing impact-based business models, using impacts as a common language and developing partnerships to generate new revenue sources and accelerate financing flows for the SDGs.

## POSITIVE IMPACT REAL ESTATE INVESTMENT FRAMEWORK

The Property Working Group (PWG) is in the process of developing a real estate investment framework for Positive Impact due for delivery at the end of 2018. The framework will build upon the PWG's and collaborators' 2016 Action Framework: Implementing the Paris Climate Agreement, adjusted to capture the broader remit of impact-based investing. The work has been informed by a survey sent to PWG members and other sector stakeholders, including members of PRI, Institutional Investors Group on Climate Change, the Global Investor Coalition on Climate Change, and the Royal Institution of Chartered Surveyors in mid-2017 on their knowledge of and attitudes toward impact investing; multiple in-person workshops in 2017 and 2018; and a discussion paper on impact-based investment objectives.

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**In November 2018, UNEP FI will release a clarification paper on the rights-based approach to Sustainable Development Goals (SDGs) financing, and its specific application in the context of the Principles for Positive Impact Finance. This paper, drawing on the UN Guiding Principles on Business and Human Rights, will be proposed as part of the overall guidance to inform the implementation of the impact-based approach to financing the SDGs, as advocated by the Principles for Positive Impact Finance.**

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## COLLABORATING ON SUSTAINABLE DEVELOPMENT: UN ALLIANCE FOR SDG FINANCE

UNEP FI has joined forces with the UN Global Compact and the Principles for Responsible Investment (the PRI), to create the largest network of private and financial sector constituencies—corporates, investors, banks and insurers—dedicated to promoting the SDGs. These distinct, complementary platforms on SDG finance provide a comprehensive set of solutions to mobilize private capital towards achieving the global Goals, to educate the private sector, engage and operationalize solutions. Each platform contributes to a common set of critical solutions in mobilizing private capital for the SDGs.

These include:

- Investment case for the SDGs
- Definitions and frameworks to "qualify" financial products and activities under the SDGs (principles, reporting, benchmarking)
- Guide to incorporate the SDGs in investment decisions (asset allocation, financial analysis and engagement)
- Research and analytics
- Map of innovative financial products for the SDGs
- Lab for development and testing of new solutions.



# Norm setting and uptake

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Through training and capacity building initiatives, and projects that allow members to work collaboratively to implement environmental, social and governance considerations into their portfolios, UNEP FI is supporting the finance industry as it establishes sustainable finance practice as business-as-usual. UNEP FI also engages other parts of the finance industry through platforms such as the Sustainable Stock Exchanges Initiative, and works with policymakers through its role as observer to the European Commission's Technical Expert Group on Sustainable Finance

## ASSESSING RISKS AND OPPORTUNITIES IN A CHANGING CLIMATE: IMPLEMENTING TCFD RECOMMENDATIONS

UNEP FI has set up pilot projects with our banking, insurance and investment members to develop methodologies to implement the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD). The TCFD’s report, issued in June 2017, included guidance specifically for the financial sector in order to increase the availability of reliable information on financial institutions’ exposure to climate-related risks and opportunities to help strengthen the stability of the financial system and facilitate financing the transition to a more stable and sustainable economy.

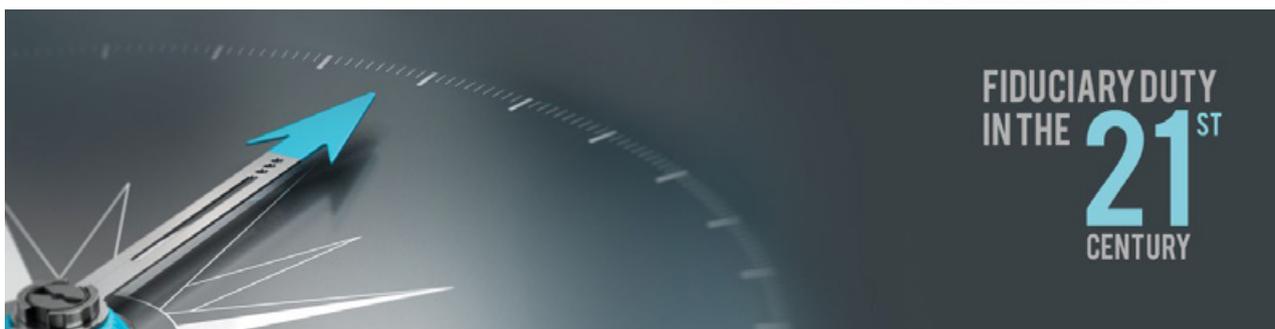
UNEP FI convened 16 of our banking members to jointly pioneer practical approaches to implement this ground-breaking, forward-looking framework. In April 2018, the first output of this group was published in a report entitled, “Extending our Horizons: Assessing Credit Risk and Opportunity in a Changing Climate”. It details a methodology which focuses on the risks and opportunities associated with the transition to a low-carbon economy. The second report, “Navigating a New Climate” published in July 2018, covers physical risk assessment methodologies. The guidance is available publicly to enable the wider banking industry to benefit from common approaches to implementing the recommendations.

In March 2018, UNEP FI established an initial group of 13 asset managers and owners to join

a pilot project to implement the TCFD recommendations for investors. The working group, which has since grown to 23 members, are collaborating to develop scenario-based models and metrics and, ultimately, an online risk assessment tool that will enable investors to assess climate risk across their portfolios. The project report is expected to be published in early 2019. Work will begin on a UNEP FI-convened pilot with leading insurance companies, who are signatories to the Principles for Sustainable Insurance, in the second half of 2018.



## FIDUCIARY DUTY IN THE 21<sup>ST</sup> CENTURY - SOON TO BE A REGULATORY IMPERATIVE?



The Fiduciary Duty in the 21<sup>st</sup> Century programme was founded in 2016 to build on UNEP FI seminal work on generating legal clarity globally about the relationship between sustainability and investors’ obligations. Two years into the project, the regulatory landscape is changing. Momentum is now global, with regulatory examples of action in Europe, Brazil, the UK and China.

UNEP FI has supported this advancement by contributing extensive evidence for a modern interpretation of fiduciary duty—one that includes the consideration of environ-

mental, social and governance issues (ESG) in investment decision-making—and by engaging with over 400 policy-makers and investors in more than 15 markets across the globe. Within the past year, together with our project partners – the Principles for Responsible Investment and The Generation Foundation, we have produced roadmaps outlining recommendations for responsible investing in Canada, Brazil, Japan, South Africa, Germany, Alberta, China, Ohio, and Ireland.

The most notable regulatory development has been in Europe, where integrating ESG as part of fiduciary duty is soon to be part of regulatory requirements. In May 2018, the European Commission released its first legislative package under its Action Plan for Sustainable Finance, including a proposal to clarify investors' legal duty to consider sustainability factors in investment decisions. It follows recommendations from the High-Level Expert Group on Sustainable Finance in December, which was led by UNEP FI's then Co-Chair Christian Thimann.

Over the next year, the programme will continue to engage the European Commission, the OECD, and investors and regulators in China, Brazil, France, the UK, and the US to align interpretations and help create positive duties on investors to integrate ESG issues. This is a critical step in fostering a sustainable world through the transition to a sustainable financial system.

## UNEP FI HAS BEEN APPOINTED OBSERVER TO THE EC'S TECHNICAL EXPERT GROUP ON SUSTAINABLE FINANCE

As part of implementing its first legislative package on sustainable finance, the European Commission announced in July 2018 that it is establishing a Technical Expert Group (TEG) on Sustainable Finance and has appointed UNEP FI as an observer to the Group. The main tasks of the TEG will be to assist the Commission in the development of:

- an EU taxonomy of environmentally sustainable economic activities

- an EU green bond standard
- a category of "low-carbon" indices for use by asset and portfolio managers as a benchmark for a low-carbon investment strategy
- metrics allowing improved disclosure on climate-related information.

The TEG's work started in early July 2018, and will finish by 30 June 2019, with a possible extension to year-end 2019.

## BRINGING HUMAN RIGHTS, FINANCE AND UN ENVIRONMENT TOGETHER

The Social Issues Advisory Group brings together for the very first-time representatives from banking, investment and insurance industries with UN Environment. While finance practitioners bring insights into how to embed human rights in finance, UN Environment brings 10 years of experience clarifying the human rights and environment nexus. UNEP FI joined the collaborative platform for the Environmental Rights Initiative, launched by UN Environment in March 2018, to bring environmental protection nearer to the people, by calling on the private sector, among others, to move

beyond a culture of compliance to one where environmental rights are championed. To raise awareness on the environment-human rights nexus in finance, as a first step, UNEP FI contributed to a course on Multilateral Environmental Agreements, organized by the University of Eastern Finland and UN Environment in August 2018, by highlighting how to bridge the finance and human rights agenda with environmental law-making. The environment – human rights nexus in finance will be further addressed as a topic during a dedicated session at the 2018 UNEP FI Global Roundtable.

## GLOBAL GUIDANCE FOR SUSTAINABLE INSURANCE UNDERWRITING

UNEP FI's Principles for Sustainable Insurance (PSI) initiative is developing the world's first global guidance for the insurance industry on the integration of environmental, social and governance (ESG) risks into insurance underwriting—the process of evaluating, defining and pricing insurance risks. To develop global ESG guidance for underwriting that is fit for purpose, the PSI carried out a three-step global consultation process to get input from the insurance industry and key stakeholders. This project was an opportunity for the insurance industry to identify and define ESG risks from an insurance underwriting perspective, how to prevent and

reduce such risks, and uncover opportunities, reflecting the industry key roles in promoting economic, social and environmental sustainability as risk managers and risk carriers.

The guidance has evolved out of other PSI-related projects, starting from the first-ever global insurance industry survey on ESG issues and insurance in 2009. Bilateral expert interviews, regional consultations took place in 2017 and 2018 and the online survey was launched in April 2018. We will start the process of drafting ESG guidance for non-life insurance underwriting, in the second half of 2018, with the aim of launching the guidance in February 2019.

## GLOBAL SURVEY ON ESG INTEGRATION IN SURETY BOND UNDERWRITING AND INFRASTRUCTURE PROJECTS

A surety bond is a unique risk management product that is a form of a performance guarantee, such as guaranteeing the completion of an infrastructure project (e.g. ports, bridges, dams, grids, railways and tunnels). Since infrastructure projects entail substantial completion risks, engineering, procurement, and construction (EPC) contractors are often required to provide completion guarantees. A surety bond is one tool to increase the likelihood of construction completion in case of non-performance. Infrastructure projects could have associated environmental, social and governance (ESG) risks such as environmental pollution, natural resource degradation, forced re-

se-  
tlement, poor working conditions, and corruption. Such projects could also be exposed to climate and natural disaster risks.

At present, there are no internationally-recognised criteria and principles that specifically guide surety bond underwriters in assessing ESG risks associated with infrastructure projects. In this context, the PSI Initiative, together with Munich Re and other insurers as well as academics, have assessed current practices of the insurance industry in integrating ESG issues into surety bond underwriting through a global survey which was published in July 2018.

## CAPACITY BUILDING AND TRAINING

Since 2005, UNEP FI and its partners have run 137 online courses and over 53 in-person workshops, training around 5,500 professionals from the financial sector all over the world. During 2017 and the first half of 2018 alone, more than 800 professionals took part in training sessions either via online courses or workshops as follows:

- 7 Environmental & Social Risk Analysis (ESRA) Online Courses in English, 5 in Spanish and 1 in French, including a tailored course for Finance in Motion and its Middle East-based leasing clients
- 7 ESRA Introductory Training Workshops including the first to be held in Zambia, Panama, Ivory Coast and Egypt.
- 1 Corporate Eco-Efficiency in Financial Institutions (CEFI) Online Course in Spanish
- 1 Green Bonds in-person Training Workshop in Mauritius.

## GREEN BONDS TRAINING

In May 2018, UNEP FI joined forces with UN Environment's Partnership for Action on Green Economy (PAGE) to deliver a Green Bonds Training Programme in Mauritius, supported by The Ministry of Finance and Economic Development and the Stock Exchange of Mauritius. This initiative was part of the Stock Exchange's drive to promote sustainability as a partner exchange of the Sustainable Stock Exchanges Initiative (SSE). Market education and training were among

Two new courses will be available in the second half of 2018. In collaboration with CAF (Latin American Development Bank), UNEP FI will offer an online course on Climate Change: Risks and Opportunities For The Finance Sector 2.0. The new course will reflect the latest developments, including the implications of the Paris Climate Agreement and the recommendations of the Task Force on Climate-related Financial Disclosures. UNEP FI, Ecobanking Project / INCAE Business School and GIZ will offer the Environmental & Social Risk Analysis (ESRA) Training Programme for the first time in Chinese.

In Latin America, training courses were supplemented by many events, and details can be found in the events section later in this publication.

actions that the SSE highlights in voluntary guidance on How Stock Exchanges can Grow Green Finance.

The workshops were held for potential green bond investors, issuers and verifiers/second-party opinion providers on 9-10 May in partnership with the Frankfurt School – UNEP Collaborating Centre for Climate & Sustainable Energy Finance, the Climate Bonds Initiative and the Center for International Climate Research (Cicero).

## PROMOTING THE SUSTAINABLE DEVELOPMENT GOALS IN CAPITAL MARKETS: SUSTAINABLE STOCK EXCHANGES INITIATIVE

As of June 2018, the Sustainable Stock Exchanges (SSE) initiative brings together 74 Partner Exchanges, representing over 90% of the world's listed equities. With almost all listed equity exchanges around the globe now committed to promoting sustainable finance in their markets, the SSE initiative is well positioned to help stock exchanges push forward the sustainable capital markets. Highlights include:

- **Providing issuers with ESG Reporting Guidance**

13 stock exchanges published guidance for their market on ESG disclosure, including the stock exchanges of Mexico, Kuwait, Morocco, the Nasdaq Nordics and others, guiding nearly 4,500 new companies.

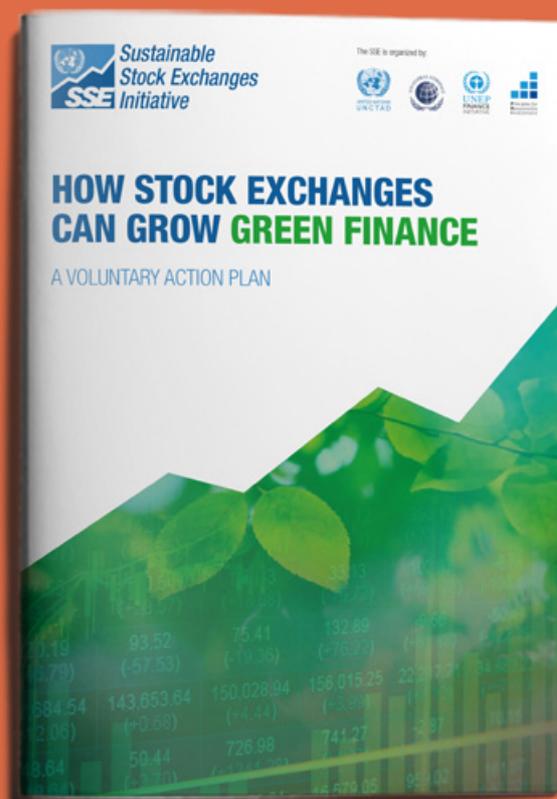
- **Promoting gender equality**

In 2017 the UN Sustainable Stock Exchanges initiative launched a report with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) which highlights how exchanges can, and are advancing UN Sustainable Development Goal 5 on gender equality. The report includes 14 best practice examples of how stock exchanges are promoting gender equality including the pioneering of new financial products aimed at supporting the empowerment of women and gender equality in corporate leadership.



- **Establishing an action plan on green finance**

At COP 23 held in Bonn in November 2017, the SSE initiative launched the Action Plan on How Stock Exchanges can Grow Green Finance. Growth in this area depends on both promoting green finance products as well as greening mainstream financial markets. This voluntary action plan provides exchanges with a checklist of 12 action points within four action areas. It can be used as a self-assessment tool to identify areas where stock exchanges can initiate or expand their activities on green finance. 16 real world examples are provided for each action item to assist with implementation.



- **Engaging with regulators on how securities regulators can support the SDGs**

In 2018, the SSE initiative launched the SSE's Regulator Working Group including the Securities Regulators of Brazil, China, India, Morocco, the Netherlands and the UK. The Group is advising the initiative on how securities regulators can support the SDGs, and a resulting report will be launched at the 2018 SSE Global Dialogue in October.



# Sustainability Diagnostics

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Financial institutions around the globe are at different stages on their respective journeys to sustainability. UNEP FI's members work with us to help diagnose their areas of weakness and assess how they can progress. UNEP FI also issues reports in collaboration with our partners that provide a barometer reading of sustainability uptake in markets and sectors, and signal to policymakers those areas where progress can be made

## ASSESSING THE UPTAKE OF SUSTAINABLE BANKING IN ARGENTINA, CHILE AND ECUADOR

During 2017, UNEP FI worked with CAF, the Development Bank of Latin America, to produce three status reports on the progress made towards sustainable banking systems in three key South American markets: Chile, Argentina and Ecuador. The surveys of national and international banks operating in each of the markets measured the level of

integration of Environmental, Social and Governance (ESG) considerations into their operations, establishing a baseline for each of the countries. The study samples represented between 70% and 87% of the total assets of these markets, and identified areas where support is required to help banks better manage issues related to sustainable finance.

## MEASURING PROGRESS TOWARDS LOW-CARBON PORTFOLIOS

UNEP FI's Portfolio Decarbonization Coalition (PDC) examined the progress made by its members in assessing and taking investment action on climate-related risks and opportunities, and by extension, in decarbonizing capital allocation and portfolio design worldwide. The PDC's third annual report, published in December 2017, provides an overview of its members' decarbonization approaches and strategies, illustrating how their portfolios are becoming more carbon-efficient and better aligned with the low-carbon economy. Members share experiences, and the report offers suggestions on how governments, investors, and investor platforms can accelerate the process of portfolio decarbonization.

The addition of asset owner New York State Common Retirement Fund in January 2017, followed by asset owner La Caisse de Dépôt et Placement du Québec (CDPQ), asset managers Sarasin & Partners and SURA Asset Management in December 2018 brought the number of Coalition members to 32. Together, these investors oversee the gradual decarbonization of a total of more than USD 800 billion in assets under management. This has dramatically surpassed the Coalition's original target of USD 100 billion by 2015.

### IN DEVELOPMENT: A TOOL TO MEASURE HOW WELL BANKS HAVE INTEGRATED SUSTAINABILITY, AND THE AREAS FOR IMPROVEMENT

UNEP FI has been developing a prototype dashboard that will enable banks to evaluate their progress on integrating sustainability across their core business activities. Members have helped to test the first-cut framework to help calibrate the tool's functionality to support benchmarking and self-diagnosis of areas for potential improvement. The dashboard will initially form part of the framework for accountability being developed as part of the Principles for Responsible Banking. It will be adapted for Principles for Sustainable Insurance members in due course. As well as helping individual members to benchmark their sustainability performance, it will also enable UNEP FI to assess industry-wide progress on sustainability. Individual results will remain anonymous, although organisations with the top scores may be highlighted as industry leaders.



**Our decarbonization activities benefit both the environment and our financial performance: By investing our clients' capital in growth markets like renewable energy or green property globally, we enable the transition to a low-carbon and cleaner economy and de-risk our investment portfolio from high-carbon assets."**

Günther Thallinger, Member of the Board of Management, Allianz SE



# Methodologies and tools

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UNEP FI works with its members to provide practical methodologies and tools to assist financial institutions in applying sustainable finance to their business decision-making, products and services. For example, the global guidance on the integration of ESG risks into insurance underwriting in development will be a major tool for the insurance industry to identify and define ESG risks from an insurance underwriting perspective, while the framework for natural capital-related portfolio risk will help financial institutions to evaluate the dependencies of economic sectors on natural capital.



# RESOURCES DEVELOPED AND LAUNCHED IN 2017/18

## HELPING BANKS UNDERSTAND THE RISK OF LOAN DEFAULT CAUSED BY DROUGHT

A 'Drought Stress Testing Tool' was released in April 2017 to enable financial institutions to assess how incorporating drought scenarios changes the perception of risk in their loan portfolios. Building on the catastrophe modelling framework that the insurance industry has used for 25 years, it looks at five drought scenarios in four countries—Brazil, China, Mexico and the US—to model the impact on 19 different industry sectors, the companies in those sectors and the likelihood that they will default on their loans. The tool was jointly developed with the NGO Global Canopy Programme under the Natural Capital Finance Alliance, along with the accompanying report, 'Drought Stress Testing – Making Financial Institutions more Resilient to Environmental Risks' which showcases the tool in action by piloting the stress test on sample corporate lending portfolios of nine international financial institutions: Caixa Econômica Federal, Itaú Unibanco, Santander Brazil, Banorte, Citibanamex, Trust Funds for Rural Development (FIRA), Citigroup, UBS, Industrial and Commercial Bank of China (ICBC).

A consortium led by global modelling experts Risk Management Solutions (RMS) designed, developed and implemented the framework to assess the impact of drought scenarios on financial institutions' corporate lending portfolios. The Natural Capital Finance Alliance and the

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH developed the initiative to find the best way to integrate drought into standard financial decision-making processes, financed by the Federal Ministry for Economic Cooperation and Development (BMZ).



### Natural Capital Finance Alliance

Finance sector leadership on natural capital

The Natural Capital Finance Alliance is UNEP FI's joint initiative with the UK-based non-governmental organisation, Global Canopy Programme. Launched at the UN Conference on Sustainable Development (Rio+ 20 Earth Summit) in 2012, it is a worldwide finance led initiative to integrate natural capital considerations into financial products and services, and to work towards their inclusion in financial accounting, disclosure and reporting.

## HOW CAN FINANCIAL INSTITUTIONS ENSURE THEY CONTRIBUTE TO MORE EFFICIENT ENERGY USE?

### ENERGY EFFICIENCY FINANCIAL INSTITUTIONS GROUP UNDERWRITING TOOLKIT

The Energy Efficiency Financial Institutions Group (EEFIG) Underwriting Toolkit, released in June 2017, provides a common language for financial institutions, project developers and hosts of energy efficiency projects such as companies and consumers to scale up deployment of capital into energy efficiency. Analysts, originators and risk departments within financial institutions can use the Toolkit to better understand energy efficiency investment and improve their evaluation of both value and risks. Standardised processes and common definitions can be used for training and capacity building. Project developers and owners can apply the toolkit to develop projects in a way that matches the needs of financial institutions. EEFIG is a partnership between UNEP FI and the European Commission.



## G20 ENERGY EFFICIENCY INVESTMENT TOOLKIT

For G20 countries - who collectively are responsible for over 80% of primary energy consumption and 80% of greenhouse gas emissions globally - energy efficiency and improved energy productivity are critical to the challenge of decarbonising their economies, achieving the goals of the Paris Agreement, and realising the significant economic, environmental and social benefits of energy efficiency in their economies in the most cost-effective way. The “G20 Energy

Efficiency Investment Toolkit”, provides a voluntary framework for the world’s leading economies to upscale energy efficiency investments which currently total USD 221 billion annually. It aims to establish a structured dialogue between private financial institutions, public development banks and policymakers, and collects experience from 15 G20 countries, led by France and Mexico. The Toolkit, which launched in May 2017 was referenced in the G20 Climate and Energy Action Plan for Growth adopted at the G20 summit 2017 in Hamburg.

## CONNECTING FINANCE AND NATURAL CAPITAL VIA A FRAMEWORK DESIGNED FOR THE FINANCIAL SECTOR

Launched in Hong Kong in April 2018, ‘Connecting Finance and Natural Capital: A Supplement to the Natural Capital Protocol’ is a framework for financial institutions to assess how their businesses are impacted by, and depend upon, the natural world. The Natural Capital Protocol was developed by the Natural Capital Coalition as a globally recognized and standardized framework for business. This supplement to the Protocol aims to connect finance and natural capital in the same way, and to create a common language across business, government, civil society and finance on this important topic. The Finance Sector Supple-

ment (FSS), developed in partnership with the Natural Capital Coalition and the Dutch Association of Investors for Sustainable Development (VBDO), provides a framework for financial institutions to assess the natural capital impacts and dependencies of their portfolios. It explains why financial institutions should undertake this assessment, what the impacts and dependencies are, and what techniques to use, and is aimed primarily at ESG analysts, environmental managers, responsible investment managers, due diligence specialists, risk managers, analysts, and portfolio managers.

## EXPLORING METRICS TO MEASURE THE CLIMATE PROGRESS OF BANKS

Banks play a crucial role in financing the transition to a low-carbon economy through their investing and lending activities. While the banking industry, and the financial sector as a whole, is increasingly aware of the need to shift capital flows away from companies and activities that contribute to the climate problem and into climate solutions, they are just starting to formulate strategies and track progress for climate solutions. So how do we know if banks are moving their financing in the right direction fast enough?

Assessing and reporting on the transition to a low-carbon economy is a key area of interest for public- and private-sector banks. In the months preceding the United Nations climate change conference in Paris in 2015, many

of the world’s leading banks made commitments to either decrease the financing of “climate problems” or increase the funding of “climate solutions”. However, only accurate and standardised metrics will allow progress on these commitments to be measured and monitored. A report published in May 2018 assesses the various metrics that can be used to assess a bank’s progress and makes recommendations for choosing climate metrics by asset class. The report also addresses the potentially conflicting aims of transition financial risk (a business risk) and climate policy goals (a societal risk). The publication was produced in partnership with 2 Degrees Investing Initiative (2dii) and the World Resources Institute (WRI).

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**Banks play a crucial role in financing the transition to a low-carbon economy through their investing and lending activities.**

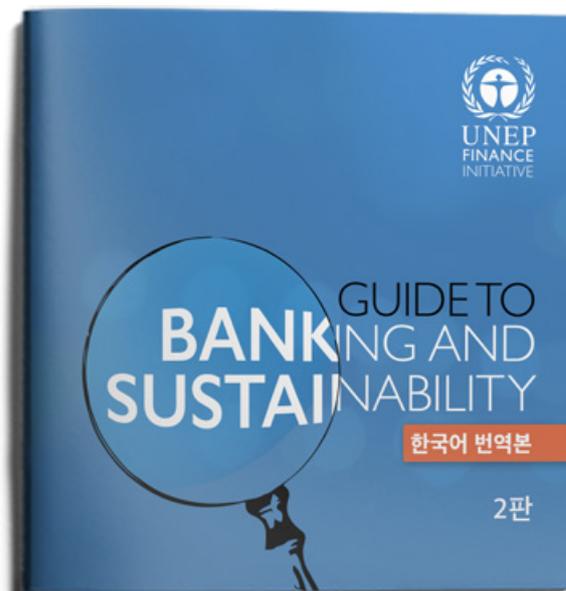
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## GUIDE TO BANKING AND SUSTAINABILITY – EDITION 2

The Guide to Banking and Sustainability provides a high-level, functional overview of how a sustainable bank should operate, containing guidance and illustrations of current practice from UNEP FI member banks from across the globe. First and foremost a tool for banking practitioners themselves, it is meant as an awareness-raising, integration and outreach tool for:

- Senior management and board members seeking to educate themselves and their employees on banking and sustainability
- Sustainability teams seeking to engage employees across the bank
- Employees seeking to understand the relevance of sustainability issues to their work

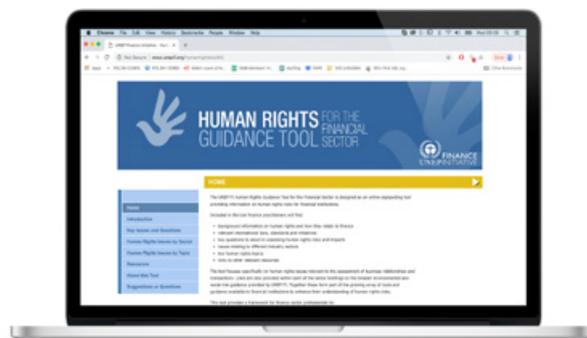
The second edition was launched in 2016, and promoted to the banking industry during 2017. It is now available in English, Korean and Vietnamese, and will be available in Portuguese and Spanish later in 2018.



## MAKING HUMAN RIGHTS CONSIDERATIONS PART OF BUSINESS-AS-USUAL

Lenders have been using the online Guidance Tool on Human Rights for the Finance Sector to enhance their understanding of human rights risks since 2007. In addition to minor updates completed in 2018, UNEP FI is working on a tool upgrade for implementation in 2019. While keeping its focus on providing basic guidance on human rights due diligence to practitioners, the tool will align with complementary initiatives that focus on understanding human rights performance. To this end, in 2017, UN Environment introduced its members to the Corporate Human Rights Benchmark, a multi-stakeholder initiative of peers strongly backed by investors, which assesses company human rights performance. This introduction highlighted the relevance of, and connections between, the different instruments that assist financial institutions to embed human rights in business,

and led to building an alliance between the two initiatives. Beyond mutual recognition, the alliance will explore how to update both tools to ensure alignment and effective application for the finance sector.



## HELPING VULNERABLE COMMUNITIES AND THEIR INSURERS STRENGTHEN CLIMATE RISK MANAGEMENT

**Climate Insurance**, the first-ever online database on climate risk is a recent collaborative effort to promote risk transfer and insurance as an approach to more effectively manage the increasing number of disasters and their impacts on vulnerable communities. The database shares the experiences of numerous international organizations in the field of risk transfer and insurance solutions in the context of climate risk management, and disseminates information on good practices and innovative solutions. Several signatories and supporting institutions to UN Environment's Principles

for Sustainable Insurance who offer climate risk solutions have contributed. Factsheets and InFocus papers dedicated to projects led by The Co-operators Group Ltd, Insurance Australia Group, Unipol and Finance Norway are accessible on the database. The database was launched by the Global Index Insurance Facility (GIIF), the Munich Climate Insurance Initiative (MCII), and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, commissioned by the German Government.

## KNOWLEDGE SHARING AND PEER-TO-PEER LEARNING THROUGH WEBINARS

UNEP FI holds webinars throughout the year to explore ideas, consult on proposed initiatives or draft research, share learning and provide insight into sustainable finance practice. Members can sign up for webinars and access recordings through UNEP FI's extranet. Examples of the many webinars held in 2017/18 included:

### INDIGENOUS PEOPLES' RIGHTS AND FREE, PRIOR AND INFORMED CONSENT IN FINANCE

UNEP FI collaborated with Agence française de développement and the Inter-American Development Bank to organize a webinar on indigenous peoples' rights and the implementation of the free, prior and informed consent principle as part of good community engagement practice in finance. The webinar took stock of related standards and illustrated industry practice - from expectations to barriers, solutions and open questions - giving voice to practitioners from BNP Paribas (France), Citi (US), International Development Corporation (South Africa) and Financiera Nacional de Desarrollo (Mexico).

### HIGHLIGHTING INCLUSIVE INSURANCE

UNEP FI's Principles for Sustainable Insurance (PSI) Initiative and the International Labour Organization's Impact Insurance Facility held a series of webinars in 2017 on "Making inclusive insurance work". Subjects covered included clients and impact metrics, distribution and technology, SMEs and value chains, agriculture and climate risks, and health insurance for the emerging consumer.

### PILOTING THE TCFD: FIRST LOOK FOR MEMBERS

Members-only webinars were held on both of the new methodologies that resulted from the project with 16 of UNEP FI's banking members to implement the recommendations of the TCFD. These were followed by public webinars but members benefitted from a first look at the reports, and the opportunity to question the banks and others involved in these first-mover projects.

### HOW FINANCIAL INSTITUTIONS ARE EXPOSED TO NATURAL CAPITAL RISK

Listeners to this webinar heard how financial institutions can better understand the risk to their business or an investment that can arise from an interruption to the flow of goods or services provided by nature. UNEP FI, UNEP FI member bank Unicredit, the Natural Capital Finance Alliance, and PWC outlined the findings of the first phase of the Advancing Environmental Risk Management (AERM) project to develop data and a methodology which will enable financial institutions to better understand, assess, and integrate natural capital-related risks into their decision making.



# RESOURCES TO LOOK OUT FOR: COLLABORATIVE PROJECTS

## **GOOD GROWTH PARTNERSHIP: PLACING SUSTAINABILITY AT THE HEART OF GLOBAL COMMODITY SUPPLY CHAINS**

Soy, beef and palm oil production is a significant driver of tropical deforestation. Developing forward-thinking business models to manage sustainable commodity production that also maintains forests and important ecosystem services is the aim of the Good Growth Partnership - a collaboration between UNDP, the World Bank, IFC, WWF, Conservation International, UN Environment, and UNEP FI launched in September 2017. Funded by the Global Environment Facility, the Partnership is working with the governments of Brazil, Indonesia, Liberia and Paraguay, as well as the private sector and civil society organisations, to enable lasting, transformative change throughout the three key global commodity supply chains - soy, beef and palm oil. UNEP FI will work with its members to help them learn from and adapt to these new models of agriculture production.

The Partnership will also support the finance sector in identifying new opportunities for investment and will provide additional assistance to the industry to better evaluate and incorporate the financial risks resulting from unsustainable commodity production models into their decision support tools. It will also help governments to strengthen assistance to producers as they adopt more sustainable production models. Several quantitative risk frameworks will be developed as a result of a range of studies looking at the sectoral challenges, barriers and opportunities to help financial institutions assess the materiality of their deforestation risks in a rigorous, systematic and comprehensive manner.

## **ADVANCING ENVIRONMENTAL RISK MANAGEMENT: WORKING WITH BANKS TO BETTER UNDERSTAND NATURAL CAPITAL RISKS**

The Advancing Environmental Risk Management (AERM) project is developing a resource to enable the systematic integration of natural capital-related risks into financial institutions' decision-making processes. The first phase of the project, which involved building the base for enabling banks to assess their natural capital-related risk exposure, has been completed, and a web-based visualization tool is being developed to make data from the World Conservation Monitoring Centre more user-friendly for the financial sector.

The project's second phase, initiated at the start of 2018, will build upon the information gathered in phase one. Working closely with financial institutions in Colombia, Peru and South Africa, we are developing risk assessment



methodologies and tools to identify and assess natural capital risks in lending portfolios and seek to implement a natural capital risk management framework.

The project is supported by the Swiss Secretariat for Economic Affairs (SECO), the MAVA foundation, and participating financial institutions.

## EARTH SYSTEM FINANCE: MAPPING GLOBAL FINANCIAL FLOWS TO LARGE MODIFICATIONS IN ECOSYSTEMS

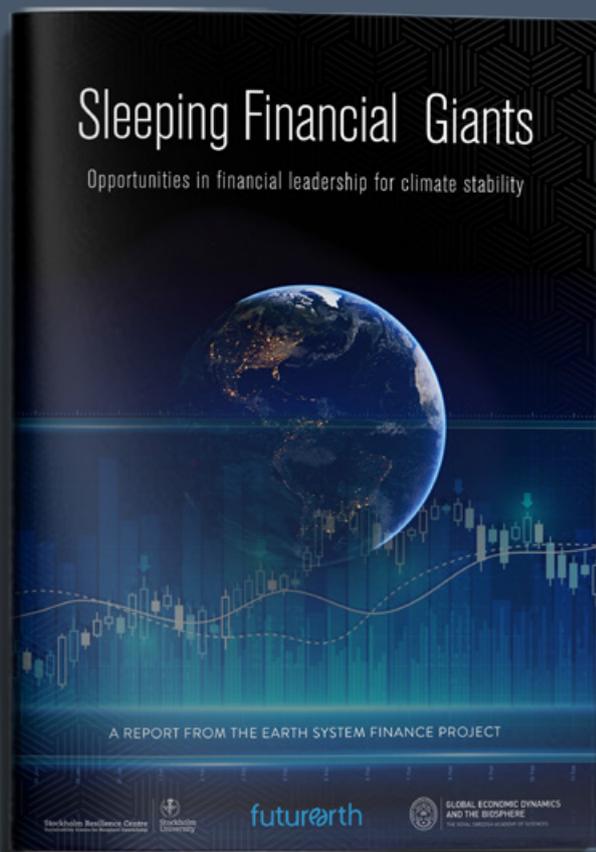
Insights from Earth system sciences over the past few decades show clearly that changes in the planet's climate system can unfold in rapid and irreversible ways, threatening to undermine economic and financial stability, and therefore global objectives for sustainable development. Scientists have highlighted the existence of specific regions and biophysical processes of exceptional importance for the stability of the climate system – often referred to in the academic literature as 'tipping elements' in the Earth system.

The ambition of the Earth System Finance project is to bring new science-based perspectives to current discussions about the role of finance for sustainability, with a particular focus on the role of its connections to "Earth system tipping elements". The project identifies, maps out, and visualizes how global financial flows underpin large-scale modifications in the world's ecosystems with repercussions for the stability of the Earth's climate system. Should they tip, the consequences could be enormous, both

locally and globally, and have cascading effects on other tipping elements, and risking a dangerous acceleration of global warming.

This project will provide tangible insights relevant to the financial sector on emerging financial risks created by the possibility of such rapid and irreversible environmental changes. In particular, outreach activities are planned with key actors in the financial sector to raise awareness on the urgency of action to bolster the resilience of critical tipping elements, starting with boreal forests and tropical rainforests.

The project is a collaboration between the Global Economic Dynamics and the Biosphere Programme (hosted by the Royal Swedish Academy of Sciences), the Stockholm Resilience Centre (Stockholm University), Future Earth, the UN Environment's former Inquiry into the Design of a Sustainable Financial System. The research is funded by Vinnova, the Erling-Persson Foundation through GEDB, and the Futura Foundation.



**The research on sleeping financial giants aims to bring new science-based perspectives to current discussions about the role of finance for sustainability. A particular focus lies on how banks, pension funds and other institutional investors influence critical elements in the Earth's climate and ecosystems**



# Strengthening communication and engagement

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UNEP FI brings its members together encouraging peer-to-peer learning and enabling them to meet with other actors in the sustainable finance community



# AMPLIFYING THE COLLECTIVE VOICE FROM THE FINANCIAL SECTOR

UNEP FI brings its partners and members together to provide clear signals from the financial sector to policymakers on the importance of integrating Environmental, Social

and Governance considerations. We work with supporting institutions throughout the world who play an important part in moving the sustainable finance agenda forward.

## REGIONAL ROUNDTABLES INTRODUCED TO BRING MEMBERS TOGETHER WITH LOCAL PEERS

We held roundtables in each of the five regions – Africa & the Middle East, Asia Pacific, Europe, Latin America & the Caribbean and North America – in response to our members’ requests to provide more opportunities to meet and exchange best practice with peers, policymakers, and other members of the sustainable finance community in their regions. More than 1,000 participants from 40 countries attended the five events, held in Buenos Aires, New

York, Geneva, Johannesburg and Tokyo between September and December 2017. Feedback from attendees showed that the events provided valuable opportunities to discover the latest innovation and trends in sustainable finance, and for professionals to strengthen their local networks. The events also raised awareness amongst stakeholders across the regions. The next round of regional roundtables will take place in 2019.



## BRINGING THE SUSTAINABLE INSURANCE COMMUNITY TOGETHER FOR INSIGHT INTO STRATEGIES, APPROACHES, AND PRODUCTS AND SERVICES



The Principles for Sustainable Insurance held market events in Europe, the U.S., Morocco, Asia, Africa, and Latin America during 2017 and the first half of 2018. These events convened leading insurance organisations doing business in the region, insurance regulators and supervisors, local and national government officials, key international initiatives, business and industry, civil society organisations, and academia. The aim is to shape the sustainable insurance agendas locally across the insurance industry’s triple role in sustainable development as risk managers, insurers, and investors. The events

cover key sustainability challenges and opportunities in the regions for the insurance industry, including climate change, natural disasters, cities, infrastructure, insurtech, the insurance protection gap, insurance regulation and supervision, life and health insurance business, also in the context of global policy frameworks such as the UN Sustainable Development Goals, the Paris Agreement on Climate Change, and Sendai Framework for Disaster Risk Reduction.

## INVESTOR AGENDA

The Investor Agenda brings together and promotes the key actions that investors around the world are taking to meet the goals of the Paris Agreement and manage the risks of climate change. UNEP FI and six of its strategic global Partners – Asia Investor Group on Climate Change, CDP, Ceres, Investor Group on Climate Change, Institutional Investors Group on Climate Change, and the Principles for Responsible Investment launched this global initiative for investor coordination and collaboration on climate change during the 2018 Investor Summit on Climate Risk in January 2018 in New York.

The new platform is helping the investor community to weigh in on the politics and policies of climate change in

a more focused manner than before. This will mean investors taking action such as reporting existing low-carbon investments and commitments, phasing out

investments in thermal coal, signing up to initiatives such as the Climate Action 100+, disclosing their climate-related risks and opportunities, as well as engaging policymakers. UNEP FI will be mobilizing members to take action via our work with the Portfolio Decarbonization Coalition, as well as helping investors to implement the recommendations of the Task Force on Climate-related Financial Disclosures.



## ORGANISATIONS FROM AROUND THE GLOBE SUPPORT UNEP FI'S WORK

More than 60 organisations have become supporting institutions, committing to publicly demonstrating their support for UNEP FI, its vision and its work programme to advance the sustainable finance agenda. Supporters are encouraged to carry out at least one activity every year that accelerates the integration of sustainability practices in the banking, insurance or investment sectors. Some of their invaluable contributions in 2017/18 include:

The Banking Association of South Africa, Institute for Global Environmental Strategies and Asociación de Bancos Argentinos supported UNEP FI's Regional Roundtables in Africa & the Middle East, Asia Pacific and Latin America & the Caribbean respectively.

Supporting institutions have also made valuable contributions to our day-to-day work: Ecuador's Asobanca assisted with the translation, and WWF is supporting with the editing of the Spanish version of the Banking and Sustainability Guide. Fasesolda in Colombia translated several core documents for the Principles for Sustainable Insurance, and we were grateful for the help of Sugese – the Superintendence of insurance companies - who lead the organisation of the first sustainable insurance day in Costa Rica.

ICLEI – Local Governments for Sustainability – a global network of more than 1,500 cities, towns has been working with the Principles for Sustainable Insurance in a partnership to advance the building of resilient and sustainable cities. The first-ever insurance industry and cities summit at the Resilient Cities Congress in Bonn, Germany in May was a result of this cooperation. The summit produced the "Bonn Ambition", which included the global initiative to create "Insurance Development Goals for Cities", and these were announced in June 2018 at the ICLEI congress in Montreal. The goals cover key urban challenges and opportunities across the insurance industry's risk management, insurance and investment activities.

A collaboration between the PSI, Oceana, the largest international advocacy organisation focused solely on ocean conservation, and a group of marine insurers delivered the first-ever global insurance industry statement on sustainable marine insurance, focused on tackling pirate fishing – also known as illegal, unreported and unregulated (IUU) fishing. This effort will be followed by risk management guidelines on IUU fishing for the global marine insurance industry.



# LEVERAGING THE UN NETWORK

## THE INQUIRY INTO THE DESIGN OF A SUSTAINABLE FINANCIAL SYSTEM

UNEP FI has collaborated with UN Environment's Inquiry into the Design of a Sustainable Financial System to support research into the sustainable finance landscape and roadmaps for enabling policy frameworks to advance options to align the financial system with sustainable development. In April 2018, the Inquiry published its final report, *Making Waves: Aligning the Financial System with Sustainable Development* which sums up the achievements and lessons that have been learned between 2014 and 2017, and highlights what still needs to be done. The Inquiry examined and helped catalyse fresh thinking about key aspects of financial and monetary policies, and financial regulations and standards, including disclosure requirements, credit ratings, listing requirements and indices. They also focused on the roles of the financial system's rule-makers (central banks, financial regulators, finance ministries and standards institutions) alongside market-based standard-setters (stock exchanges and key international organizations and platforms). Although the Inquiry fulfilled its mandate in March 2018, its work to catalyse change will continue through UN Environment, Sustainable Finance at the G20, and initiatives such as the Network of Financial Centres for Sustainability and the Sustainable Insurance Forum. Highlights during the Inquiry's four years included:

### In 2015

The first global report, *The Financial System We Need: Aligning the Financial System with Sustainable Development*. This landmark publication was quickly followed by China launching the G20 Green Finance Study Group and then requesting UN Environment to serve as the Secretariat, a task the Inquiry continued during the German and Argentinian presidencies of the G20.

### In 2016

- Launch of second global report *The Financial System We Need: From Momentum to Transformation*
- Establishment of the Sustainable Insurance Forum (SIF) supported by UNEP FI's Principles for Sustainable Insurance.

### In 2017

- Sustainable Digital Finance Alliance (SDFA) was launched with Ant Financial
- Sustainable finance is included for the first time in the G7 Environment Ministerial under Italy's Presidency
- Launch of the Financial Centres for Sustainability Network and the publication of the Roadmap for a Sustainable Financial System with the World Bank Group.

## RAISING THE FINANCE TO MEET THE GOALS AGREED IN PARIS 2015

In November 2017, the urgent need to raise the finances to meet the funding goals of the Paris Climate Agreement, especially to support action by developing countries, took center stage at the UN Framework Convention on Climate Change (UNFCCC) UN Climate Conference (COP23) in Bonn, Germany, thanks to the support of UNEP FI, its members and partners.

As part of 'Finance for Climate Day' at COP23, high-level representatives from across the sector highlighted their

efforts to meet the goals of the Paris Agreement of keeping the average global temperature rise well below 2 degrees Celsius and as close as possible to 1.5 Celsius.

They stressed that every dollar invested in cutting greenhouse gas emissions and adapting to climate change gets double the bang for the buck because it directly supports the international community's 2030 Agenda for Sustainable Development.

## STRENGTHENING INSURANCE REGULATORS' UNDERSTANDING OF SUSTAINABILITY

In December 2016, UN Environment's Inquiry and UNEP FI's Principles for Sustainable Insurance convened insurance regulators and supervisors from around the world to launch the Sustainable Insurance Forum for Supervisors (SIF). The SIF aims to promote cooperation on critical sustainability challenges and opportunities, and its current work programme spans disclosure, access and affordability, sustainable insurance roadmaps, climate risk, disaster risk reduction, and capacity building.

Recent highlights included:

- In 2017, the SIF issued a statement supporting the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures—the first

group of financial regulators to do so—and released its first report, providing a global overview of actions by leading regulators to manage sustainability challenges.

- The SIF is now developing guidance for insurance regulators so that insurers can respond effectively to climate risks across their insurance and investment activities, and regulators are creating national roadmaps and platforms to promote sustainable insurance in their jurisdictions.
- The SIF and the International Association of Insurance Supervisors (IAIS) released an Issues Paper on "Climate Change Risks to the Insurance Sector" for public consultation in April 2018.

## UNEP FI'S PRINCIPLES FOR SUSTAINABLE INSURANCE AND THE WORLD HEALTH ORGANISATION SUPPORT LEADERSHIP ACTION

53 investors, health systems, pension funds and insurers, representing US\$3.8 trillion in assets under management, signed a statement to the World Health Organization (WHO) representatives and national health ministers openly supporting stronger regulation around tobacco control. Released on World No Tobacco Day on 31 May 2017, the statement highlights the threat posed by tobacco consump-

tion to global health and economic well-being. This is the first-ever investor statement to address the global tobacco crisis shows how insurers and their peers in the investment community can collaborate to reduce health risks and promote human and economic wellbeing, in line with the UN Sustainable Development Goals.

## PSI COLLABORATIONS TO STRENGTHEN RESILIENCE, PROTECT HERITAGE AND PROMOTE INCLUSION

- The PSI, UN Environment North America and the Mississippi River Cities and Towns Initiative for mayors, and the insurance industry are working together to reduce vulnerability and build resilience to climate-related disasters along the entire corridor of the Mississippi River, from its headwaters in Minnesota to the Louisiana delta. The Mississippi – North America's longest river – generates nearly \$500 billion in annual revenue, employing 1.5 million people in the ten US states along its banks. On 7 March 2018, in Washington DC, UN Environment's North America Office, in partnership with the MRCTI and the UN Environment Finance Initiative, convened a roundtable dialogue for over 20 mayors, along with leaders from the global and North American insurance industry to discuss how to reduce vulnerabilities and build resilience in the face of climate-related disasters along the River corridor.

- Signatories of the PSI, the WWF and UNESCO are working together to help the insurance industry protect our world heritage. The insurance industry delivered the world's first insurance industry statement of commitment to protect the outstanding universal value of World Heritage Sites at the 42<sup>nd</sup> Session of the UNESCO World Heritage Committee, in June 2018
- The PSI and the ILO partnered on the Impact Insurance Facility – a series of six webinars on inclusive insurance. As their first collaborative activity, the Facility and the PSI disseminated knowledge—from innovative approaches and solutions to good practices and lessons learned—through a webinar series on topics that are critical to make inclusive insurance work. The topics ranged from clients and impact metrics to SMEs and value chains.

# BENEFITS OF MEMBERSHIP

The partnership with our members is core to achieving UNEP FI's mission to accelerate the global development of financial institutions that integrate sustainability as a value creation driver and which contribute to the UN Sustainable Development Goals.

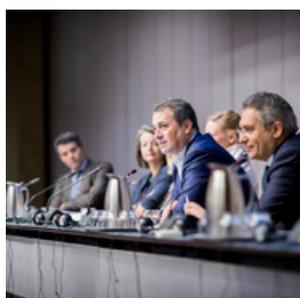
UNEP FI encourages and promotes leadership by financial institutions and facilitates knowledge development to help shape and scale up sustainable finance. Members have the opportunity to help shape global sustainable finance practice by contributing ideas, sharing, learning and knowledge, and initiating or participating in collaborative projects to co-develop solutions, such as methodologies and tools for the financial sector.

The benefits of membership are largely commensurate with the institution's level of engagement with the UNEP FI community and projects.

For example, those participating in pilot projects gain early insight into cutting-edge research, deepen their understand-

ing of key sustainability topics through access to experts, and help inform innovation and guidance on integrating ESG issues. For the majority of collaborative projects, members that aren't able to directly participate can still gain preferential access to learning outcomes by participating in consultations or webinars which provide previews prior to launches of reports, tools and data. All members have preferential access to Global and Regional Roundtables and can join Annual General Meetings to gain insight, network with industry peers and contribute to decision-making. Those demonstrating leadership may be invited to speak at industry events, and news on members' progress on sustainable finance is shared across our community.

Many members contribute significant financial and in-kind resources to advancing sustainable finance, including through their roles in governance bodies and collaborative projects.



Members gathered at Regional Roundtables during 2017

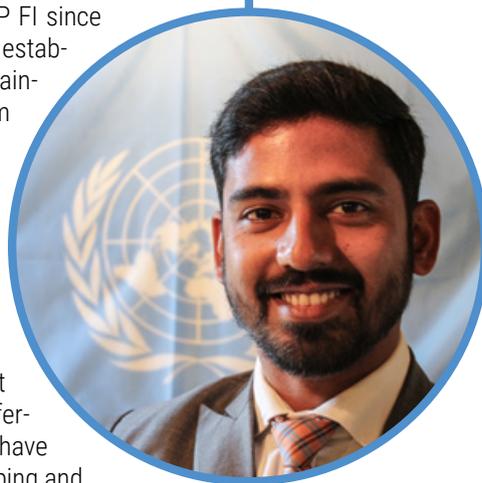
## JOIN THE UNEP FI TEAM AS A SECONDEE

Members are invited to apply to join the Secretariat through "virtual secondments". These can be full-time or part-time, and contribute to regional co-ordination or industry or thematic work streams across ecosystems, water and sustainable land use; responsible property investment; climate change; energy efficiency; positive impact finance for the Sustainable Development Goals; or social issues. Secondments of individuals are agreed with member organisations, and are usually undertaken remotely.

**> TO EXPLORE OPTIONS,  
CONTACT MEMBERSHIP &  
REGIONAL CO-ORDINATION  
MANAGER LIESEL VAN AST  
AT [LIESEL.VANAST@UN.ORG](mailto:LIESEL.VANAST@UN.ORG)**

Rakesh Shejwal of India's YES BANK has been on secondment to UNEP FI since 2017, working as our country representative in India, where he has been establishing a network of organisations that will play an important role mainstreaming sustainable finance in India. UNEP FI has benefited greatly from Rakesh's work, as he has been helping to raise awareness of sustainable finance in a huge, growing market. Rakesh and his employer have also profited from the exchange, and he explains exactly how below.

"My secondment has resulted in several positive outcomes for YES BANK: engagement with other financial Institutions at senior management level and establishing the bank's sustainability leadership in the Indian financial sector. At an individual level, it has helped me learn more about sustainable finance initiatives across the insurance, investment and banking sectors, particularly through my participation at global conferences and attending UNEP FI team strategy sessions. The knowledge I have acquired from my work at UNEP FI proved extremely useful while developing and implementing YES BANK's Climate Finance Strategy. The secondment has also helped me begin the task of establishing a network for UNEP FI that includes relevant people and organizations that could play an important role in mainstreaming sustainable finance in India. The UN brand certainly helps open doors and organizations are glad to meet and discuss UNEP FI's projects. A significant achievement for me was setting up the Positive Impact Principles workshop at a CAFRAL-led workshop (CAFRAL is a highly reputed independent body set up by the Reserve Bank of India (RBI))."



**Rakesh Shejwal, India Network Coordinator, UNEP FI; Member of the Climate Finance and Sustainability strategy team, YES Bank**

## UNEP FI LEVERAGES ITS RESOURCES TO SUPPORT JOINT ACTIVITIES WITH OUR MEMBERS

UNEP FI activities with members are supported by members' fees, UN Environment resources as well as funds that the Secretariat mobilises through government and philanthropic donors wanting to support the transition to a sustainable economy. For instance, during 2017/18, funds from the Swiss State Secretariat for Economic Affairs, European Commission, Generation Foundation and MAVA Foundation contributed to projects to advance environmental risk

analysis, unlock financing for the Sustainable Development Goals and clarify investors' obligations and duties in relation to integrating environmental, social and governance (ESG) issues in investment decision-making. Collaborative projects have also helped to provide members with enhanced access to technical expertise and resources in areas such as climate change scenarios.

# GLOBAL STEERING COMMITTEE 2017

## CO-CHAIR

### **Brandee McHale**

Citi Foundation

## UN ENVIRONMENT REPRESENTATIVE

### **Erik Solheim**

UN Environment Executive Director and Under-Secretary-General of the United Nations

## APPOINTED

### **Ma Jun**

Tsinghua National Institute of Financial Research

### **Saker Nusseibeh**

Hermes Investment Management

## UNIVERSAL POSITION

### **Barbara Turley-McIntyre**

The Co-operators Group Limited

## REGIONAL REPRESENTATIVES

### BANKING

Africa

#### **Musa Salah**

Ecobank Transnational Incorporated

Asia Pacific

#### **Eric Williamson**

National Australia Bank Limited

Europe

#### **Antoni Ballabriga**

BBVA Europe

Latin America

#### **Mauricio Velasquez**

Corporacion Andina de Fomento, CAF

### INSURANCE

Asia Pacific

#### **Jacki Johnson**

Insurance Australia Group Limited

Europe

#### **Vacant**

Latin America

#### **Patricia Coimbra**

SulAmérica

### INVESTMENT

Europe

#### **Frank Hovorka**

Quartus

# SECRETARIAT



## **Head**

Eric Usher

## **Programme Manager**

Yuki Yasui

## **Membership and Regional Co-ordination**

Liesel Van Ast

## **Banking**

Simone Dettling

## **Insurance**

Butch Bacani

Olivia Fabry

## **Investment**

Rebecca Elliott

Elodie Feller

Margarita Priovska

Matthew Ulterino

## **Positive Impact Finance Initiative**

Careen Abb

Elodie Feller

Jerome Tagger

Sabina Timco

## **Climate Change**

Remco Fischer

## **Ecosystems & Sustainable Land Use**

Jacinto Coello

Jonathan Gheysens

Martin Halle

Anders Nordheim

Lisa Petrovic

George Scott

Lara Yacob

Thomas Yapp

## **Energy Efficiency**

Martin Schoenberg

## **Social Issues**

Sabina Timco

## **Training**

Carolina Lopez

Yushan Zhang

## **Communications, Events & IT**

Richard Hansen

Rob Wilson

Sally Wootton

## **Regional Outreach**

Matias Gallardo

Peiyuan Guo

Geeda Haddad

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Marie Morice

Kaori Nomura

Rakesh Shejwal

Sonje Wakesho

## **Administration**

Lydia Beaujois

Ken Maguire

# ENGAGING AT EVENTS AROUND THE WORLD

## GLOBAL EVENTS

### JANUARY 2017

- Launch of the Principles for Positive Impact Finance, Paris, France

### MARCH 2017

- PAGE (Partnership for Action on Green Economy) Ministerial Conference 2017, Berlin

### APRIL 2017

- First 2017 in-person meeting of the Portfolio Decarbonization Coalition, Sweden
- Launch of Drought Stress Testing Tool at Environmental Finance's Water: Risk, Opportunity and Sustainability 2017 Conference, UK

### NOVEMBER 2017

- International Microinsurance Conference, Lima
- COP 23, Germany

### DECEMBER 2017

- One planet summit
- Climate finance day
- Energy efficiency in buildings: how to accelerate investments?
- Environmental finance insurance climate risk
- Symposium – promoting the next generation sustainable real estate finance
- Launch of factsheets and infocus paper at World Bank event
- Morocco event – launch sustainable insurance roadmap

### APRIL 2018

- Bloomberg Future of Energy Summit: Green Tagging for Energy Efficiency Finance High-Level Roundtable in New York, NY
- BrightTalk ESG summit: UNEP FI on Climate Disclosure, Fiduciary Duty & Energy Efficiency Investment (Online summit)

### MAY 2018

- Financing for efficient buildings: Learning from G20 and Global ABC in Copenhagen, Denmark

## REGIONAL EVENTS

### MARCH 2017

- Breakfast meeting: Sustainable Finance in Latin America and Chile, Chile
- Sustainability in the financial world: where are we and where do we go? A look at Chile and Latin America, Chile

### APRIL 2017

- Mainstreaming Social Impact Investing in Pension Funds Forum, South Korea
- Launch of the Fiduciary Duty in the 21st Century Japan Roadmap, Japan
- Financing Energy Efficiency in Central Europe, Czech Republic

### MAY 2017

- Financing Energy Efficiency in the Nordic region, Denmark

### JUNE 2017

- Brazilian Launch of the Principles for Positive Impact Finance
- Advanced Training Workshop on Environmental and Social Risk Analysis, Paraguay
- Fiduciary Duty in the 21st Century Brazil Roadmap - Workshop for regulators, Brazil

### JULY 2017

- Positive Impact Finance Initiative Launch in Africa, Morocco

### SEPTEMBER 2017

- UNEP FI Regional Roundtable on Sustainable Finance in Latin America and the Caribbean, Argentina
- Human Rights and Social Issues in Finance: from global to regional solution, Argentina
- UNEP FI Regional Roundtable on Sustainable Finance in North America, USA
- Introductory training workshop on environmental and social risk analysis in Argentina, Argentina
- Financing Energy Efficiency in the Republic of Ireland and the United Kingdom, Republic of Ireland

## OCTOBER 2017

- UNEP FI Regional Roundtable on Sustainable Finance in Europe, Switzerland
- Introductory training workshop on climate change and biodiversity: risks and opportunities for the financial sector in Chile, Chile
- Investor Obligations and Duties and ESG Integration Roundtables in Beijing and Shanghai, China

## NOVEMBER 2017

- Launch of the Positive Impact Initiative in Johannesburg, South Africa
- Launch of the Positive Impact Initiative in Amsterdam, the Netherlands
- 3<sup>rd</sup> Latin American conference on responsible investments
- Société Générale's sustainable and positive impact finance conference
- Introductory training workshop on environmental and social risk analysis in Ecuador (Guayaquil and Quito)
- Introductory seminar on environmental and social risk analysis in Egypt
- Workshop on opportunities and challenges of the banking sector for the financing of distributed photovoltaic generation projects in Chile
- PSI market event: shaping the sustainable insurance agenda in North America with (MunichRe America)
- UNEP FI regional roundtable on sustainable finance in Africa and the Middle East

## DECEMBER 2017

- UNEP FI regional roundtable on sustainable finance in Asia Pacific in Tokyo, Japan

## JANUARY 2018

- Chilean Sustainable Finance Public-Private Working Group in Santiago, Chile

## FEBRUARY 2018

- Paraguay hosts their first forum on sustainable finance in Asunción, Paraguay
- Human Rights and Finance: next steps for EU Policy in Brussels, Belgium
- Sustainable Finance Workshop in Quito, Ecuador

## MARCH 2018

- Sustainable Investment Forum Europe: Financing Innovation for a Low carbon Future in Paris, France
- Introductory Training Workshops on Environmental and Social Risk Analysis in Panamá City, Panamá
- Ring the Bell for Gender Equality in Santiago, Chile

## APRIL 2018

- Seminar on the launch of the green bond market in Costa Rica in San Jose, Costa Rica
- Chile's Leading Congress in New Energies (CIREC) Week in Santiago de Chile
- Shaping the sustainable insurance agenda in Africa in Johannesburg, South Africa
- Chilean Chapter of the "Council of Women in Energy & Environmental Leadership (CWEEL)" Santiago de Chile

## MAY 2018

- 2018 Sustainability Week in Lima, Peru
- Workshop on Green Bonds in Mauritius
- Proyecto Solar Chile LATAM 2018, Santiago de Chile
- Shaping the sustainable insurance agenda in Latin America, Brazil
- Seminario Avance de Finanzas Sostenibles, Santiago de Chile
- Financing energy efficiency in Greece and Cyprus in Athens, Greece

- UNEP FI event
- UNEP FI supported/contributed event



UN Environment Finance Initiative is a partnership between UN Environment and the global financial sector created in the wake of the 1992 Earth Summit with a mission to promote sustainable finance. More than 200 financial institutions, including banks, insurers, and investors, work with UN Environment to understand today's environmental, social and governance challenges, why they matter to finance, and how to actively participate in addressing them.

[www.unepfi.org](http://www.unepfi.org)

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