

## Sustainable Finance & Global Initiatives

Redesigning the finance sector  
to align institutions & incentives  
with sustainable & inclusive growth

Stimulating and enabling environment  
to **catalyze innovation in sustainable  
banking, insurance and investment.**



# UNEP FINANCE INITIATIVE

1. Overview & strategy
2. Regional co-ordination
3. Banking work programme



# UNEP FINANCE INITIATIVE

A partnership between UNEP and the finance sector with over 200 banks, investors and insurers as members



# Membership

Data as of 30 September 2017



MEMBERS  
↑215+

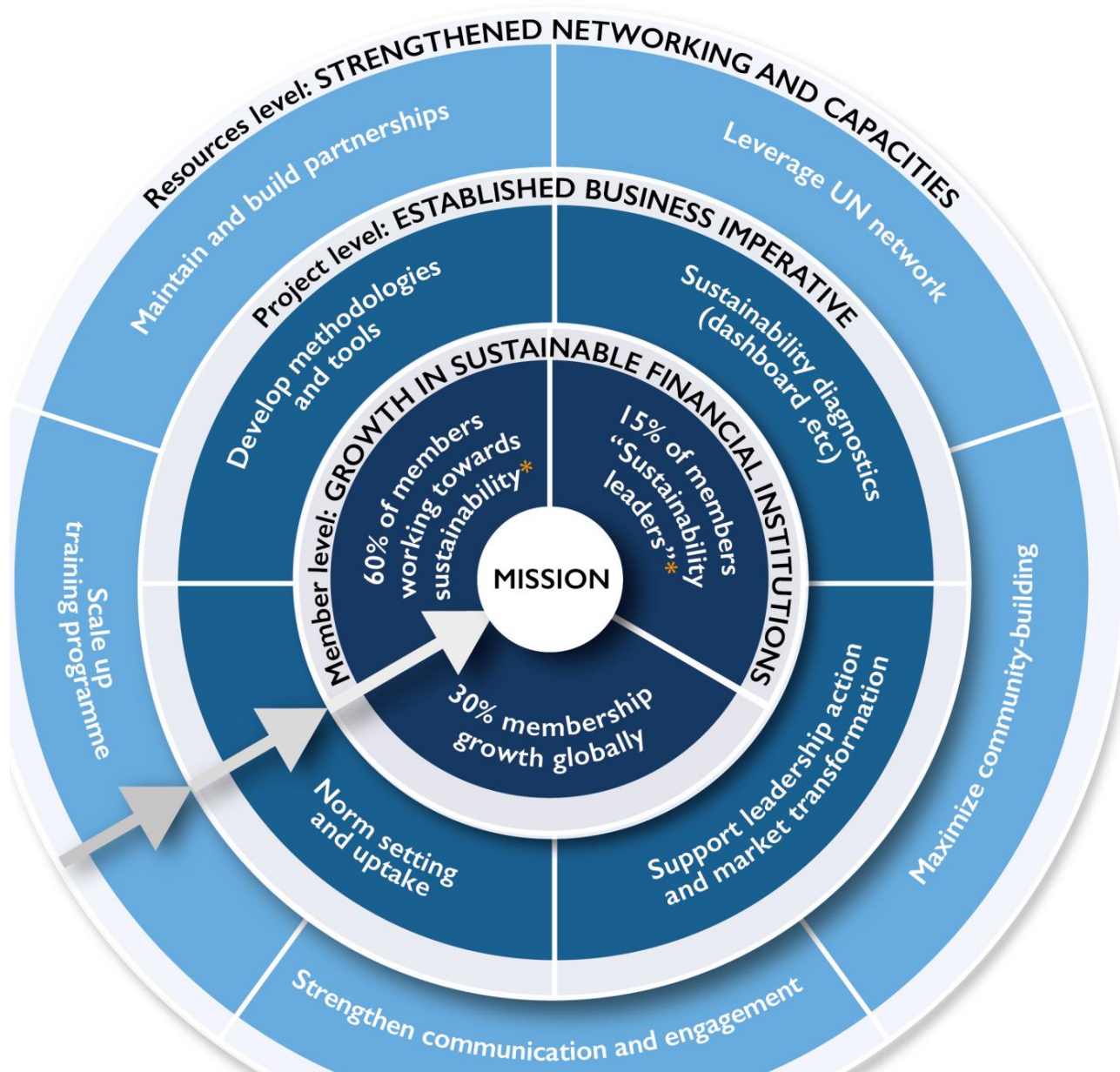
ASSETS  
REPRESENTED  
>US\$62tr

COUNTRIES  
↑60

SUPPORTING  
INSTITUTIONS  
↑62

STOCK  
EXCHANGES  
↑65

# UNEP FINANCE INITIATIVE

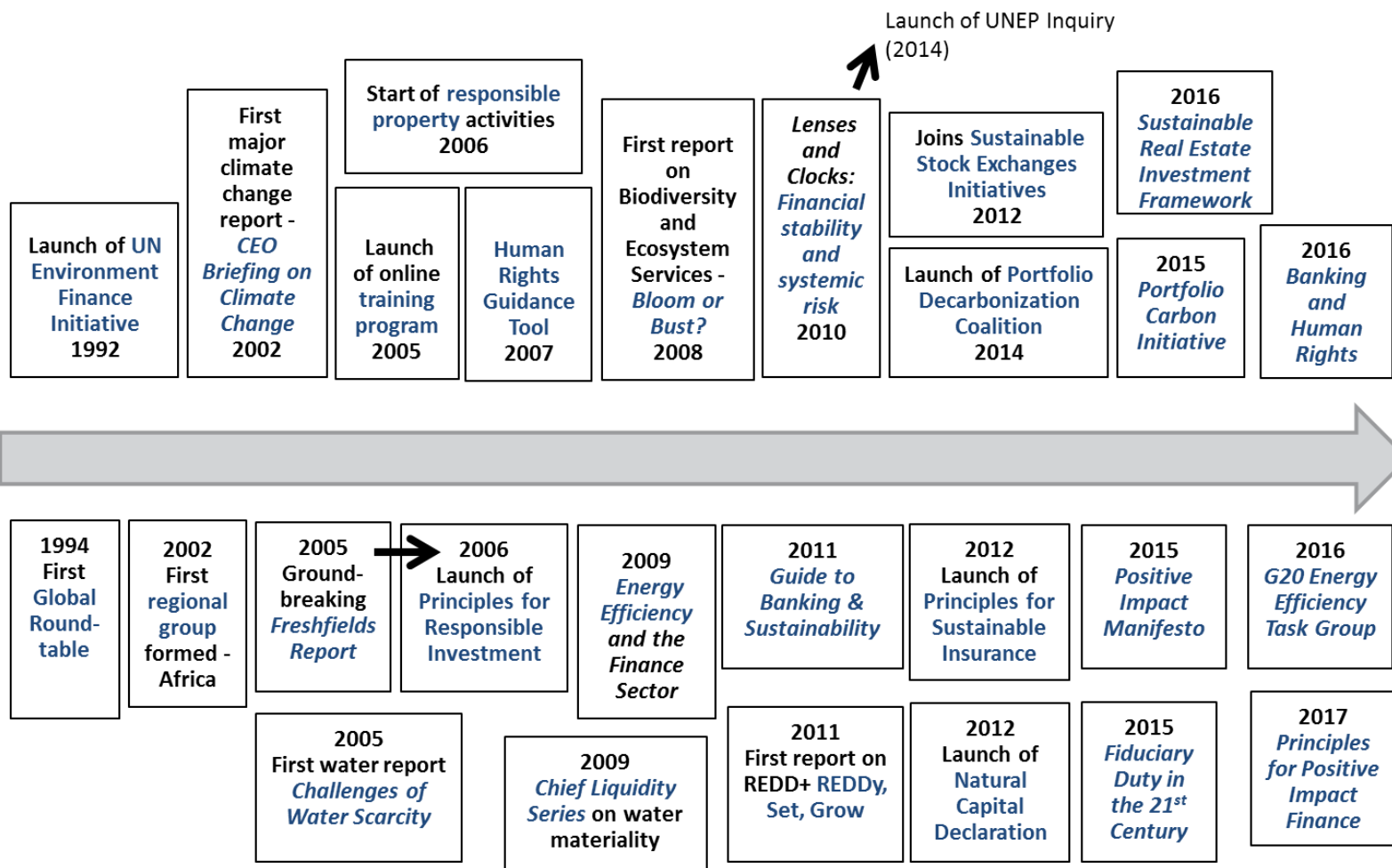




# OVERVIEW: 25 YEAR ANNIVERSARY



Partnership since 1992 between UN Environment and the global financial sector to promote sustainable finance.



## Goal of UNEP Finance Initiative

**A finance sector closely involved in the transition to an inclusive green economy**

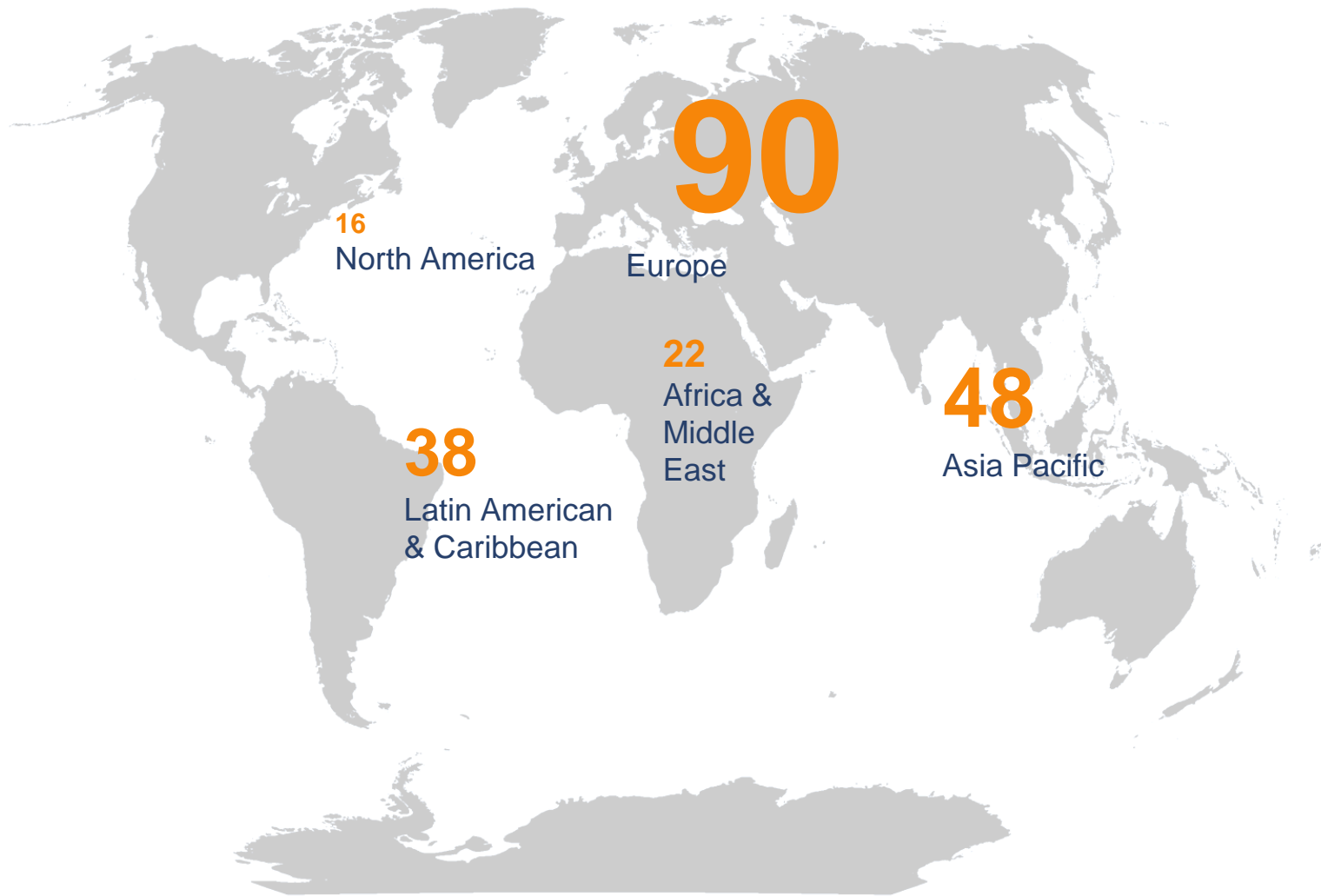
### Corresponding activities

- Mainstreaming and improving E&S issues in financial decision makings (capacity building)
- Increasing the level of green/positive impact financing (principles, standards & tools)
- Promoting transparency & disclosure of FIs on sustainability issues (metrics & frameworks)
- **Enhancing sustainability in financial regulation & economic policy**





# UNEP FI members by region



Data as of 30 September 2017





# Growing examples of policy innovation: Banking

## Environmental & Social Risk Management

**Bangladesh** – Central Bank’s ERM Guidelines (2011)

**Brazil** – Central Bank’s mandatory ESRM - Resolution No. 4.327 (2014)

**Peru** – Superintendence of Banks (2014)

**Nigeria** – Central Bank’s supervision of the Sustainable Banking Principles (2012)

**Vietnam** – Central bank’s Directive on Green Credit & ESRM in lending (2015)

## Green Finance

**China** – Banking Regulatory Commission/PBoC/Ministry of Env’t’s Green Credit Policy (2007); CBRC’s Green Credit Guidelines (2012)

**Lebanon** – Central bank’s reduced reserve requirements for energy efficiency (2011)

## Inclusive Finance

**Alliance for Financial Inclusion (AFI)** - global network of 117 central banks and financial regulators in 94 countries

**Kenya** – legal & regulatory reforms (eg. National Payments System Act (2011)) to promote digital financial inclusion

# Growing examples of policy innovation: Investment

## Pension Funds

Environmental & social considerations by pension funds

(1) Mandated to explain extent to which they were taken into account:

**UK Pensions Act** (1992) followed by many others in Europe

(2) Mandatory integration: **Sweden Public Pension Funds** act (2002)

## Securities

Non-financial reporting for listed companies

**Canada** - Securities Commission's Environmental Reporting Guidelines (2010)

**EU** - Directive on Disclosure of non-financial information (2013)

**France** – Grenelle Act II on ESG disclosure (2012)

**India** – SEBI's mandatory CSR reporting for top 100 listed companies (2012)

**Korea** – Financial Services Commission's Green Posting System (2012)

**USA** – SEC's climate disclosure guidance (2009); Dodd-Frank's mandatory disclosure on conflict minerals (2010)

## Other

**France** – mandatory carbon reporting of investment portfolios (2015 – draft law)

**China** – Green IPOs (2008) requiring energy intensive industries to undertake environmental assessment before IPOs/bank loans



# Growing examples of voluntary initiatives

## Banking - National

**Brazil** – Green Protocol (2008 & 2009)

**Colombia** – Green Protocol (2012)

**Kenya** – Sustainable Finance Guiding Principles (2015)

**Mongolia** – Sustainable Banking Principles (2014)

## Banking - Global

**Equator Principles** on project finance (2003)

## Investment - National

Regional & national **Sustainable Investment Forums** (regional & national) eg. UK SIF, US SIF,

## Investment - Global

**Principles for Responsible Investment** (2006)

## Securities - National

**South Africa** - Johannesburg Stock Exchange requirement on integrated reporting (2010)

## Securities - Global

**Sustainable Stock Exchange Initiative** (2009)

## Sustainable Financial Centres

**Casablanca statement 2017**

## Finance Sector - National

**UAE** – Dubai Declaration on Sustainable Finance (2016)

## Finance Sector – Global

**UNEP Finance Initiative** (1992)

## Insurance - Global

UNEP FI's **Principles for Sustainable Insurance** (2012)  
Sustainable Ins. Forum (2016)



## **Example - Banking regulatory work at UNEP FI**

**Global:** Landmark research *Stability & Sustainability in Banking Reform: Are Environmental Risks Missing in Basel III?* (2014)

**National:** Promote dialogue between national regulators and UNEP FI members and other relevant stakeholders. For example:

- In Morocco, recently supported the Central Bank set up a CEO Roundtable on a national roadmap for sustainable finance in Morocco.
- In China & Nigeria, works closely with China Banking Regulatory Commission and Nigerian Central Bank to support implementation of the Green Credit Guideline/Nigerian Sustainable Banking Principles
- In Kenya & Mexico, assists the Banking Association to develop their own guidelines on sustainable banking



# Where are we in the Middle East?

## Our members in the MENA Region:

- BMCE Bank of Africa, Morocco
- Commercial International Bank, Egypt
- Jordan Ahli Bank, Jordan
- Tawreeq Holdings, UAE
- 7 Stock Exchanges (including Amman Stock Exchange)

## Supporting Institutions:

- Association of Banks in Jordan
- Union of Arab Banks

Potential members currently engaged with are in Egypt, Tunisia, Algeria, Bahrain, UAE, and Kuwait



# UNEP FI CO-ORDINATION IN THE MENA REGION

- 1. Invoke interest in sustainable finance among MENA FI's and governments** (due to culture). Activities associated include: arranging awareness raising events and cooperating with various stakeholders in the region. Potential stakeholders include: League of Arab States, UN agencies, Gulf Cooperation Council, Environment Ministries, Central Banks and Industry Associations
- 2. Achieve growth in the membership in the MENA.** Activities related include taking part of regional events, and bilateral approach to FI's, joining efforts with the Green Economy team in UNEP.
- 3. Develop further work program that corresponds themes of increased interest to the MENA members.** This includes Energy Efficiency and Water Scarcity.
- 4. Continue with capacity building-** Through customized ESRA training.



# UNEP FI BANKING WORK PROGRAMME



132 **Members** from over 50 countries

## **UNEP FI's role:**

Convening sustainable banking community, leadership initiatives and building capacity to support the banking sector's role in contributing to implementation of the Paris Agreement on Climate Change and UN Sustainable Development Goals (2015).

**Collaborate on technical R&D projects,** e.g. Climate change and natural capital work streams





# BANKING WORK STREAM

Governance: 2017 Banking Committee

Chair: Chris Bray, Barclays (-2017)

Regional Positions	
Africa/Middle East	Wendy Dobson, Standard Bank (-2019)
Asia Pacific	Namita Vikas, Yes Bank (-2017)
Europe	James Vaccaro, Triodos (-2019)
Latin America	Denise Hills, Itau-Unibanco (-2017)
North America	Election in February
Thematic Positions	
Climate Change	Madeline Ronquest, First Rand (-2019)
Ecosystems Services	Rosemary Bisset, National Australia Bank (-2019)
Social Issues	Chris Bray, Barclays (-2017) and Stephen Hibbert, ING (-2019)
Open Positions	
	Guido Oswaldo Cordero Diaz, Banco Pichincha (-2017) Denis Childs, Société Générale (-2019)



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# BANKING WORK PROGRAMME

- **Guide to Banking & Sustainability**
- **Training and capacity building**
- **Advancing techniques to integrate environmental factors into analysis**
- **Positive Impact Financing for the Sustainable Development Goals**





# BANKING AND SUSTAINABILITY

GUIDE TO

EDITION 2



# 1) What and who is the Guide for?

- Hands-on guidance for practitioners on integrating sustainability across the bank, including real-life examples from banks around the world
- Helps banks to fulfill commitments as UNEP FI members (Statement of Commitment on Sustainable Development)

## Who is the Guide for?







- Senior management and board members seeking to educate themselves and their employees on banking and sustainability
- Sustainability teams seeking to engage employees
- Employees seeking to understand the relevance of sustainability issues to their work
- Banking associations seeking to understand and promote sustainability among their membership



## 2) How is the Guide structured?



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**8 chapters**, providing guidance for relevant departments

### Each chapter contains:

- The business case - why is sustainability relevant for your department?
- Guidance - how to go about it
- Case studies of current practice of UNEP FI banks

### Resources Section

Points you towards useful materials and contacts

# TRAINING & CAPACITY BUILDING



## Environmental & Social Risk Analysis (ESRA)

- **Aim:** Professional development for risk managers and analysts in banking to develop expertise in identifying, analyzing and managing E&S risks in lending and investment activities.
- **Delivery:** A panel of ESRA trained consultants facilitate online course and deliver training workshops.
- **Geographical focus:** Emerging markets
- **Introductory workshop delivery:** 973 participants from 37 countries since 2005
- **Online course delivery:** 101 ESRA Courses held in English, Spanish and French. Over 2,248 participants between 2006-2017.



**2018: Climate Change, Green Bonds Training (Mauritius)**

# ADVANCING TECHNIQUES TO INTEGRATE ENVIRONMENTAL FACTORS INTO ANALYSIS

- Stress-Testing Banking Portfolios for Drought Risk
- **Developing analytical tools and indicators to strengthen banks' assessment and disclosure of climate-related risks and opportunities.**



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# ADVANCING TECHNIQUES TO INTEGRATE ENVIRONMENTAL FACTORS INTO ANALYSIS

## Developing analytical tools and indicators to strengthen banks' assessment and disclosure of climate-related risks and opportunities.

- 1) Consultation feedback on FSB Task Force for Climate-Related Financial Disclosure (TCFD) recommendations
- 1) Pilot project with 16 banks to jointly pioneer implementation of the FSB framework to enhance understanding of financial institutions' exposure to climate-related risks and opportunities.





# POSITIVE IMPACT FINANCE FOR THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

## MANIFESTO

A common vision to achieve the SDGs

Positive Impact Manifesto.

- A new form of interaction is needed between finance, the broader private sector, and the public sector
- Holistic approach considering social, environmental and economic factors



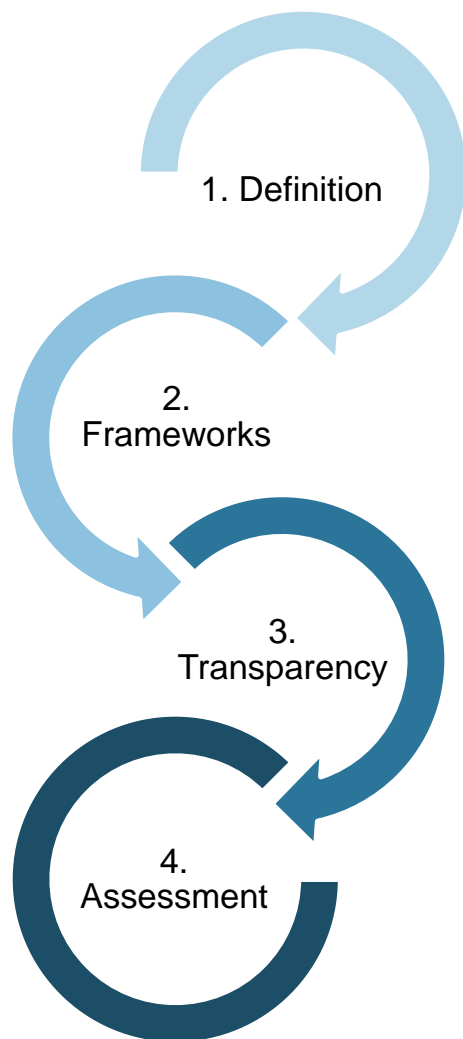
POSITIVE IMPACT  
MANIFESTO



## SIGNATORIES



# APPLYING THE SDGS TO FINANCIAL PRODUCTS AND SERVICES - THE PRINCIPLES FOR POSITIVE IMPACT FINANCE



Positive Impact Finance =

- Positive contribution to one or more of the three pillars of sustainable development
- Potential negative impacts to any of the three pillars duly identified and addressed

- Processes, methodologies and tools to identify and monitor positive (and negative!) impact

- Activities, projects, programs, and/or entities financed and intended positive impacts
- Processes to determine eligibility, and to monitor and to verify impacts
- Impacts achieved

- Should be based on impacts achieved



# WORKING GROUPS

Working Group	Main questions to answer
1. Frameworks	How to implement positive impact analysis, building on frameworks currently used by financial institutions? What is a PI Principles – compliant product/service?
2. Impact categories & Indicators	What impact categories to use to identify potential positive impact in the market and inside portfolios? What indicators to use? How to monitor, measure and report on impact?
3. Assessment	How and by who can products and services be verified as Positive Impact? Can they be certified? Can they be rated based on their degree of impact?



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# PRODUCT / BUSINESS DEVELOPMENT WORKING GROUP 4

## 1. Doing more and better with existing products and services

- Capitalise on work done in Working Groups 1-3 on integrating holistic impact assessment to develop and issue PI products
- Encourage information sharing between PI members with a view to taking on joint mandates, syndication, etc.

## 2. Impact-based finance: Towards a new asset class?

- R&D and Programme development
- Involvement of clients and public authorities (national and regional)
- Themes: Sustainable and smart cities; access to energy / clean energy / energy efficiency in Africa ...

## 3. What tools do we need?

Databases, capacity-building and consulting services for FIs on holistic impact assessment frameworks, consultancies for governments on impact-based tendering, independent PI rating services ...

What role for the PI Initiative in developing these?

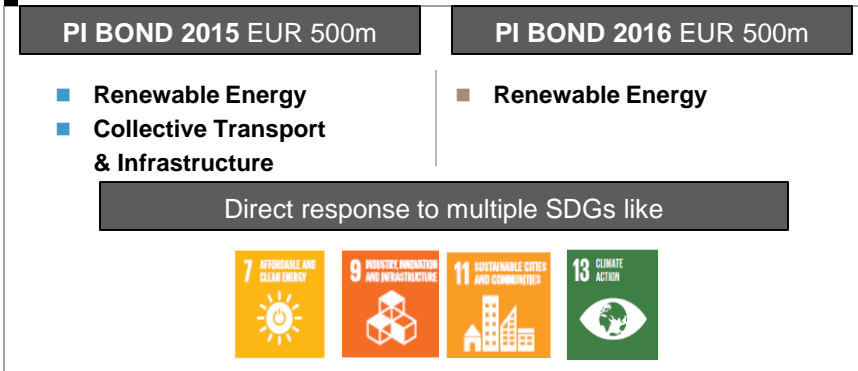


# Positive Impact Product Development

Illustration: Societe Generale Positive impact bond

## DEFINITION – TARGETED E&S IMPACTS

**PPIF #1: Positive Impact Finance is that which serves to finance Positive Impact Business**



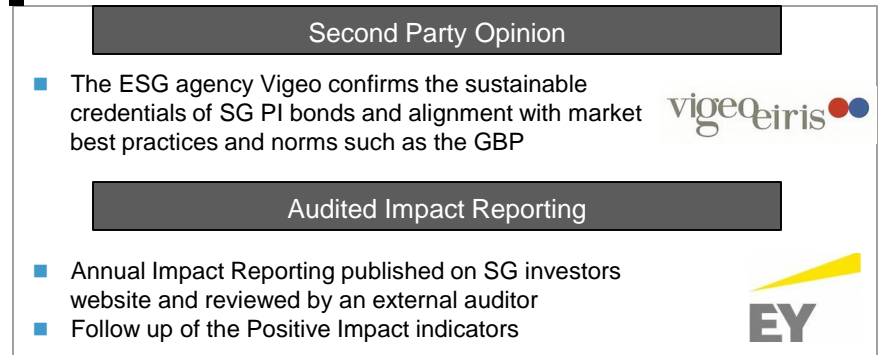
## A ROBUST FRAMEWORK

**PPIF #2: For the delivery of Positive Impact Finance, entities need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects, and/or entities to be financed or invested in**

- 1 **Credit decision process**
  - Local regulation, credit approval process
  - SG E&S risk management system (Equator Principles, IFC Performance Standards, CSR sectorial policies, etc.),
- 2 **Identification**
  - Eligible categories
- 3 **Evaluation and selection of the loans qualifying to Positive Impact**
  - Loans compliant with eligible criteria as selected by dedicated E&S experts

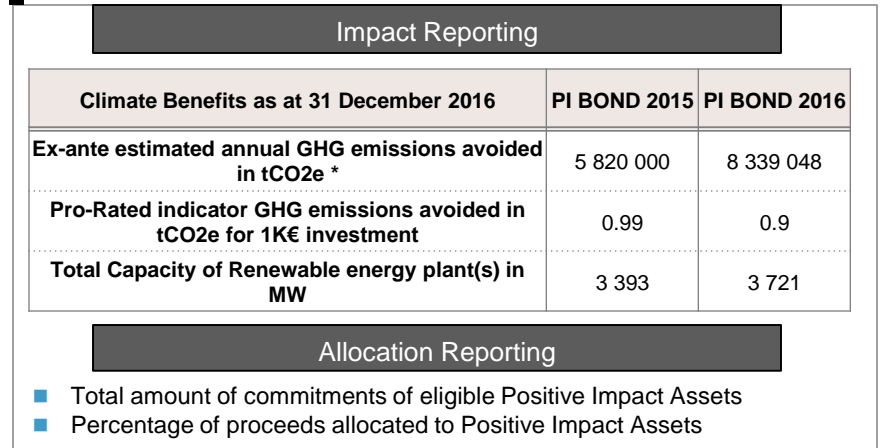
## TRANSPARENCY

**PPIF #3: Entities providing Positive Impact Finance should provide transparency and disclosure on PPIF#1, PPIF#2, PPIF#4**



## IMPACT ASSESSMENT – REPORTING

**PPIF #4: The assessment of Positive Impact Finance delivered by entities, should be based on the actual impacts achieved**





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# 2017 REGIONAL ROUNDTABLES



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



**AFRICA AND  
MIDDLE EAST**

**JOHANNESBURG**  
Nov. 27-29



**ASIA PACIFIC**

**TOKYO**  
Dec. 11-12



**EUROPE**

**GENEVA**  
Oct. 16-18



**LAT. AMERICA  
& CARIBBEAN**

**BUENOS AIRES**  
SEPT. 5-6



**NORTH  
AMERICA**

**NEW YORK**  
SEPT. 18-20

Positive Impact Finance  
Launch at Johannesburg  
Stock Exchange



# THANK YOU

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