VISIONARY SOLUTIONS TO THE SUSTAINABLE DEVELOPMENT GOALS (SDG) FUNDING GAP FROM UNEP FI'S POSITIVE IMPACT INITIATIVE.

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MEDIA ADVISORY EMBARGOED UNTIL 26 NOVEMBER 8am CET

In this document:

What's new?

How to achieve the Sustainable Development Goals? UNEP FI's Positive Impact Initiative proposes a new approach: social, economic and environmental impacts have an as-yet under explored potential to generate financial revenues: impact-based business models can be developed, with the delivery of positive impacts as a driver of sustainable business growth and long-term enterprise value. This could be game-changing: by making it cheaper to deliver sustainability outcomes, less risky to finance and would stimulate the private sector to create new business solutions that focus on positive impacts. In fact, this shift to an impact-based economy is already under way, and the finance sector has a strategic interest in understanding impacts, not only to meet stakeholder needs, but also to capture new opportunities that support this transformation. Accordingly, it is critical for banks and investors to improve their capacity to understand and analyze impact.

UNEP FI's Positive Impact Initiative (PI) makes these arguments in "Rethinking Impact to finance the SDGs: a position paper and call to action" – to be released on 26 November at UNEP FI's 2018 Global Roundtable in Paris.

Supporting this release are several game-changing tools for impact analysis and management: The PI Impact Radar translates the SDGs into meaningful terms for business and finance. PI Model Frameworks provide guidance to apply holistic impact analysis across different financing products and asset classes, as a pragmatic application of PI's Principles for Positive Impact Finance.

Please contact jerome.tagger@un.org for interview requests and an advance copy of the report and tools.

Why it matters

The SDGs seem beyond reach based on the current financing trajectory, despite the many economic opportunities that have been associated with the them: financing needs and risk levels remain too high in the context of market capacity and appetite. This apparent dead-end invites us to reframe our approach: how to increase financial flows, and how to reduce the cost of achieving the SDGs? By solving these business issues, we realized that we could also reduce financing risks and further close the funding gap.

We are proposing and building solutions. The two core features of an impact-based economy are, first, to work back from impacts to come to the right investment decision, and, second, to achieve as many impacts as possible through each investment. Altogether, these models can significantly reduce cost-to-impact ratios, improve the profitability of new business opportunities and therefore unlock new private investment and financing, contributing to bridging the financing gap for the SDGs. **This is the starting point for Rethinking Impact, the Principles for Positive Impact Finance, its Radar and Model Frameworks.**

Introducing "Rethinking Impact to finance the SDGs" and the Positive Impact Initiative's new tools for the finance sector

What are the practical solutions to meeting the financing needs of the Sustainable Development Goals? New ways of doing business, new tools for the financial community, and a focused public private collaboration, **all acknowledging that positive impacts are at the core of long-term value creation.**

These ideas have underpinned the work of UNEP FI's Positive Impact Initiative since the release of its Manifesto in 2015 and Principles for Positive Impact Finance in 2017.

This November, PI is proud to release "Rethinking Impact to Finance the SDGs", a position paper and call to action for the business and finance sector to embrace new impact-based business models, as well as a set of tools for the finance sector: An Impact Radar and Model frameworks, for the finance sector to support this transformation of the economy. The PI Impact Radar translates the SDGs into meaningful terms that can guide business and finance in impact assessment. PI Model Frameworks provide guidance to apply holistic impact analysis across different financing products and asset classes, as a pragmatic application of PI's Principles for Positive Impact Finance.

Rethinking Impact argues that the cost of achieving the SDGs can be significantly reduced and that private sector solutions can be significantly stepped up if the private and public sectors put impacts at the heart of their business models and interactions.

According to Ligia Noronha, Director Economy Division, UN Environment: "Rethinking Impact to Finance the SDGs" is a major contribution to solving the sustainable development puzzle. It will transform the way we think about business and finance."

Positive Impact Finance is defined as finance that contributes to one or several of the three pillars of sustainable development: economic, environmental and social. Impact-based finance supports business models that work back from impacts, meaning that business activities and revenue generation are directly linked to and dependent on the delivery of positive impacts.

If we accept that the SDGs are an invitation to fulfil people's needs, then new business approaches can accelerate financing for the SDGs, by focusing on customer needs rather than products. The transformation of the automobile sector is a case in point, with an increased demand for mobility services rather than for ownership of expensive cars.

Supported by technological evolutions, this thinking can increase our capacity to transform positive environmental and social impacts (such as energy efficiency, mobility, security, access to energy, jobs) into financial revenues. Instead of externalities, these impacts become business model drivers, and strategic drivers for pursuing positive impacts in mainstream finance.

Nokia France President Denis Boisnon remarked: "*The digital transformation with the development of 5G and IoT has the potential to socially and economically empower any individual. It creates significant business opportunities bringing smart efficiencies and improvements* to people *in cities, homes, and in the industry"*.

This business approach means that the cost of achieving the SDGs could be dramatically decreased, and private finance mobilized at scale to deliver on many social and environmental outcomes and impacts.

Frederic Oudea, CEO of Société Générale, said: "The 'Positive Impact Finance Initiative' founded by Société Générale and its peers under the leadership of UNEP-FI calls for a new financing paradigm: a holistic and inclusive approach of impacts built on transparency and cooperation, and acknowledging that positive impacts are at the core of long-term value creation."

To uncover these opportunities, banks and investors must have the capacity to understand, measure and monitor impacts. To that effect, the Positive Impact Initiative has established the Principles for Positive Impact Finance, an open source framework for holistic and inclusive impact analysis and measurement.

The PI Initiative is also releasing Model Frameworks and an Impact Radar as practical guidance for banks and investors: the purpose of the Models is to help them develop or adapt appropriate frameworks to implement holistic impact analysis: for decision-making, for the development of financial products, and for the overall review of portfolios. Meanwhile, the Impact Radar provides a taxonomy of impacts and impact definitions to identify both positive and negative impacts. Both have been designed as live tools to be trialled and tested for ongoing refinement and update as our understanding and accounting of impacts improves over time.

In the next phase, the PI Initiative will collaborate with banks, investors and other standard setting organizations to test, improve and encourage adoption of shared tools and resources, in order to accelerate the convergence towards a universal, holistic and inclusive language that Is essential to create liquid and efficient funding markets for the SdGs.

Saker Nusseibeh, Chief Executive of Hermes Investment Management, said: "We are proud to participate in the Positive Impact Initiative. Investors who understand sustainability need to speak up and adopt holistic impact approaches as the basis for their engagement with the corporate sector. Driving impact-based business is a new and key lever for investors to respond to their clients' needs and achieve sustainable returns. Moreover, we believe that over time, organisations that perform well on environmental, social and governance factors will deliver greater shareholder value at lower risk. We look forward to working with the field to improve and implement PI tools and concepts".

Hamid Tawfiki, CEO of CDG Capital, the investment banking and investment management arm of CDG Group in Morocco said: "Financing the SDGs is not just a matter for finance. It's also a matter of new impact-based approaches to business models, demand stimulation by households and public authorities, in an impact-based ecosystem."

What's next?

- "Rethinking Impact, the PI Radar and Model Frameworks will be released at UNEP FI's Global Roundtable in Paris on November 26 and presented during two sessions (see below)
- The PI Initiative will hold several follow up webinars for experts into 2019
- In 2019 we will be working with partners to test the application of these frameworks, build new ones and produce case studies for a large array of financial products in service of the SDGs.
- PI will also engage with governments to pilot impact-based approaches to public tendering: governments and local authorities are a primary source of demand for infrastructure and other solutions that delivers social, economic and environmental outcomes, by shifting their approach to focus on desired results rather than pre-conceived solutions, they can rethink RFPs to stimulate the emergence of new business models from the private sector.

Leaders and experts available for interviews at UNEP FI's Global Roundtable (and beyond)

Please contact Jérôme Tagger to schedule a conversation.

- UNEP FI: Ligia Noronha, Careen Abb, Jérôme Tagger, Eric Usher
- Société Générale: Denis Childs, Marie-Aimée Boury
- Hermes Investment Management: Andrew Parry, Tatiana Bosteels
- Mirova: Mathilde Dufour
- ABN Amro: Jan Raes

Which sessions will cover Positive Impact at the Global Roundtable?

Keynote & High-Level Panel: Rethinking Impact to Finance the SDGs

Following a keynote presentation by Société Générale CEO Frederic Oudea, four global leaders from across the economy: bank, investor, corporate and public sector, will share their views on the economic and SDG opportunities of an impact-based approach. We will want to illustrate what your institution and its sector can do to contribute to the emergence of an impact-based economy – and how other actors can help you do so. We will conclude with a call to action and an invitation to collaborate via a broader-based PI Initiative.

- Ligia Noronha, Director, UN Environment Economy Division
- Hamid Tawfiki, CEO, CDG Capital
- Thierry Boisnon, CEO Nokia France & Head of Strategy & Portfolio Management, Global Services Nokia
- Saker Nusseibeh, CEO, Hermes Investment Management
- Moderator: Nina Dos Santos, Europe editor, CNN

Mainstreaming impact analysis in decision-making

As discussed in the Rethinking Impact plenary the day before, understanding impacts is key to the SDG financing agenda. Following the release of the Principles for Positive Impact Finance 2017, the Positive Impact initiative is now releasing a first set of guidance tools on performing holistic and transparent impact analysis, as per the Principles. This includes an Impact Radar and several Model Frameworks which are designed to build on existing standards and tools and cover a range of financial instruments, products and services. The guidance tools will be presented and practitioners will discuss their experience to-date, as well as the next phase of the Positive Impact Initiative - an open invitation to test and improve these tools and take Positive Impact Finance to market.

- Ghizlaine Nourlil - Sustainable Finance Manager, BMCE
- Andrew Parry - Co-Chair, PI Initiative and Head of Sustainable Investing, Hermes Investment Management
- Denis Childs - Co-Chair, PI Initiative and Head of Positive Impact Finance and Environmental and Social Advisory, Société Générale
- Will Martindale, Director of Policy and Research, Principles for Responsible Investment

- Careen Abb - Positive Impact Lead, UNEP FI
- Moderator: Hugh Wheelan - Managing Editor, Responsible Investor

About UNEP FI and the Positive Impact Initiative

About UNEP FI

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.

About PI

UNEP FI's Positive Impact Initiative explores solutions to the financing gap for sustainable development and the Sustainable Development Goals (SDGs). The Initiative helps move the financial sector towards a more thorough and deeper integration of impact analysis in decision-making. This improved understanding of impacts will ultimately also drive more impactful business models and investments. Based on the Principles for Positive Impact Finance, lenders and investors and a range of stakeholders are building on existing impact frameworks to develop guidance and tools for holistic impact analysis across a range of financing instruments. The Initiative is also engaging with the public sector to explore impact-based requests for proposals which can stimulate the private sector to develop impact-based business models. The initiative is championed by a core group of UNEP FI Members and a wide group of other stakeholders in the public and private sectors. We invite all stakeholders to participate in UNEP FI's Positive Impact Initiative to collaborate on best practice and help build the impact ecosystem. For more information: www.unepfi.org/positive-impact/positive-impact/