

## OUTCOME REPORT

### HIGH-LEVEL DIALOGUE AND WORKSHOP

#### Advancing climate and nature capabilities of African financial institutions

Wednesday October 1<sup>st</sup>, 2025

Johannesburg, South Africa

#### Background

UNEP Finance Initiative (UNEP FI), in collaboration with the Banking Association South Africa (BASA), the Southern African Development Community Banking Association (SADC BA) and Standard Bank Group (SBG), hosted a high-level dialogue and technical workshop on “**Advancing climate and nature capabilities of African financial institutions**”.

The event convened representatives from Board and C-Suite levels, as well as technical teams from participating financial regulators, banking associations, African Financial Institutions (FIs) and national and regional organisations working on sustainable finance. Key focus areas included climate mitigation pathways, Nature-based Solutions (NbS) and the interconnectedness of nature and climate.

#### Purpose of this document

The purpose of this document is to provide the key takeaways from this event and provide session summaries of the discussions that took place. The information in this document does not constitute UNEP FI recommendations.

#### Key Takeaways

- Climate change, biodiversity loss and pollution are deeply interconnected issues and should not be treated in isolation from each other. An integrated approach that blends climate and nature considerations into economic planning and mainstream finance is needed to address the climate-nature crisis.
- Emphasis was placed on the role of FIs in fostering solidarity and sustainable development within Africa. Public resources alone cannot finance the continent’s transition. Therefore, innovative solutions combining public and private resources through blended finance, risk-sharing mechanisms and catalytic capital are needed.
- The keynote speaker urged FIs to a) lead in designing integrated bankable projects; and b) see the climate-nature nexus, not as a challenge, but as a powerful opportunity to drive Africa’s sustainable growth and resilience.
- Translating climate ambition into action requires developing practical technical capabilities at the levels of FIs and their clients. Advancing the climate journey of African FIs requires building climate risk management, carbon accounting and transition planning capabilities, including embedding the nature and just transition considerations.

## Session specific outcomes and insights

### “Bridging silos, building synergies: Rethinking collaboration to accelerate real economy transition in Africa”

The event kicked off with a session highlighting how the financial sector as well as the wider ecosystem can work together to progress real economy transition. The climate and debt crises globally require urgent financial solutions due to a significant SDG financing gap now exceeding \$4 trillion. Africa requires \$170 billion yearly to respond to energy, water and transport infrastructure needs.<sup>1</sup> This financing gap intersects with climate, biodiversity and nature crises, demanding integrated approaches rather than isolated efforts.

Africa's transition financing cannot rely on public funds alone or isolated green projects. Instead, climate and nature considerations need to be fully mainstreamed into public-private partnerships (PPPs), as well as private sector finance, which must be quadrupled, supported by doubling bilateral finance and tripling funds from international FIs and Multilateral Development Banks (MDBs). FIs must break internal silos by integrating climate and sustainability into credit decisions, investment strategies and governance to deliver bankable and impactful projects. This approach emphasises systemic, collaborative efforts to mobilise and deploy the necessary capital efficiently for Africa's sustainable development and resilience.

The financial sector needs to be at the centre of financial decisions to deepen the engagement of FIs in driving the transition to a low-carbon, inclusive and climate-resilient economy in Africa. Investment signals are critical to enable financial flows and foster collaboration with FIs. At the same time, green transition is driven by the real economy which creates the demand for finance. Thus, the policy question is how to create that demand through government incentives, sectoral programs and levers. FIs are part of the enabling environment, and regulators play a critical role in developing regulations supporting those investments while simultaneously recognising the role of maintaining financial stability.

The wider ecosystem—government, regulators, civil society and business—can work together to highlight and strengthen the role of sustainable finance, ensuring that banks channel capital toward climate-smart infrastructure, low-carbon innovation and industries transitioning from high-emission pathways. Transition planning is highlighted as an area of collaboration, but it will not be effective if the real economy is not transitioning and there are no government policies supporting that. This requires embedding inclusion and just transition into transition planning, adoption of international frameworks and proper project pipelining. Balancing regulatory and supervisory frameworks with capacity building and awareness is necessary.

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<sup>1</sup> United Nations Economic Commission for Africa, [Africa's multi-trillion-dollar SDG funding gap demands urgent financial reforms](#), 16 November 2024

## “Achieving a just and inclusive transition: How regulation and policy can drive progress in Africa”

The session discussed actionable strategies for leveraging regulation and policy to ensure Africa’s transition to a low-carbon economy is equitable, inclusive, and economically resilient. The session began by reframing the role of standards and reporting in Africa’s sustainability journey. While often perceived as tools of compliance, standards play a far more strategic role. They establish a common language that builds credibility, comparability and confidence among investors by allowing them to identify risks and opportunities. Relying on this, investors can direct capital to areas with the greatest impact. Standards do not require entities to write transition plans, but they do: a) ask whether they exist; and b) if they do, how they are governed, measured and implemented. In doing so, institutions are pushed to think more about practical transition steps and not merely whether they have met their disclosure/compliance requirements. Experts confirmed that in terms of sustainability standards, Africa is not only following but rather leading in the adoption, shaping and contextualisation of these global standards. For instance, Nigeria was among the first to commit to implementing the global baseline for sustainability disclosures; South Africa, on the other hand, pioneered the integration of digital taxonomies to support effective and transparent reporting.

The discussion also covered practical challenges currently limiting responsible investors from embedding just transition principles into their strategies. They include the lack of clear incentives to support long-term sustainability objectives, a shortage of investable project pipelines, sectoral misalignment between private and public actors and limited capacity and expertise. Addressing these issues requires coherent, predictable and enabling policy frameworks that align national priorities with investor expectations. Governments are therefore called to adopt a holistic approach that promotes collaboration across sectors, enhances regulatory consistency and builds institutional capacity.

Building on the discussion around policy and investor readiness, the panel also emphasised that collaboration, convenings and knowledge exchange among peers is essential for African FIs to scale capital for a just and inclusive transition. There are several reasons why these approaches work. First, convenings help create trusted spaces where institutions can share lessons, exchange knowledge and useful case studies. This collaborative process can help FIs break down numerous transition frameworks into manageable and context-specific actions. It also builds confidence within institutions and among investors by providing concrete examples of what has worked and how to apply it. Secondly, these platforms enable decision makers, not just sustainability experts, to engage in the transition agenda. This ensures that leadership across FIs supports transition plans. Lastly, these platforms help connect FIs with MDBs and local partners, unlocking access to capital for various transition projects.

To conclude the session, examples were provided on how coherent policy frameworks can successfully unlock investment in Africa. There was a consensus that scaling climate finance requires a holistic approach where governments, regulators, development partners and FIs work together. The process begins by understanding a country’s national needs and priorities, which allows regulators to adapt global solutions to their own country’s competitive advantage.

For instance, the manufacturing of electric vehicles may be a competitive advantage to country A but not to country B and therefore the latter ought to tailor solutions to its own capabilities. The next step is to identify which entities can help scale climate finance. Examples highlighted were capital markets, pension funds and FIs. Beyond this, these institutions should have practical tools, policy incentives and the financial instruments needed to efficiently deploy capital. The panel concluded with a clear message that Africa's financial sector is the key to shaping and financing a just and inclusive transition that is grounded in local realities yet aligned with global ambition.

## **“The Nature-climate nexus: How to bring the nature and climate conversation into your boardrooms”**

The session called to move beyond treating climate and nature as separate agendas but rather interconnected priorities that require a unified action. It stressed on the importance of shifting away from “talk” to “tangible implementation”, showcasing what is already being achieved rather than what ought to be done. Africa has many of the solutions, and the focus should be on demonstrating and scaling them. While global capital for nature and climate exists, the challenge lies in developing and showcasing bankable projects across the continent. FIs were called upon to build resilience through supporting their clients' awareness and transition journeys. They were also called to leverage data and analytical tools to better understand risks, identify opportunities and guide more informed, sustainable investment decisions.

Climate and nature risks are not viewed by several boards as distant risks but realised as present day strategic realities. While boards have a fiduciary duty to manage long term risks and protect value, they are embracing opportunities in sustainability as a central component to unlock strategic long-term value. Also, when capital is committed to sustainability with the implication of stakeholders and financial intermediaries, board support is further attracted. There is \$3 trillion USD worth of assets under management in pension funds, insurance companies, and sovereign wealth funds in Africa. Thus, encouraging these institutions to invest more into the intermediaries working on climate and nature finance is crucial.

The discussion highlighted the business case of embedding climate and nature considerations into FIs' work from different angles. From a technical capability perspective, the case of carbon accounting was highlighted. Carbon accounting, which refers to the measure and disclosure of GHG emissions associated with financial activities, is a strategic enabler that supports resilience by translating ambition into action. It supports regulatory requirements and risk mitigation, aligns with investor expectations, competitive advantage and strategic positioning. Carbon accounting covers understanding the portfolio, including the drivers of the emissions, change of intensity of emissions, understanding the risks and providing insights on how to act.

From a client relationship perspective, the discussion highlighted the importance of collaboration and interconnection between FIs and their customers' understanding of climate and nature considerations. When clients look at sustainable ways to do business that positively impact nature, there are benefits from a cost-effective and reputational angle. Hence, building nature intelligence within FIs and clients through technology, tools and data is necessary to ensure stronger opportunities to connect available data into business-ready tools and processes. For Small and Medium Size Enterprises (SMEs), for instance, building

nature intelligence is particularly important for social and job creation. It creates opportunities for businesses, tech startups and entrepreneurs to provide digital solutions on making nature intelligence accessible and actionable for SMEs. Furthermore, it is important to embed nature into transition plans by considering the relevance of sectoral specificities, language and expertise.

The discussion concluded with concrete strategies to turn nature and climate opportunities into bankable activities. The importance of working with investment teams, including on early-stage risks to test out assumptions, leverages scarce capital and crowd-in private capital. It is important to demonstrate the role FIs can play to alleviate risks, demonstrate viability, and address market challenges. Demonstrating the bankability is about supporting the financial system, while creating the assets which the sector can finance, as well as accelerating the right tailored models that can generate revenues in a sustainable manner.

## **Presentation: the UNEP FI Principles for Sustainable Insurance (PSI) V20 SIF 100 Banks Initiative**

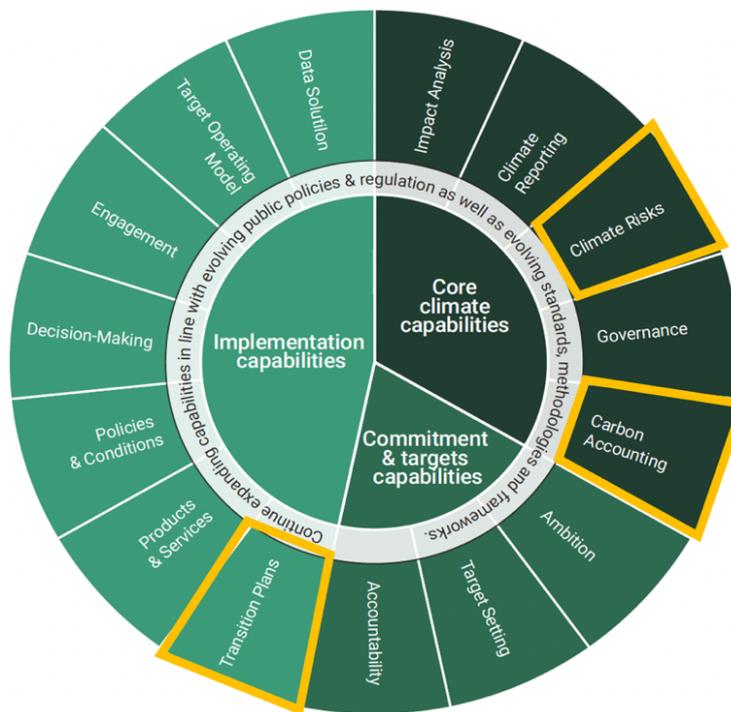
The presentation was centred around the growing importance of supporting micro, small and medium enterprises (MSMEs) in building climate resilience across the global South, especially within the V20 group of nations. The [V20](#) is a coalition of countries that are most at risk from climate change. What started as a group of 20 countries has now expanded to 74 countries spread across Africa, Asia Pacific, Latin America and the Middle East. It was highlighted that in these V20 economies, MSMEs account for 30% - 80% of the GDP, underscoring their importance as engines of growth, community development and poverty reduction.

MSMEs remain vulnerable to climate risks with the physical cost of climate-related disasters outpacing insurance coverage. Since many of these businesses rely on credit from banks, microfinance institutions and cooperatives, the financial sector itself is becoming exposed to climate-related defaults, often without realising the scale of that exposure. To address this challenge, the V20 Sustainable Insurance Facility (V20 SIF) launched the [100 banks, 10,000 MSMEs Initiative](#) which is designed to help FIs assess, quantify and manage climate risks in their MSME portfolios. The initiative also promotes capacity building for MSMEs, further helping them develop business continuity plans and improve both their financial and climate literacy.

The session concluded with a case study highlighting programs designed to strengthen the financial resilience of MSMEs. A global microfinance network operating in over 25 countries showcased how it integrated parametric insurance into its lending model to protect vulnerable clients and institutions from climate shocks. The idea here is transformative where instead of waiting to assess actual damages after a disaster, payouts are triggered automatically when specific, measurable conditions (excessive rainfall or drought) reach predefined thresholds. This model stabilises lending portfolios of FIs by enabling businesses to easily access finances and recover faster.

## Technical session focused on the Climate Mitigation Journey (CMJ) of the South African banking sector

The technical session showcased the [UNEP FI Climate Mitigation Journey \(CMJ\)](#) as a climate strategy guiding transition planning and climate-related risk management with a session focus on South African FIs. The business case of climate mitigation for South African FIs highlighted opportunities related to accessing new revenue streams, mobilising innovative financial instruments, mitigating physical and transition risks, responding to investors and stakeholders' expectations as well as the competitive differentiation gained from leading on sustainability. The presentation highlighted the technical components needed to advance South African FIs journey towards sustainability. It outlined the foundational capabilities needed to develop an operational capacity on climate mitigation (i.e. impact analysis, climate risk management, reporting, carbon accounting, governance). It also presented the commitment and target setting capabilities needed to translate the climate ambition into measurable targets. The presentation concluded with the transformation initiatives enabling FIs to gradually transition their business and operating models to achieve climate ambitions (i.e. transition planning, products and services, data solutions, etc.). Participants gained insights on the business case for climate mitigation, focusing on the following technical areas of the CMJ:



**Figure:** UNEP FI's Climate Mitigation Journey (CMJ)

## Carbon accounting

Reinforcing the principle that “what gets measured gets managed”, the technical session provided a detailed overview of the [PCAF Global GHG Accounting and Reporting Standard](#). PCAF is a global standard and initiative designed to help FIs to measure and disclose their GHG emissions of their financial portfolios, promoting transparency and uniformity in GHG accounting. PCAF tools and methodologies enable financial institutions to measure and disclose emissions linked to their loans, investments and insurance portfolios. Since FIs indirectly contribute to climate impacts through their financial activities, PCAF allows them to account for this impact by measuring emissions associated with financial activities which provides the baseline for a sequence of crucial activities towards decarbonisation.

The session presented the PCAF standards, which consists of 3 parts for FIs to measure and report emissions from their financial activities: the Financed Emissions, the Facilitated Emissions and the Insurance-Associated Emissions. It demonstrated how PCAF supports compliance with international disclosure frameworks (ISSB, GRI, ESRS, CSRD) and provided guidance on attribution, data quality and the use of emission factors. The session provided a deep dive into the standards including the asset classes considered for financed emissions, the general approaches and calculation, the emissions factors and the existing databases.

## Climate risk management

The discussion emphasised the role of identifying, assessing and managing physical and transition risks across business lines and portfolios, as well as establishing a climate stress testing capability. Practical insights from the South African banking sector were provided on the approaches being implemented to strengthen climate risk management within their institutions. Participants acknowledged the CMJ as a key guiding tool for banks in shaping their response to climate mitigation. Using the CMJ as a reference point, the discussion emphasised the importance of identifying, assessing and managing physical and transition risks across business lines and portfolios. As a starting point, banks find data on their clients, their activities and vulnerabilities and then proceed to translate this data into potential impacts on their portfolios. It was further emphasised that climate stress testing is not viewed as an isolated “risk response”, but rather as part of the broader business strategy. Therefore, banks were called to treat the exercise not just as a risk-measuring initiative but rather use the insights acquired to inform strategic decisions (i.e. the allocation of capital, how banks engage with clients and how they can shape their long-term approach to sustainability).

Shortcomings in terms of existing data gaps were recognised, and banks have been continuously working on ways to improve the quality of their data. The discussion noted that perfect data may never be achievable. Nevertheless, banks should endeavour to improve data compilation, not only from a risk management perspective but also to identify new investment opportunities. To conclude, the discussion highlighted that climate risk management approaches are maximized when they are context-specific and regionally grounded. In doing so, banks will be able to better understand sectoral vulnerabilities and direct financing towards activities that reduce climate risks and promote sustainable growth.

## Transition planning

As an emerging concept in the Africa region, the session focused on how South African FIs can develop a credible transition plan, internally, and externally by developing client transition plans. Transition Plans are management frameworks outlining how FIs plan to align over time their operations and business practices (i.e. lending and investment activities) with Environmental, Social and Governance (ESG) sustainability goals, in line with the SDGs and the Paris Agreement. Transition planning offers a structured and forward-looking way to implement climate and sustainability commitments, manage risks and tap into new business opportunities.

The session outlined the management components FIs need to implement to develop a credible transition plan. It presented the strategic alignment and governance elements that senior management, sustainability and strategy teams within South African FIs can consider. It also shared insights on the operationalisation of transition planning across business lines and corporate functions, such as integration, alignment with science, ownership and business models.

South African FIs can leverage a mix of financing strategies to support sustainable solutions and transition initiatives across sectors. This allows them to (1) gradually align their lending and investment with the Paris Agreement and the SDGs; (2) engage clients and real economy actors; and (3) embed nature and just transition considerations. Using real-industry case studies from the Africa region and beyond, the session presented examples of financing strategies to the power generation and steel sectors, as well the project origination and climate finance mobilisation aspects.