



UNEP
FINANCE
INITIATIVE

UNEP FI Annual Overview

07/2018–06/2019

Creating a financial sector that positively impacts and serves people and planet.

UN Environment Programme Finance Initiative (UNEP FI) is a partnership between UN Environment Programme (UNEP) and the global financial sector created in the wake of the 1992 Earth Summit to catalyze financing for sustainable development. More than 250 financial institutions, including banks, insurers, and investors, work with UNEP to understand emerging environmental, social and governance challenges, why they matter to finance, and how to actively contribute to addressing them.



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UNEP FINANCE INITIATIVE MEMBERSHIP IN NUMBERS



39

Investment
Managers



149

Banks



66

Insurers



62

US\$ Tr assets
represented (approx)



60

Countries



27

Years of
experience



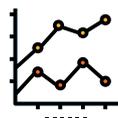
96

Supporting
institutions



>7k

Professionals
trained



110

Stock
exchanges



21

Webinars
held

Numbers as at 30/06/19

FOREWORD

“The future is entirely in our hands—what we do or don't do in the next 10 years will determine the fate of our planet.”

During 2018 and 2019, our members showed strong commitment and action in facing up to the challenges and opportunities our world is facing, and it is clear that the finance sector understands the critical role it needs to play in securing a more sustainable world.

Over the years, the sustainable finance community has developed knowledge and expertise on integrating environmental, social and governance (ESG) issues for the wider financial sector to build on, not least through members coalescing under industry frameworks for sustainability, particularly the Principles for Responsible Investment (PRI), which UNEP FI launched in 2006, and the Principles for Sustainable Insurance (PSI), released in 2012. This year saw a key milestone: the development of the Principles for Responsible Banking.

The Principles were crafted with a core group of banks to provide a framework to integrate sustainability into the heart of banking operations. Consultation feedback helped sharpen the framework to ensure banks large and small, and at all stages on the sustainability journey, would be able to commit to all six Principles; not least the first - to align strategies with the Paris Climate Agreement and the UN Sustainable Development Goals (SDGs). By signing the principles, banks commit to increase positive impacts while reducing negative impacts on people and planet and more than 130 banks collectively holding USD 47 trillion in assets, or one-third of the global banking sector, became founding signatories in September 2019.

It is an exciting period for UNEP FI, and with the three critical areas of finance now committed to Principles-based commitments the focus can move to strengthening financial institutions' leadership to integrate environmental, social and governance issues in “how” they do business.

And not a moment too soon, with society facing existential threats of inequality, climate change, and the unprecedented man-made destruction of life on earth as we know it. The Intergovernmental Panel on Climate Change's special report in 2018 found that we will need to limit global warming to 1.5 degrees above pre-industrial levels to have a chance of avoiding “rapid, far-reaching and unprecedented changes in all aspects of society”.

In April this year, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) global assessment report warned that “nature is declining globally at rates unprecedented in human history – and the rate of species extinctions is accelerating”. It called for policymakers to reform sectoral decision-making and take pre-emptive and precautionary actions in regulatory and management institutions and businesses to avoid, mitigate and remedy the deterioration of nature. UNEP's incoming Executive Director, Inger Andersen said in June, now is the time to act: “The future is entirely in our hands—what we do or don't do in the next 10 years will determine the fate of our planet. We have never been in a more important and critical moment for the human species.”

From climate strikes to extinction rebellions, international movements are challenging established economic and social systems. Their call to arms is simple: Act on the science.

The finance sector now has a choice: to be complicit in plundering the natural assets that we depend on, or to respond to this call and show pragmatic and responsible leadership in its response. The rationale for acting responsibly is clear, since the needs of key stakeholders—shareholders, employees, clients and beneficiaries—are the goals of society enshrined in the 2030 Agenda for Sustainable Development: peace and prosperity for people and the planet, now and into the future.

UNEP FI working groups are active in addressing these challenges. They are contributing to linking science to financial practice, essential for markets to reflect all available, relevant information and operate efficiently.

Over the past year, UNEP FI's pilot projects to implement the Financial Stability Board (FSB) Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations, have helped provide practical resources to equip the finance community with the approaches needed to enhance accountability and transparency. Financial institutions are also guided on developing climate risk management in a recent UNEP FI report on adaptation finance.

To help the sector analyse business risks from environmental degradation, UNEP FI launched ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) in November 2018. Banks

and investors can use the tool to understand how environmental change could affect the economy, and in turn exposure across portfolios. Projects such as these have helped financial institutions prepare for growing stakeholder expectations of increased accountability and resilience.

However, risk assessments and disclosure alone are not nearly enough to accelerate the transition to a sustainable, inclusive, low-carbon economy. Therefore, several insurers, banks and investors are also making hard commitments to decarbonize portfolios. And members have been developing sustainable financial products, including testing impact-based financing approaches under UNEP FI's Positive Impact Finance work stream to catalyse financing for the SDGs.

Meanwhile, signatories of the Principles for Sustainable Insurance (PSI) have helped to develop the first consultation draft of global guidance to integrate ESG risks into underwriting, as well as guidelines for the insurance industry to combat pirate fishing.

A stable economy and financial sector will depend on sustainable finance becoming business as usual to change the real economy, and thereby to help preserve our life support system.

Recognising this, the Central Banks and Supervisors Network for Greening the Financial System (NGFS) published recommendations in April to mobilize central banks and supervisors, as well as financial institutions, to act to foster a greener financial system. Regulators are increasingly asking financial institutions how they are positioned for climate-related financial risk. Meanwhile, finance ministers from more than 20 countries formed a Coalition for Climate Action to drive stronger collective action on climate change and its impacts.

The European Union provided policy leadership to mainstream sustainable finance in 2018/19. The European Commission's Sustainable Finance Action Plan prompted measures including the creation of a taxonomy for sustainable economic activities to identify investment opportunities, sparking interest worldwide. UNEP FI was an observer in the Technical Expert Group which drafted the taxonomy and will support an International Platform to mobilise private capital towards sustainable investments.

UNEP FI and many of its members have been involved in much of the recent progress in mainstreaming sustainable finance and driving the agenda for a more responsible financial sector. Initiatives in 2018/19 included leading or contributing to the development of national sustainable finance roadmaps in regions from Africa and Europe to North America and Australasia.

UNEP FI's largest-ever Global Roundtable in 2018, and Regional Roundtables and webinars in 2019, convened industry leaders, practitioners and policy and regulatory actors and provided platforms to showcase emerging approaches for the finance sector to tackle critical sustainability issues.

Our second successive year of membership growth of 10% in 2018/19 is just one of many signs that 27 years after 11 banks kicked off UNEP FI at the Rio Earth Summit, the need to innovate and scale up sustainable finance is greater than ever to ensure a competitive, future-proof, and resilient financial sector post-2020.

In 2019/2020, UNEP FI will continue to cultivate leadership and establish norms, facilitate cutting-edge projects to advance implementation and market practice, and engage policymakers to promote the key role that sustainable finance has to play shaping an economy that serves all, now and in the future. We would like to acknowledge the ongoing engagement of our members without whom this work would not be possible.

In uncertain times, there is one certainty: The future will not be the same as the past. It's up to us to shape it in a responsible way, and to pick up the pace of change.

"In uncertain times, there is one certainty: The future will not be the same as the past. It's up to us to shape it in a responsible way, and to pick up the pace of change."



Jacki Johnson

UNEP FI Global Steering Committee Co-Chairs



Antoni Ballabriga



Eric Usher

UNEP FI Head

CREATING A FINANCE INDUSTRY TO SERVE A HEALTHY PLANET

UN Environment Programme's Finance Initiative (UNEP FI) works with banks, investors and insurers to help create a financial industry that serves people and planet while delivering positive impacts. We work to inspire, inform and enable financial institutions who make up our membership to improve people's quality of life without compromising that of future generations. Our members number more than 250 and we are assisted by nearly 100 supporting institutions from the wider finance industry and beyond to accelerate financing for sustainable development.

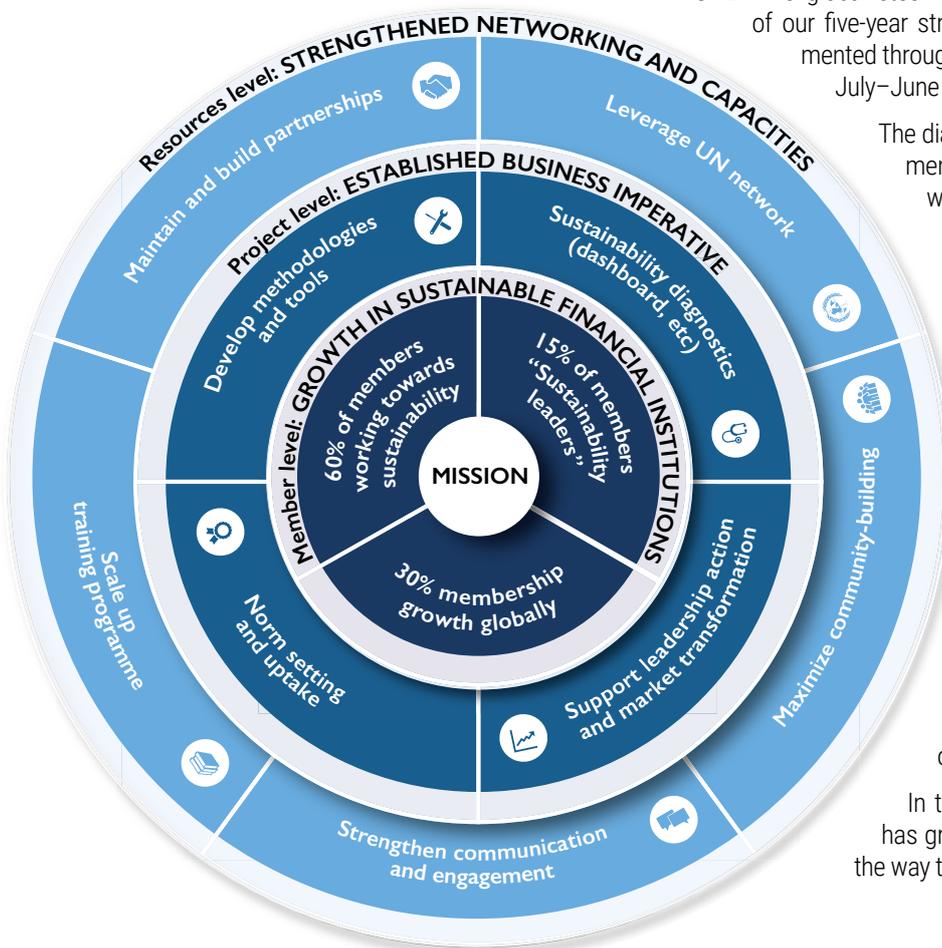
Our strategy is two-pronged; we aim to create the most effective network for sharing knowledge and best practice and to amplify the collective voice of the finance sector in policy debate. We will measure our success by the growth in the quantity and quality of "sustainable financial institutions".

UNEP FI's global steering committee led the development of our five-year strategy for 2018-2022 and is implemented through our annual work programme from July-June each year.

The diagram here illustrates how we implement our strategy: the goals by which we will measure our success are at the centre, and we will achieve our goal to grow the number of sustainable financial institutions through collaborative projects and access to shared learning.

Our work concentrates on the following areas: developing methodologies and tools, establishing sustainability diagnostics, encouraging norm setting and uptake, and supporting leadership, and you can read more about the work we have done towards these goals over the one-year period from July 2018 to June 2019 in this overview.

In the last two years, our membership has grown on a net basis by 20%, well on the way to our 30% target over five years.



SUPPORTING THE GROWTH OF A SUSTAINABLE FINANCE SYSTEM

We work with our members from the banking, insurance and investment industries on projects and initiatives to develop ambitious collective action, shared learning and practical resources to equip financial institutions with the knowledge and expertise to embed sustainability into their strategies and operations. Much of the value that financial institutions derive from their membership is their ability to take part in a rich work programme with peers that help them take the lead in shaping guidance and tools to integrate environmental, social and governance issues into decision-making so that it becomes business-as-usual. The latest overarching industry framework to underpin integration of sustainability issues is UNEP FI's Principles for Responsible Banking, which were drafted and consulted on in 2018/19 together with a core group of member banks. The approach to developing the Principles has built on the experience gained from the Principles for Responsible Investment which we launched in 2006, as well as the Principles for Sustainable Insurance in 2012. The Principles for Responsible Banking also reflect external global developments since the other industry frameworks were developed, notably the Paris Agreement and UN Sustainable Development Goals agreed by countries worldwide in 2015.

UNEP FI has convened financial institutions to participate in specific projects and facilitated collective action to help the financial sector tackle critical challenges such as climate change. Key to helping the industries prepare for increased stakeholder expectations on climate-related financial disclosures were banking, insurance and investment working groups piloting implementation of the recommendations of the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD).

Members involved in activities such as these, access technical experts and learn from each other as part of the largest UN-backed global network of banks, insurers and investors. Guided by the UNEP FI secretariat, members work together to find solutions to the challenges of integrating environmental, social and governance considerations into decision-making. Our now established Regional Roundtables which complement our biennial Global Roundtables are giving members regular opportunities to meet other sustainable finance practitioners, benefit from the experiences of peers and deepen their understanding of industry development at workshops and conference sessions, as well as through webinars.

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 market leadership, and engage policymakers to help transform practice across regions. We also work with supporting institutions such as banking associations, non-governmental organizations and central banks working towards a resilient, inclusive, low-carbon economy. We engage policymakers and regulators to help raise awareness of the frameworks needed to harness the key role that the finance industry stands to play in delivering a sustainable world for all.

The following pages summarise our activities in these areas from July 2018 until June 2019. This reporting period is in line with our annual work programmes which run over the same period.



Supporting leadership action & market transformation

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 guiding frameworks for the financial sector—the Principles for Sustainable Insurance, Principles for Responsible Investment, and during 2018/19 initiated the development of Principles for Responsible Banking. Coalitions of financial institutions work together under these principles to tackle specific challenges and develop solutions with the aim of transforming markets. These include catalyzing financing for the SDGs by testing impact-based approaches to financial products, as well as developing methodologies, guidance and tools to advance market practice on issues such as ecosystems and climate change.



6 PRINCIPLES DRIVING CHANGE, REALIZING IMPACT



Alignment



Impact &
target setting



Clients &
customers



Stakeholders



Governance
& culture



Transparency &
accountability

ALIGNING BANKING WITH SOCIETY'S GOALS: UNEP FI'S PRINCIPLES FOR RESPONSIBLE BANKING

In April 2018, a group of UNEP FI's banking members started drafting a set of principles designed to provide a framework for the global banking sector to play a major role in delivering the Sustainable Development Goals and the targets of the Paris Climate Agreement. The coalition working on the new framework and accompanying accountability framework grew to 30 founding banks. More than 150 banks and organisations such as banking associations from across the global finance industry publicly endorsed the Principles, confirming their place as the vehicle for change to deliver the responsible banking industry of the future.

More than 500 stakeholders took part in 17 webinars, 36 live meetings and events held across 34 countries, as well as individual engagement through an online consultation, which ran for six months until end May 2019. Through this participatory process, more than 250 banks provided inputs into shaping the Principles for Responsible Banking, along with civil society, other financial institutions, banking associations, technical experts and others. The final version of the Principles was released in July 2019.

The Principles aim to transform the banking industry into a leading player in contributing to sustainable development that proactively responds to the long-term needs of clients, customers and investors navigating the transition to a low-carbon, sustainable economic system. In defining what it means to be a "responsible bank", the Principles have been designed in such a way to enable all banks to implement them, no matter

their specific context or whether a bank is only beginning to integrate sustainability into its business. The transparency and accountability mechanisms of the Principles for Responsible Banking aim to ensure that banks manage what matters most: increasing positive impacts, setting public targets and reporting back on progress.

To help equip banks with the methodologies needed in order to set relevant targets and monitor progress, a working group of banks, led by the UNEP FI's Positive Impact Finance team, tested a tool for assessing and managing significant positive and negative impacts of financial products and portfolios. The road-tested prototype tool will be available when the Principles are launched in September 2019, along with a knowledge and guidance document that banks can use to incorporate the outcome of this assessment into the target-setting process, and impact management strategies.

The Principles for Responsible Banking built on UNEP FI's experience setting up the Principles for Responsible Investment (PRI) in 2006 and the Principles for Sustainable Insurance (PSI) which were established in 2012. Collectively, the three frameworks are defining the global financial industry's approach to integrating sustainability into decision-making. UNEP FI continues to collaborate closely on the responsible investment agenda with the PRI, now a stand-alone private limited company outside of the UN. The PSI provide a global framework for the insurance industry to address environmental, social and governance risks and opportunities.

"Every bank should become a signatory, and all regulators, investors, policy makers and civil society should support the banking industry as it adopts and implements the Principles for Responsible Banking."

Christiana Figueres, convener Mission 2020 and former Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC)

THE NEXT GENERATION OF RESPONSIBLE INVESTMENT: CONSIDERING SUSTAINABILITY IMPACT IN INVESTMENT DECISION-MAKING

Within the next decade, assessing and accounting for the sustainability impact of investment decision-making needs to be a core part of investment activity.

Launched in January 2019 by UNEP FI, the PRI, and The Generation Foundation, "A Legal Framework for Impact" project will develop legal analysis, as well as practical recommendations, for investors seeking to assess and manage sustainability impact in investment decision-making as a core part of investment activity.

To support this transition, the project will form a reference group of experts, collaborate with a major law firm, and support wider implementation.

The project will examine how investors can manage dual duties (their fiduciary duty and sustainability impact duties) and what happens if they are in conflict. Although there are emerging 'pockets of excellence' in technical understanding, including methodologies and disclosure requirements on the integration of impact in investment decision-making, fundamental legal questions remain which the project aims to address.

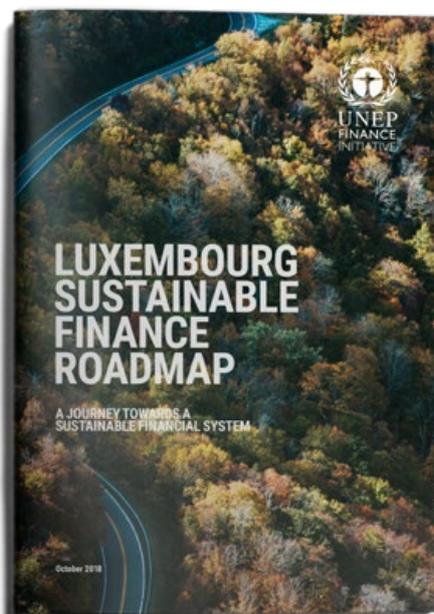
Together we will explore the legal contours around when and how investors can or are even required to assess and manage sustainability impacts as part of their investment decision-making process.

The project presents a unique opportunity to advance beyond a legal requirement for investors to integrate environmental, social and governance (ESG) issues, to mark the shift to a third generation of responsible investment where investors have fiduciary duties to measure, account for and integrate the real-world sustainability impacts of their investment activities.

Many UNEP FI and PRI investment members are already developing approaches to scale up their responses to global sustainability challenges, and to step up their role in advancing the global economy's transition to a more sustainable model—one that is aligned with the global climate agenda and UN Sustainable Development Goals agreed by 165 countries and territories.



A JOURNEY TOWARDS A SUSTAINABLE FINANCIAL SYSTEM: DEVELOPING SUSTAINABLE FINANCE ROADMAPS



Part of UNEP FI's role is to catalyse action on sustainable finance amongst policymakers. National guides for sustainable finance can spark an enabling environment to scale up sustainable finance. UNEP FI has been working with a number of governments and industry actors leading the development of sustainable finance roadmaps. In October 2018, we published a sustainable roadmap for Luxembourg to set a vision and lay the groundwork for a comprehensive sustainable finance strategy contributing to the Agenda 2030 and towards the objectives of the Paris Agreement. Recommendations in the Roadmap, commissioned by the Luxembourg Ministry of Finance and the Ministry of Sustainable Development and Infrastructure, include a proposal for the Government to formalize and communicate an ambitious, tailored and clear sustainable finance strategy. The Government implemented several recommendations, including establishing a Luxembourg Sustainable Finance Initiative to develop a national strategy for sustainable finance.

During 2018 and 2019, UNEP FI was also involved in the development of roadmaps in Egypt and Canada, as well as Australia and New Zealand. A UNEP FI Conference with the PRI and partners in Australia and New Zealand organised in Sydney by UNEP FI members Insurance Australia Group and National Australia Bank saw banks, insurers and investors, representing over 300 institutions with US\$ 10 trillion in assets, release a Joint Statement in Support of a Sustainable Financial System

for Australia and New Zealand. It calls on organisations across the finance sector to support the development of Sustainable Finance Roadmaps for the two neighbouring countries. An Australian Sustainable Finance Initiative was launched soon after to set out a roadmap for realigning the finance sector to support greater social, environmental and economic outcomes for the country. UNEP FI's Head Eric Usher is an Observer on the Alliance Steering Committee.

GLOBAL GUIDE FOR NON-LIFE INSURANCE UNDERWRITING ON INTEGRATING ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

The [first-ever insurance industry guide to manage environmental, social and governance \(ESG\) risks—or sustainability risks](#)—was launched for consultation at the international event, *Insuring for sustainable development: Raising the industry's ambition*. The event was co-organised by UNEP FI's Principles for Sustainable Insurance Initiative and by the global insurer, Allianz, at Allianz's global headquarters in Munich in February 2019.

The pioneering guide is the result of a multi-year collaborative effort with leading insurers and key stakeholders through a global consultation process co-led by Allianz and UNEP FI.

The guide shows how insurers can develop a systematic approach to managing ESG risks such as climate change, environmental degradation, damage to protected sites and species, animal welfare, human rights, controversial weapons, and corruption. It focuses on non-life insurance and includes heat maps indicating the level of potential ESG risk across lines of business and economic sectors—from agriculture, chemicals, defence, energy, healthcare and technology to infrastructure, manufacturing, mining, real estate, transport and utilities.

The public consultation on the initial draft, until 30 September 2019, will be followed by a full version of the guide by the end of 2019. It will be updated regularly thereafter.

The PSI will support implementation of the global guide to manage ESG risks in non-life insurance business, and contribute to achieving the aims of the UN Sustainable Development

Goals, Paris Agreement on Climate Change, Sendai Framework for Disaster Risk Reduction, and UN Guiding Principles on Business and Human Rights.



INTEGRATING ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS IN GLOBAL REAL ESTATE INVESTING

In late 2018, a global survey was conducted to better understand how the attitudes, strategies, and practices of real estate investors, and asset managers are incorporating environmental, social and governance (ESG) criteria into investment decisions, and the degree to which they may need to strengthen commitments to align portfolios with the objectives of the Paris Agreement. More than 40 respondents with an aggregate AUM exceeding US\$ 1 trillion took part. Findings published in a summary report in March 2019 revealed that the majority of respondents are taking ESG considerations into account for

acquisitions and using the application of ESG criteria as a lever to lower risk, and that tenants and owners are now asking and expected to demand more from asset managers to address climate risk. The findings suggest strongly that there is potential to produce even greater positive changes within the sector to accelerate the decarbonisation of buildings and enhance alignment with the Paris Climate Agreement goals. The survey and report production were led by UNEP FI member Bentall-GreenOak and industry association, REALPAC.



Norm setting and uptake

Through training and capacity building initiatives, and projects that allow members to work collaboratively to integrate environmental, social and governance considerations in 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 engages policymakers and regulators on creating an enabling environment to scale up sustainable finance market practice.

ASSESSING RISKS AND OPPORTUNITIES IN A CHANGING CLIMATE: IMPLEMENTING THE TCFD RECOMMENDATIONS FOR BANKS, INSURERS AND INVESTORS

UNEP FI has been working with banking, insurance and investment members to develop tools and methodologies to implement the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

As well as shared learning across 20 of the world's leading investors, the outcome of UNEP FI's investor pilot included guidance launched in London in May 2019. Speaking at the launch event hosted by Aviva, the Bank of England's Sarah Breedon said:

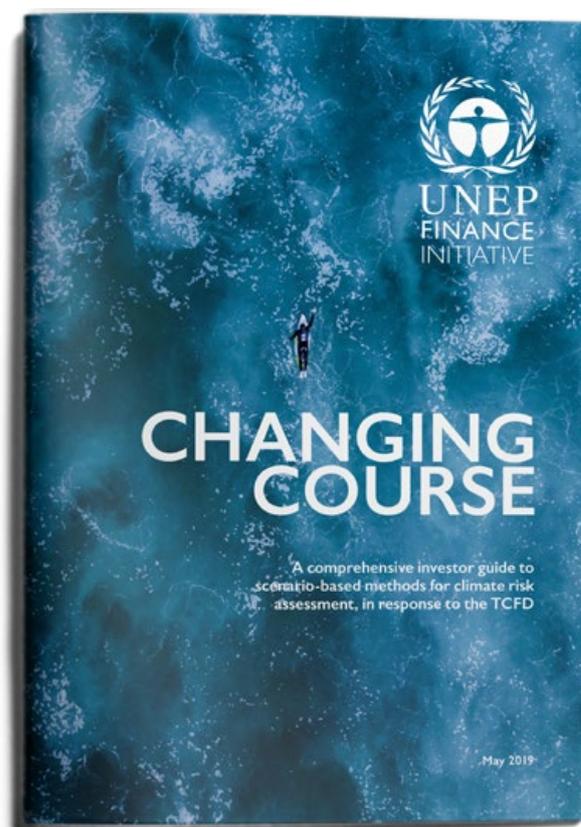
“Since the financial risks that climate change creates are ours to manage in all future states of the world, it is incumbent upon firms, central banks and supervisors to act too.”

It is expected that the recommendations of the TCFD will eventually be adopted by regulators around the world and that financial institutions which start to apply the framework to their business now will have a significant head start on compliance and will be contributing to a more resilient financial system.

UNEP FI's investment pilot was undertaken with specialised consulting firm Carbon Delta developing scenarios, models, and metrics for investors to apply scenario-based, forward-looking assessment and disclosure of climate-related risks and opportunities across portfolios. Related guidance, 'Changing Course', was compiled by Vivid Economics providing an analytical review of over 18 methodologies, details of the methodology used in the pilot, as well as case studies from 12 investors. A tool co-developed through the pilot is also now available and free to trial for all UNEP FI members.

Investors in the pilot trialled a range of climate scenarios to assess transition and physical risks and tested a jointly-developed metric for determining the value at risk from climate change across equity, bond, and real estate portfolios. Results of an aggregate analysis using this metric estimated that government inaction on climate change could further exacerbate costs in the range of US\$ 1.2 trillion for 30,000 of the largest listed companies.

The work contributed to the industry's advancement of the recommendations of the TCFD, and UNEP FI is exploring options to develop a second phase of an investment pilot.



The second publication from UNEP FI's TCFD pilot with 16 banking members released in July 2018—Navigating a New Climate—assesses the physical-related risk and opportunities of climate change—the risk resulting from climate variability, extreme events and longer-term shifts in climate patterns facing banks. The report builds on the outcomes of the pilot-methodologies focused on transition risk shared in the first report “Extending our Horizons” in April 2018. The second report was guided by climate risk and adaptation advisory firm Acclimatise and outlines the results of the banks' testing of a widely applicable scenario-based approach for estimating the impact of climate change on corporate lending portfolios.

A second phase of the pilot for banks launched in July 2019 to take a deeper dive into TCFD scenario analysis by improving the climate scenarios and risk data developed in the first phase of work. UNEP FI is also working on an online hub designed to be used by financial institutions to keep track of and monitor all finance sector disclosures, tools and resources related to the recommendations of the TCFD.



UNEP FI and 21 insurance and reinsurance companies are now working to enable the adoption of the TCFD’s recommendations in the last of our membership tracks, supporting TCFD recommendation leadership across the entire finance industry. The pilot group will develop a new generation of risk assessment tools designed to enable the insurance industry to better understand the impacts of climate change on their business. This understanding is vital for an industry whose core business is to manage risk.

The project aims to enable the (re)insurers making up this pilot group to assess and disclose climate-related risks and opportunities in a way that is aligned with the TCFD recommendations. It also aims to contribute to the emergence of a harmonised approach to TCFD disclosure by (re)insurers, and to provide an example and guidance to the wider insurance industry. The deliverables of this project are expected to be launched mid-2020.

“The planet does not have time for excuses. Investors have a central role to play in moving the world to a low-carbon future. This collaboration shows how we can all take better decisions, for our customers and for the environment. Aviva will keep calling for proper disclosure from the companies we invest in, while working with regulators and policymakers to make sure capital markets properly take account of these risks. The cost of doing nothing is far greater than any costs incurred by taking action.”

Maurice Tulloch, CEO, Aviva plc

UNLEASHING SUSTAINABLE FINANCE: THE EU TAXONOMY TO DEFINE SUSTAINABLE ECONOMIC ACTIVITIES

On 18 June 2019, the European Commission's EU Technical Expert Group on Sustainable Finance (TEG) launched drafts for consultation on an EU Taxonomy, a voluntary EU Green Bond Standard and voluntary low-carbon benchmarks. UNEP FI is an observer to the TEG and contributed to the development of a taxonomy on land use.

The EU Taxonomy is a classification system to help investors make informed investment decisions on environmentally friendly economic activities. The initial draft proposes technical screening criteria for economic activities that can make a **substantial contribution to climate change mitigation or adaptation**. The draft taxonomy includes both low-carbon activities and activities that contribute to the transition to achieve climate change targets, and substantially improve the environmental performance of industries. It helps investors translate climate change targets agreed by EU and member state governments into measurable economic activities. It also clarifies how a company can transition its business model, providing a more sophisticated understanding of whether the company is transitioning, and if so, how, and over time, how quickly.

Under the proposed EU Taxonomy regulation, institutional investors and asset managers marketing investment products as environmentally sustainable will need to explain whether, and how, they have used the EU Taxonomy criteria. Other financiers, banks, companies and local authorities both within and outside the EU can also use the Taxonomy on a voluntary basis.

The EU Taxonomy will form the cornerstone of future EU regulations on sustainable investment. It is the primary recommendation of the EU action plan on financing sustainable growth.



BUILDING CAPACITY AND EXPERTISE IN ENERGY EFFICIENT INVESTMENT

In order to mainstream energy efficiency (EE) investment and support attainment of the EU's 2030 climate and energy targets, UNEP FI partnered with the European Commission in organizing many events in European capitals. 13 public conferences were held in addition to several high-profile events in Brussels and webinars. Discussions were further deepened through 18 national roundtables.

These conferences are building on the outputs of the Energy Efficiency Financial Institutions Group (EEFIG), which UNEP FI co-convenes with the European Commission. During the discussions, participants raised the need to further scale up the use of financial instruments in addition to grant funding, the need for benchmarking, aggregation and standardization of energy efficiency finance, and the need to address the performance gap between the actual energy performance

of EE measures and the perceived risk of underperformance. UNEP FI will continue its partnership with the European Commission in organizing another series of events across Europe in 2019.

In late 2018, the European Commission and UNEP FI launched the third phase of EEFIG, which includes a flexible working group format to continue maintaining the valuable assets produced during the second phase, such as the DEEP database and the [Underwriting Toolkit](#), and focus on new emerging issues relating to the EU's sustainable finance agenda. These include a new working group on the development of an energy efficiency taxonomy and of green tagging, as well as a new working group on the relationship between energy efficiency improvements and loan performance.

The third phase of EFIG was launched during a plenary session in late February 2019, alongside the first meeting of the new steering committee which provides strategic direction to EFIG.

In March 2019, UNEP FI set up an [Energy Efficiency Finance Platform](#) which enables the exchange of information on best practice between financial institutions from all regions. It will allow banks to share their experiences in improving the efficiency of real estate mortgage collateral, analysing the possible contributions of energy efficiency to credit risk, and mainstreaming energy efficiency across distinct business lines. Investors can also exchange knowledge and expertise on improving the

efficiency of energy-intensive portfolio companies and direct real estate holdings, and insurers can share best practice in de-risking energy efficiency investments via dedicated insurance products. The platform convenes via quarterly telephone conferences and monthly email updates on the newest developments in the EE finance market.

UNEP FI is also supporting an initiative with banks at European level, bringing its support and experience by participating in the Advisory Committee of the European Mortgage Federation/ European Covered Bond Council project on energy efficient mortgages.

FIDUCIARY DUTY IN THE 21ST CENTURY: FROM A LEGAL CASE TO REGULATORY CLARIFICATION

To address an implementation gap in capital markets accounting for sustainability-related risks and opportunities, the Fiduciary Duty in the 21st Century programme, launched in 2016, has produced extensive research and advocated for global policy reform to clarify fiduciaries' duties to their beneficiaries. In 2018/19, the programme continued to seek a modern interpretation of fiduciary duty, reinforcing the core duties of loyalty, prudence and competence and stressing that investors must pay attention to long-term investment value drivers (including environmental, social, and governance (ESG) issues) in their

investment processes, in their active ownership activities and in their public policy engagement.

In a major milestone from a regulatory standpoint, in March 2019, the EU Parliament and Council achieved political agreement on the investor disclosures file, which will require ESG integration by EU financial market participants.

Over the past three years, along with our project partners—the Principles for Responsible Investment and The Generation Foundation, UNEP FI investment has:



Interviewed and engaged over 400 policymakers, regulators, and investors to raise awareness around the importance of ESG factors to the fiduciary duties of investors



Engaged with the European Commission and the HLEG (European Commission High Level Expert Group) on Sustainable Finance to help formulate EU-wide clarification of investor duties in the European Union



Published 11 country roadmaps and 10 related reports, including five additional publications this past year



Extended research to six Asian markets



Published 15 articles in the media



Referenced in over a dozen mainstream and industry publications



Held over 20 workshops in 15 countries with investors and regulators to discuss regulatory clarification and investor practice on ESG integration as part of the fiduciary duties of investors



Amassed 124 signatories from 22 countries for the Global Statement on Investor Obligations and Duties who commit to taking account of ESG issues in investment decision-making

SUPPORTING THE DEVELOPMENT OF THE V20 SUSTAINABLE INSURANCE FACILITY

The V20 Group of Finance Ministers advocates for the creation of a "Sustainable Insurance Facility" to increase private sector uptake of climate-smart Micro, Small, and Medium Enterprises (MSME) insurance on both the supply and the demand side.

On the demand side, the V20 identified MSMEs as the target group for which to enable and strengthen the uptake of insurance products. In terms of the supply side, the V20 identified the need to strengthen the capacities of national/local insurance companies to provide climate-smart insurance products, including product development, underwriting, and distribution.

The overarching objective of the Facility is to develop and support the uptake of integrated and people-centered climate-smart insurance solutions from and for the private sector to achieve climate-proof growth with a specific focus on enhancing socio-economic resilience, and fiscal stability.

Together with the support of the Munich Climate Insurance Initiative (MCII) and the UNEP FI PSI Initiative, the objective for 2019 is to work towards launching a platform consisting of a consortium of partners that jointly work on scaling up existing initiatives, programs and financing vehicles in a coordinated and tailored manner to further examine and address the climate-smart MSME insurance gap in V20 economies.

BANKING PEER EXCHANGE IN LATIN AMERICA

UNEP FI trialled its first structured peer exchange for banks across Latin America in São Paulo, Brazil, in October 2018. The exchange was industry-specific and gave visiting and host banks an opportunity to share and gain knowledge on sustainable banking topics. Specific objectives included to extend good practice; enhance technical capacities through practical experience and real life case studies; strengthen the network and promote interaction among members; and serve as a motivational tool to promote sustainable practices at new financial institutions and potential members.

UNEP FI's regional co-ordinator for Latin America & the Caribbean piloted a peer exchange as a new mechanism of capacity building within the UNEP FI network. The exchange consisted of two main groups: Host financial institutions and visiting financial institutions. Any UNEP FI member could be a host, as long as they were willing to share their experience and expertise on a specific topic. The first exchange was hosted by a Brazilian supporting institution FEBRABAN (banking industry association) and three member banks: Itau, Bradesco and Santander Brasil.

The eight visitors had the opportunity to exchange, hear and learn from "host members" on their sustainable finance practices. Their diversity of experience and knowledge helped foster technical discussions on different approaches within respective national contexts across the region. Four-hour meetings with each host bank allowed a range of specific topics to be covered in-depth for a fruitful and inspiring exchange.

Topics included:

- **A coordinated approach to improve distributed solar power generation in Brazil:** This demonstrated the importance of having an organized and coherent "ecosystem" of actors allowing the market to develop and address the lack of bankable projects.

- **Inclusion and diversity:** This addressed issues such as gender, LGBT, race and disabilities. Respect for diversity was transformed into training and awareness-raising amongst staff.
- **Corporate structure and sustainability is an integral part of the operations:** Host banks shared their experience of integration in different departments, such as risk, commercial, compliance and human resources.
- **New business models and information technology:** A focus on investing in mentoring, advising, networking and providing open spaces for digital entrepreneurs provided the opportunity to discuss and research topics such as blockchain applications, and quantum computing developments.
- **Microfinance:** A powerful area to diverge from a classic project finance approach to smaller operations, with a sustainable (environmental and social) focus.

Peer exchanges support implementation of UNEP FI's membership strategy, which includes a goal to strengthen shared learning and capacity building by facilitating knowledge sharing and peer-to-peer learning, in response to demand identified through a cross-industry membership survey in 2016. The pilot showed that this model of in-person peer-to-peer exchanges is valuable for members, and proved the effectiveness of sharing experiences within the UNEP FI network. An evaluation survey showed positive feedback from participating banks. UNEP FI will replicate this model in other regions, on topics selected by participants. While the first exchange was held with banks, the Secretariat will explore interest in and the feasibility of an exchange for insurance members.

DEVELOPING THE PSI LIFE AND HEALTH INSURANCE WORK STREAM

The Principles for Sustainable Insurance is developing a Life and Health workstream, including a PSI Advisory Group, which will guide the PSI Board and PSI Secretariat in developing a strategy. The first PSI Life & Health Insurance Industry Event took place on 28 February 2019 at the Allianz headquarters in Munich, Germany. The event shaped the sustainability agenda

for the life and health insurance industry, covering key issues such as the socio-economic impacts of ageing populations and opportunities for insurers, innovations in smart health and prevention and the use of digital technology, and the links between climate change and mortality.

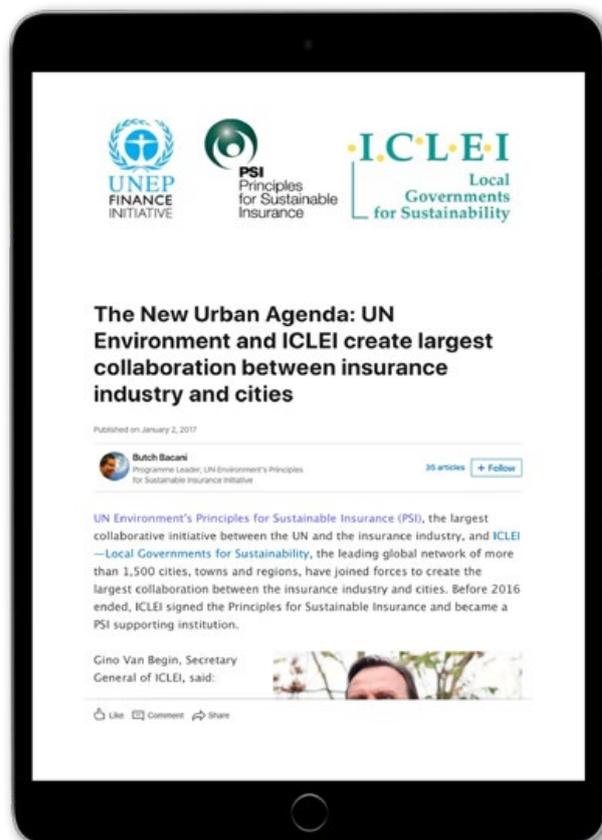
INSURANCE INDUSTRY DEVELOPMENT GOALS FOR CITIES (PSI-ICLEI)

The [PSI and ICLEI—Local Governments for Sustainability](#), the leading global network of more than 1,500 cities, towns and regions, have created the largest collaboration between the insurance industry and cities to advance the global agenda of building resilient and sustainable cities.

The initial PSI-ICLEI insurance industry and cities summit at the Resilient Cities Congress in Bonn, Germany in 2017 led to the [“Bonn Ambition”](#), which culminated with the launch of the [“Insurance Industry Development Goals for Cities”](#) at the 2018 ICLEI World Congress of Cities in Montreal, Canada.

Since then, the PSI has been supporting implementation of the PSI-ICLEI Insurance Industry Development Goals for Cities across risk management, insurance and investment activities, in line with the aims of UN Sustainable Development Goal 11 on resilient and sustainable cities.

As a practical example, leading Nigerian insurers agreed during the 2nd PSI African Market Event held in Nigeria in April 2019, to engage with local government authorities in Lagos to explore the development of a “city sustainable insurance roadmap”—a strategy and action plan to help Lagos become resilient and sustainable. The idea to develop a Lagos sustainable insurance roadmap supports the aims of the Insurance Industry Development Goals for Cities developed by the PSI and ICLEI—Local Governments for Sustainability.





Scale up training programmes

UNEP FI partners with institutions that provide training to finance professionals to expand capacity building on sustainable finance, and to broaden knowledge development on emerging best practice, methodologies, tools, guidance etc.



Since 2005, UNEP FI and its partners have held 156 online courses and over 70 in-person workshops, training around 6,600 professionals from the financial sector all over the world. From July 2018 to the first half of 2019, more than 1,500

professionals took part in awareness-raising and capacity building sessions via online courses or in-person workshops. Highlights include:



1556

people were trained from July 2018 to the first half of 2019



618

people attended seminars



324

people participated in workshops



296

people were trained in the **ESRA Workshops**



225

people were trained in the **ESRA online course**



80

people were trained in the **CC & TCFD online course**



13

people were trained in the **CEFI online course**

More than 900 people attended other events and workshops held in Latin America, covering climate finance, green bonds and many other aspects of sustainable finance. Financial

professionals interested in seeing the breadth of the training programmes offered by UNEP FI worldwide either online or at in-person events and workshops should visit unepfi.org/training

NEW ONLINE COURSE ON CLIMATE CHANGE AND THE TCFD: RISKS AND OPPORTUNITIES FOR THE BANKING INDUSTRY

UNEP FI has developed a new online course, "Climate Change and the TCFD: Risks and Opportunities for the Banking Industry". It aims to support financial institutions in carrying out assessments and disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures, and is based on the ground-breaking work of the UNEP FI pilot

project with banks on TCFD adoption. The new syllabus reflects the latest developments, including the implications of the Paris Climate Agreement for transition risks and opportunities. The course will be translated into Spanish. It was developed with the support of CAF, the Latin American Development Bank, a UNEP FI member.

DEVELOPING NEW TRAINING PROGRAMMES

UNEP FI continues to enhance and expand its training and capacity building for financial institutions. For the first time in Costa Rica, UNEP FI, along with the Costa Rican Stock Exchange and the "Costa Rica por Siempre" Association, in collaboration with the Sustainable Stock Exchange Initiative (SSE) and the Principles for Responsible Investment (PRI), held a face-to-face training workshop on Responsible Investment.

UNEP FI and partners joined forces to deliver three Sustainable Finance Training Workshops in Costa Rica and Chile in June 2018 and April 2019. The training covered Environmental and Social Risk Analysis (ESRA), Green Products and Services Financing, and Corporate Eco-efficiency.

UNEP FI, Ecobanking Project / INCAE Business School and GIZ offered the Environmental & Social Risk Analysis (ESRA) intro-

ductory training workshop for the first time in Chinese in Beijing, China in June 2019, with the support of ChinaSIF/Syntao. An online course in Chinese is planned for November 2019.

Training for financial institutions was undertaken to build capacity in natural capital assessments in risk management. This training has so far been offered to financial institutions in Colombia, Peru and South Africa. A core element of the training is how to apply the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool and risk management framework for sector analysis, including agriculture and mining. More information on natural capital and the finance sector is available on page 21.



Methodologies and tools

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, global guidance on the integration of ESG risks into insurance underwriting will provide a major resource for the insurance industry to identify and define ESG risks; a tool for natural capital-related portfolio risk assessment helps financial institutions to evaluate the dependencies of economic sectors on natural capital; and impact-based financing frameworks will help clarify how financial instruments support the UN Sustainable Development Goals.



POSITIVE IMPACT INITIATIVE PAVES THE WAY FOR MAINSTREAM IMPACT FINANCE

UNEP FI's Positive Impact Initiative (PI) aims to help unlock SDG financing. The Initiative launched "[Rethinking Impact to Finance the SDGs](#)" in November 2018 to articulate a new approach to identifying impact-based business models, with the delivery of positive impacts as a driver of sustainable business growth and long-term enterprise value. This could make it cheaper to deliver sustainability outcomes less risky to finance and 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, to

meet stakeholder needs, as well as to capture new opportunities that support this transformation. It is therefore critical for banks and investors to improve their capacity to understand and analyze impact.

The PI work stream also released several prototype [tools for impact analysis and management](#) during 2018/19: An *Impact Radar*, which translates the SDGs into meaningful terms for business and finance, and *Model Frameworks*, which provide guidance to apply holistic impact analysis across different financing products and asset classes.



Several leading international banks, investors and service providers joined two PI practitioners' working groups in 2019, to test and promote implementation of the tools and frameworks.

The first working group focused on impact frameworks for corporate finance and investments with unspecified use of funds; financial institutions and relevant stakeholders tested the PI Model Framework and compared approaches to impact analysis on corporates with a goal to drive harmonization, refine the Model and complement it with case studies.

A second group contributed to impact analysis to support implementation of the Principles for Responsible Banking. Banks built on the PI Model Frameworks & Impact Radar to develop a tool that will help them identify significant impact

areas in their portfolios, in order to inform their impact strategies and set targets. The PI team led a working group, including representatives from the Founding Banks of the Principles for Responsible Banking, to develop the tool to assess and manage significant positive and negative impacts.

These working groups will lead to the release of a practical template for holistic impact analysis later in 2019, for use by financial institutions as well as corporates.

Via the PI Initiative, UNEP FI is now part of the [Impact Management Project's Structured Network](#), a global forum for building global consensus on how to measure, report, compare and improve impact performance.

POSITIVE IMPACT REAL ESTATE INVESTMENT FRAMEWORK

The Property Working Group issued a [Positive Impact Real Estate Investment Framework](#) in November 2018. It is designed to help property investors develop and implement an impact-based approach to their investments and guide decisions at any stage of the property investment cycle. The Framework is structured around four Investment Objectives—clarity of

impact; market and sustainable returns; measurement of impact; and additional finance and/or impact flows - each presenting a series of leading questions and checkpoints for institutions to frame decision-making. The Framework is available in English and Japanese.

LAUNCH OF ENCORE WEBTOOL AND NATURAL CAPITAL RISK REPORT

The Natural Capital Finance Alliance (NCFA), a collaboration between UNEP FI and Global Canopy, in partnership with UN Environment World Conservation Monitoring Centre, launched a free web-based tool, called ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) in November 2018.

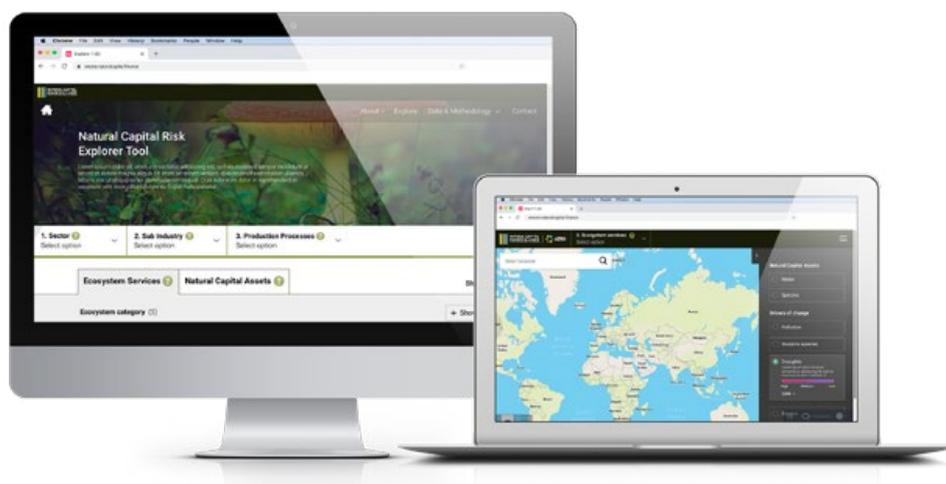
It is the world's first comprehensive tool linking environmental change with its consequences for the economy to help banks, investors and insurance firms assess portfolio exposure to global risks from environmental degradation, such as climate change, pollution or destruction of forests.

ENCORE's comprehensive database covers 167 economic sectors and 21 ecosystem services, i.e. the natural resources and stable environmental conditions that nature provides that enable or facilitate business production. ENCORE enables users to visualise how the economy depends on nature and how environmental change creates risks for businesses. Starting from a business sector, ecosystem service, or natural capital asset, ENCORE can be used to explore natural capital risks.

These risks can be investigated to understand location-specific risks with maps of natural capital assets and drivers of environmental change.

ENCORE data has identified that the three sectors most materially dependent on nature are: Agriculture, Aquaculture & fisheries and Forest products. Sectors such as Utilities, Oil & gas and Mining were also found to have a very high dependence on ecosystem services. The three most important ecosystem services for the global economy were found to be water provision, climate regulation and flood protection.

An assessment of the FTSE 100 Index, using the ENCORE tool, found that in 13 of the 18 sectors that make up the index, a total of US\$ 1.6 trillion in net market capitalisation is associated with production processes that have high (or very high) material dependence on nature. Examples of such high economic dependencies include reliance on pollination for harvesting cereals and, and the reliance of metal processing on ground water provision.



The ENCORE tool is available in English and Spanish: encore.naturalcapital.finance

For accompanying reports see here: unepfi.org/ecosystems/ncfa/exploring-natural-capital-opportunities-risks-and-exposure-encore-tool

LAUNCH OF NATURAL CAPITAL RISK FRAMEWORK FOR BANKS

NCFA and PwC developed a process that enables financial institutions to easily assess natural capital risks in their portfolios, outlined in the report 'Integrating Natural Capital in Risk Assessments'. The step-by-step guide for conducting a rapid natural capital risk assessment focuses on identifying the ways in which businesses depend on the environment, how these dependencies are threatened by environmental change, and the resulting risks for financial institutions. The guide, released in January 2019, helps global banks to better understand how the pollution of oceans or destruction of forests, for example, may affect their financial future.

The guide was developed based on experience piloting the approach, using the ENCORE tool, with banks across three countries: Colombia, Peru and South Africa. The guide has been piloted by five banks, including First Rand in South Africa which found it "enabled us to look at our portfolio in a new way".

The guide aims to fully unlock the power of ENCORE and was part of a project to advance environmental risk management by

helping financial institutions understand and integrate the risks of environmental degradation into their risk assessment methods and decision-making tools.

By using the approach developed to understand their natural capital risk, banks will be better equipped to devise solutions that will protect their portfolios in an era of accelerating environmental change, as well as to identify potential opportunities around solutions provision and new products.

The guide has two core elements:

- i) Rapid Natural Capital Risk Assessment, which allows an institution to quickly identify the areas of highest natural capital risk.
- ii) Sector/Asset Analysis, which uses data on drivers of environmental change and the state of natural capital assets to assess the likelihood of disruption of relevant ecosystem services. This could help financial institutions in climate scenario analyses as recommended by the Task Force on Climate-related Financial Disclosures. By combining a comprehensive knowledge base

with environmental scenarios and location-specific asset data, financial institutions can assess and manage natural capital risk in qualitative and quantitative terms. This insight can be incorporated into existing risk processes, for example, by combin-

ing internal data on client location with environmental data to improve strategic scenario planning and credit risk management.

Find more online at unepfi.org/ecosystems



LAUNCH OF AGRICULTURAL RISK FRAMEWORK

Food production uses 50 per cent of the world's total habitable land, and adequately feeding 10 billion people by 2050 will require a 50 per cent increase in food production. This would lead to a 19% increase in agricultural water demand. However, land degradation and desertification have increased, with land degradation affecting approximately 29 per cent of global land, where some 3.2 billion people reside.

Agriculture is therefore both fundamentally dependent on the environment, and a leading driver of environmental impacts. Farmers are key custodians of our soils, water and biodiversity, or what is now increasingly called our 'natural capital'—the natural resources and ecosystems that provide flows of environmental goods and services that underpin the global economy.

Banks that lend to this sector are therefore indirectly exposed to natural capital risk. Yet most still lend to farmers almost solely on the basis of their most recent profit and loss accounts.

New insight into natural capital's link to production shows that while a farm's financial performance can be improved over the short-term in an unsustainable way, for example by over-application of fertiliser, this can create medium-term risks, such as through a build-up of acidity in the soil, which can negatively affect the farmer's financial performance, and therefore their ability to repay a loan. Degraded land and overuse of key inputs such as water will also reduce the asset value of farms over time.

Banks able to differentiate between a sustainably run farm and an unsustainably run farm could improve their own financial performance—because their loans would suffer fewer defaults on average—as well as drive improvements in the quality of the environment.

The new approach, described in the Natural Capital Finance Alliance report 'Natural Capital Credit Risk Assessment in Agricultural Lending', provides a global template for natural capital

credit risk assessment and is designed to be consistent with the leading international standard for including natural capital in business decision-making, the Natural Capital Protocol.

The approach was developed by Dr Francisco Ascui, Senior Lecturer in Business and Climate Change at the University of Edinburgh Business School, and Theodor Cojoianu, Marie Curie

and IRC Fellow at the University College Dublin, Michael Smurfit Graduate Business School, in response to growing demand for better frameworks to assess natural capital risks in key sectors of the economy.

The guide is available here: unepfi.org/ecosystems/ncfa/natural-capital-credit-risk-assessment-in-agricultural-lending/

NATURAL CAPITAL EXPLAINED

Natural capital evaluations consider nature as a stock that provides a flow of benefits to people and the economy. Natural capital assets such as water, forests and clean air enable economic activity by providing businesses with materials, inputs to production, protection from natural disasters and absorption of the pollution they emit. An adverse change in a natural capital asset can have a negative effect on the businesses that depend on it; in much the same way as the impairment of a conventional asset might affect the cashflows of the business owning it.

The portfolios of financial institutions are exposed to these natural capital risks that affect the businesses that they lend to, insure or invest in. By focusing on risks to businesses resulting from environmental degradation, rather than on the businesses' environmental impacts, natural capital risk analysis allows financial institutions take a new approach to analyzing risk exposure.

GLOBAL GUIDE TO TACKLE ILLEGAL, UNREPORTED AND UNREGULATED FISHING

In February 2019, Oceana and leading insurers issued a checklist of warning signs for pirate fishing activity, as part of a global insurance industry effort to curb illegal fishing. [The risk assessment guidelines](#), launched at an international conference organised by UNEP FI's Principles for Sustainable Insurance and the global insurer Allianz, were developed to help the insurance industry better detect and deny insurance to vessels and companies caught or suspected of pirate fishing.

Pirate fishing—also known as illegal, unreported and unregulated (IUU) fishing—exposes insurers to legal, financial and reputational risks, and also puts food security and jobs in danger while destroying marine habitats and ocean life. Financially, the colossal cost of illegal fishing to the global economy

is estimated to be between US\$ 10 billion and 23.5 billion in losses every year.

The guidelines include a checklist of 18 warning signs to detect higher risk vessels and contracts, which expose insurers to increased likelihood of claims, association with other crimes, exposure to fraud, exposure to legal liabilities and losses due to reputational damage.

The guidelines to tackle IUU fishing on a global scale build on the 2017 Oceana and the PSI industry statement on sustainable marine insurance—[Assisting ocean stewardship through marine insurance](#)—for insurers to support efforts that can help reduce and ultimately eliminate IUU fishing.



Strengthening communication and engagement

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



AMPLIFYING THE COLLECTIVE VOICE OF 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 Govern-

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

UNEP FI GLOBAL ROUNDTABLE 2018: MOBILIZING THE FINANCIAL SECTOR TO DELIVER A SUSTAINABLE FINANCIAL SYSTEM



UNEP FI's biennial Global Roundtable was held in Paris alongside the 4th Climate Finance Day from 26–28 November 2018. Finance for Tomorrow and UNEP FI co-organized their two flagship events which together were the major global rendez-vous in 2018 dedicated to mobilizing the financial sector to deliver a sustainable financial system.

PROGRAMME HIGHLIGHTS

Over the three days, more than 1,000 delegates and 150 speakers from 44 countries participated in and witnessed the launches of major initiatives that will help advance the sustainable finance agenda. 26 sessions provoked in-depth insights into the role and responsibilities of banking in aligning with the UN Sustainable Development Goals (SDGs), natural capital opportunities, sustainable finance challenges, and many more.

To learn more and watch the recordings of the event, please go to www.unepfi.org/grt2018

ANNOUNCEMENT HIGHLIGHTS

- Shaping the future of banking: Launch of the public consultation for the Principles for Responsible Banking
- AXA Group calls for industry to scale up climate ambition through collective action
- Launch of "Rethinking Impact to Finance the SDGs", a report by UNEP FI's Positive Impact Finance Initiative
- Launch of the France Roadmap for Sustainable Finance
- Launch of ENCORE: A new tool to help financial institutions assess the economic risks of environmental degradation
- Launch of UN Environment's flagship Emissions Gap Report 2018.



REGIONAL ROUNDTABLES ON SUSTAINABLE FINANCE 2019: BRINGING MEMBERS TOGETHER WITH LOCAL PEERS

In 2017, to celebrate our 25th Anniversary and in response to our members' requests to provide more opportunities to meet and exchange best practice, UNEP FI established Regional Roundtables on Sustainable Finance. We are now hosting the second round of events to provide an opportunity for members of the sustainable finance community to come together locally to discuss the latest regional trends and innovations and share good practice.

The Regional Roundtable in Africa and Middle East was held on 10–11 April 2019 in Cairo, Egypt. It brought together UNEP FI members and sustainable finance practitioners for two days of insights into advances in sustainable finance, including key developments such as the benefits of sustainable finance integration in national economies in Africa and the Middle East. Participants provided feedback on the draft Principles for Responsible Banking, and heard about positive impact measurement and growth, delivering resilient infrastructure with insur-

ers and investors, climate-related disclosures, natural capital stress-testing as well as social impact and financial inclusion.

The Regional Roundtable in Asia Pacific took place on 5–6 June 2019 and was held as part of World Environment Day in Shanghai, China. The events enabled participants to network with policy makers, regulators and peers from across the finance industry in the region and to exchange ideas on the benefits of sustainable finance integration in national economies and how Environmental, Social and Governance (ESG) issues can shape future business.

Financial institutions, policymakers and key decision-makers will be getting together for three further Regional Roundtables for North America in New York in September, Latin America and the Caribbean in São Paulo, Brazil, in October and Europe in Luxembourg in November.



CONVENING SENIOR FINANCIERS AND G20 POLICYMAKERS TO ASSESS HOW TO CLOSE THE GAP IN ENERGY EFFICIENCY INVESTMENT

At the G20 Global Summit on Financing Energy Efficiency, Innovation and Clean Technology, the CEOs of major pension funds, insurance companies, and senior financiers joined G20 policy-makers to assess how to close the world's energy efficiency investment gap.

The summit was an official side-event to the 2019 Japanese Presidency of the G20 and occurred in the run up to the G20 Ministerial Meeting on Energy Transitions and Global Environment for Sustainable Growth happening in Karuizawa, Japan, in June 2019.

The global finance industry debated with G20 government delegations the scale up of innovation required to boost the world's

US\$ 240 billion annual energy efficiency investment market to the trillion dollars required.

CEOs of the world's largest investors (including the Government Pension Fund of Japan and Allianz Investment Management) discussed with country delegations attending the G20 Ministerial Meeting how to improve the transparency of the world's emerging sustainable finance markets through enhancing data disclosure, machine learning techniques and other advanced data analytics.

DRIVING THE INVESTOR AGENDA ON CLIMATE CHANGE

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 platform at the 2018 Investor Summit on Climate Risk on 31 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. This involves 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. The latest action taken by the collective has

been a call to action from 477 investors with US\$ 34 trillion in assets who in June 2019 urged G20 leaders to keep the global temperature rise to 1.5°C. A statement outlining their request and signed by the investors was presented to leaders at the G20 Summit in Osaka.

UNEP FI has been mobilizing its members to take action via our work on implementing the recommendations of the Task Force on Climate-related Financial Disclosures, and a major investor commitment announced at the Climate Action Summit in September.



PROMOTING OUR WORK AND THAT OF OUR MEMBERS VIA OUR TOP-RATED SOCIAL MEDIA

We amplify our message to the finance industry and beyond and promote the work of our members via the social media channels Twitter, LinkedIn and Facebook. Our Twitter account has recently been ranked 35th in the Onalytica Top 100 sustainability brands.



>16,000 followers



>27,000 followers



>8,000 followers



LEVERAGING THE UN NETWORK

TACKLING PLASTIC POLLUTION, MARINE PLASTIC LITTER & MICROPLASTICS

UN Environment and UNEP FI's Principles for Sustainable Insurance work stream are carrying out research focused on the risks of plastic pollution to the insurance industry as risk managers, insurers and investors.

The aims of the project are to:

- Understand how plastic pollution risks manifest themselves across lines of insurance business (non-life and life & health insurance) and across asset classes.

- Identify strategies and actions for the insurance industry to better manage plastic pollution risks in terms of risk assessment and analytics, risk reduction measures, insurance products, and investments; including the role of insurance regulators and supervisors in this agenda.

Report findings will launch in October 2019.

PROMOTING ADAPTATION FINANCE TO DRIVE CLIMATE RESILIENCE

Action on adaptation to climate change is being spearheaded by a new Global Commission on Adaptation (GCA) launched in October 2018 and UNEP FI is contributing to the intergovernmental agenda. The Commission, led by former UN Secretary-General, Ban-Ki Moon, co-chair of the Bill and Melinda Gates Foundation, Bill Gates, and World Bank CEO, Kristalina Georgieva, was formed to accelerate climate adaptation action and support by elevating its political visibility, while encouraging bold solutions such as smarter investments, new technologies and better planning.

At the UN Secretary-General's Climate Summit in New York in September 2019, the lead Commissioners presented the recommendations of the GCA's initial flagship report. The GCA's initial flagship report will include a chapter on adaptation finance provided by UNEP FI, and published as a technical background paper that was peer reviewed by a panel of experts from banking, investment, insurance, academia and govern-

ment. The paper, released in June 2019, identifies the main barriers to adequate adaptation financing and advocates six recommendations.

Collectively, these offer a program that is ambitious, actionable, and can directly affect how finance can be unlocked for adaptation and resilience. Following the launch of the GCA report in September 2019, the Global Commission will launch a Year of Action in 2020. UNEP FI intends to support this by continuing development of the physical risk component of its pilot projects to implement the FSB Task Force on Climate-related Financial Disclosures recommendations for banks, insurers and investors, while encouraging financial institutions to commit to physical risk disclosure. UNEP FI is also working on several initiatives to open up opportunities for microinsurance and nature-based insurance solutions to improve resilience in vulnerable regions.

UN ENVIRONMENT'S SUSTAINABLE INSURANCE FORUM FOR SUPERVISORS (SIF)

The PSI, [UN Environment's Inquiry into the Design of a Sustainable Financial System](#), and insurance regulators and supervisors launched [UN Environment's Sustainable Insurance Forum for Supervisors \(SIF\)](#) in December 2016 in San Francisco, USA. The SIF backs the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and is supporting the development of guidance for insurance regulators so that insurers can respond effectively to climate risks across their insurance and investment activities.

During 2018 the SIF focused its efforts on climate-related issues, culminating with the release of a joint Issues Paper on Climate Change Risks to the Insurance Sector together with the International Association of Insurance Supervisors (IAIS). The paper raises the awareness of insurers and supervisors of the challenges presented by climate change and explores how supervisors can respond.

In 2019, the SIF developed a global supervisory and regulatory survey of the insurance sector's action on climate to gather information on levels of awareness, understanding, and action relating to the TCFD Recommendations by insurers. Gathering responses from nearly 1,200 entities across 15 jurisdictions, the survey has uncovered significant differences between many insurers and reinsurers' awareness of climate change as a risk, and steps taken to identify, assess, and disclose information on the risks they face.

The SIF recognizes that further action and engagement may be necessary to motivate comprehensive efforts by insurers and reinsurers—considering proportionality and levels of insurance market development. To support this, the SIF will develop an Issues Paper on climate risk assessment and disclosure focus-



ing on TCFD implementation. The SIF will also advance a new research project on the consideration of climate change risk factors in insurance-sector stress testing and scenario analysis.

DEVELOPING THE PSI-WWF-UNESCO GUIDE TO PROTECT THE WORLD HERITAGE SITES

Many of the world's most famous places—those with unparalleled natural and cultural beauty, significance and/or biological diversity such as the Galápagos Islands, the Grand Canyon, the Great Barrier Reef, Mount Kilimanjaro, and the Pyramids of Egypt— have been designated as World Heritage Sites by the [United Nations Educational, Scientific and Cultural Organization \(UNESCO\) World Heritage Convention](#).

Currently, there are nearly 1,100 natural, cultural, and mixed (i.e. natural and cultural) World Heritage Sites across the globe. Natural World Heritage Sites in particular provide economic, social and environmental benefits. However, almost half are threatened by harmful industrial activities.

In response, the PSI, WWF and UNESCO worked together with the insurance industry to deliver the world's first insurance industry statement of commitment to protect the outstanding universal value of World Heritage Sites. This initiative spans

risk management, insurance and investment activities of the insurance industry, as well as education, awareness raising and stakeholder engagement. It supports [UN Sustainable Development Goal \(SDG\) 11](#) to "make cities inclusive, safe, resilient and sustainable," specifically SDG target 11.4 to "strengthen efforts to protect and safeguard the world's cultural and natural heritage."

As risk managers, insurers and investors, the insurance industry can play a key role in protecting the priceless and irreplaceable assets that make up our world heritage.

A pioneering insurance industry guide to protect our planet's most special places through its risk management, insurance and investment activities will be created in 2019 with leading insurers. The main aim is to provide practical guidance to insurers on how to prevent or reduce the risk of insuring and investing in companies or projects whose activities could damage World Heritage Sites.

BENEFITS OF MEMBERSHIP

The partnership with our members is core to achieving UNEP FI's goal to accelerate the global development of financial institutions that integrate sustainability. UNEP FI convenes and advocates leadership initiatives to accelerate the financial sector's contribution to the UN Sustainable Development Goals and Paris Agreement on Climate Change. The Secretariat facilitates knowledge development to help financial institutions implement industry-specific frameworks for sustainability integration to help shape and scale up sustainable finance. Members have the opportunity to help advance global sustainable finance practice by contributing ideas, sharing learning and knowledge, and initiating or participating in establishing norms through collaborative projects. UNEP FI works with its members to equip the financial sector with the tools, methodologies and expertise to assess and manage environmental, social and governance (ESG) risks and opportunities.

The benefits of membership are largely commensurate with the institution's level of engagement with the UNEP FI community, initiatives and projects. For example, those participating in collective commitments help the banking, insurance and investment industries fulfil their roles as key actors in mobilizing private finance for sustainable development. Members joining pilot projects to develop and test new approaches gain early insight into cutting-edge research, deepen their understanding 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. Industry events provide a platform to showcase leadership across the sector, and news on members' progress on sustainable finance is shared across our network. Many members contribute significant financial and in-kind resources to advancing sustainable finance, including through their roles in governance bodies and collaborative projects.

As such, we are continuing to develop our unique value proposition to our members, offering leading-edge support for financial institutions to integrate sustainability into their strategies and operations. Our UN network provides access to leading-edge science and issues on the horizon.

Members have opportunities to network with our global community of banks, insurers and investors as well as preferential access to knowledge-sharing platforms, collaborative projects, consultations, research, good practice, guidance and technical expertise, events, training and other activities. Members can also benefit from knowledge sharing on sustainable finance topics through structured peer exchanges and webinars held by UNEP FI on a regular basis. Over the last year more than 20 have been held, several of which were reserved for members-only, enabling them to get a first-look at UNEP FI publications and results of our work programme. The webinars have been viewed either live or via recordings nearly 3,000 times. In 2018/19, UNEP FI started holding webinars on the BrightTALK platform to reach a wider audience.

"The issues facing our society and our planet are simply too important for our industry to ignore. We hope others in the banking industry will join us in signing on to the Principles, as we work together to actively shape a more just and sustainable future.."

Keith Mestrich, President and Chief Executive Officer, Amalgamated Bank, USA

JOIN THE UNEP FI TEAM AS A SECONDEE

Members are invited to apply to join the Secretariat through "virtual secondments". These can be full- 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 Coordination Manager Liesel van Ast at liesel.vanast@un.org

GLOBAL STEERING COMMITTEE 2018/19

CO-CHAIRS

Antoni Ballabriga (from July 2019)
BBVA

Jacki Johnson
Insurance Australia Group Ltd and Australian Sustainable Finance Initiative

Brandee McHale (until May 2019)
Citi

UN ENVIRONMENT REPRESENTATIVE

Erik Solheim (until Nov 2018)
UN Environment Executive Director and Under-Secretary-General of the United Nations

Satya Tripathi (from Nov 2018)
UN Assistant Secretary-General

APPOINTED

Ma Jun
Director of the Center for Finance and Development, 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 (until Dec 2018)
National Australia Bank Limited

Namita Vikas (from Jan 2019)
YES 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

Alice Steenland
AXA Group

Latin America

Patricia Coimbra
SulAmérica Seguros

INVESTMENT

Europe

Frank Hovorka
Quartus

SECRETARIAT

Head

Eric Usher

Programme Operations Manager

Yuki Yasui

Membership and Regional Co-ordination

Liesel van Ast

INDUSTRY COMMITTEES

Banking

Simone Dettling
Puleng Ndjwili-Potele

Insurance

Butch Bacani
Olivia Fabry

Investment

Rebecca Elliott
Elodie Feller
Margarita Pirovska
Marcelo Seraphim
Matthew Ulterino

THEMATIC WORK

Positive Impact Finance Initiative

Careen Abb
Jerome Tagger

Climate Change

Jesica Andrews
Remco Fischer
Paul Smith

Ecosystems & Sustainable Land Use

Paula Alves
Makiko Ashida
Jonathan Gheysens
Martin Halle
Lisa Petrovic
Anders Nordheim
George Scott
Lara Yacob
Thomas Yapp

Energy Efficiency

Martin Schoenberg

Social Issues

Liesel van Ast

Training

Carolina Lopez
Yushan Zhang

Communications, Events & IT

Mustafa Chaudhry
Richard Hansen
Rob Wilson
Sally Wootton

Administration

Lydia Beaujois
Linh Doan
Ken Maguire

REGIONAL ACTIVITIES

Africa & the Middle East

Geeda Haddad
Caroline Wakesho Sonje

Asia Pacific

Yuki Yasui
Peiyuan Guo (China)
Dae-Woong Lim (Korea)
Kaori Nomura (Japan)
Rakesh Shejwal (India)

Europe

Liesel van Ast

Latin America

Carolina Lopez (Chile)
Maria Eugenia Sosa Taborda

North America

Layalee Ramahi

ENGAGING AT EVENTS AROUND THE WORLD

Global event

October 2018

- Our Ocean Conference and launch of the Sustainable Blue Economy Finance Initiative, Bali

November 2018

- UNEP FI Global Roundtable and Paris Climate Finance Day 2018, Paris, France
- UN Forum on Business and Human Rights, Geneva, Switzerland

December 2018

- UNEP FI at COP24 in Katowice, Poland

January 2019

- Global launch of the Advancing Environmental Risk Management project, Zurich, Switzerland

March 2019

- UNEP FI at UNEA4: the fourth UN Environment Assembly of the United Nations Environment Programme, Nairobi, Kenya

April 2019

- Global launch of the Natural Capital Risk Management in Agriculture report, Oxford, UK

May 2019

- Global launch of new report for investors implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) London, UK

June 2019

- G20 Global Summit on Financing Energy Efficiency, Innovation and Clean Technology, Tokyo, Japan

Regional Events

July 2018

- UNEP FI Conference: Financing a resilient and sustainable economy, Sydney, Australia

August 2018

- Principles for Sustainable Insurance Market Event, San Jose, Costa Rica

September 2018

- VFU/UNEP FI Roundtable on Sustainable Finance, Munich, Germany
- Sustainable Investment Forum, New York, USA

October 2018

- Peer-to-peer in-person exchange, Sao Paulo, Brazil
- Climate Finance Week, Chile

November 2018

- Financing Energy Efficiency in Malta and Italy, St. Julians, Malta

December 2018

- Financing energy efficiency in Germany, France and Austria, Frankfurt, Germany

January 2019

- Launches of ENCORE tool for the banking industry in Zurich, Switzerland and Johannesburg, South Africa
- Asia Sustainable Finance Initiative Launch, Singapore

February 2019

- Launch of ENCORE tool for banking industry, Lima, Peru
- Insuring for sustainable development: Raising the industry's ambition event, Munich, Germany
- Principles for Sustainable Insurance Life & Health event, Munich, Germany

March 2019

- Sustainable Investment Forum Europe 2019, Paris, France

April 2019

- UNEP FI Regional Roundtable for Sustainable Finance in Africa and Middle East, Cairo, Egypt
- UNEP FI Principles for Sustainable Insurance Africa Market Event in Lagos, Nigeria

May 2019

- Emerging approaches to sustainable finance and climate change across the financial sector, Toronto, Canada

June 2019

- Tokyo Dialogue on Sustainable Finance, Tokyo, Japan
- UNEP FI Regional Roundtable on Sustainable Finance in Asia Pacific, Shanghai, China
- Principles for Sustainable Insurance Market Event, Buenos Aires, Argentina

- 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 300 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