



UNEP FINANCE INITIATIVE

CHANGING FINANCE, FINANCING CHANGE



WHAT IS UNEP FI?

The United Nations Environment Programme Finance Initiative (UNEP FI) is a unique partnership between the UN and a global network of over 200 banks, insurers and investors from 51 countries. It was established on the basis of a shared conviction that the financial sector has a vital role to play in supporting sustainable development.

UNEP FI aims at creating an enabling environment for financial institutions – investment companies, banks and insurance companies – to embed sustainable development policies into their operations. Its mission is to bring about systemic change in finance to support a sustainable world. UNEP FI's positioning provides a neutral, non-competitive space to convene stakeholders and acts as a platform at the intersection between finance, science and policy. UNEP FI is the 'connective tissue' between financial institutions, the United Nations and policy makers.

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UNEP FI ACROSS THE WORLD

The map below shows the geographical spread of UNEP FI, with over 200 members in 51 countries.



The depiction and use of boundaries, geographic names and related data shown here are not warranted to be error-free nor do they imply official endorsement or acceptance by the United Nations.

TWENTY YEARS OF SUCCESS

With a highly successful 20-year track-record, UNEP FI is in a unique position to catalyse new thinking and develop innovative concepts in sustainable finance. Some of UNEP FI's many successes can be summarised as follows:

Twenty years ago, few banks had environmental management systems in place. Today, most banks have them and UNEP FI has been helping lead this transformation. The changes have been so great that banks now routinely highlight their commitment to sustainable finance in external facing publications and include sustainability sections on their websites.

In 2005, UNEP FI produced the landmark Freshfields Report, which set out the legal duty for incorporating environmental, social and governance (ESG) issues into investor portfolios. As a result, the Principles for Responsible Investment (PRI) was created as a spin-off from UNEP FI, an organization that now has a signature base of 1,350 investment companies.

Endorsed by the UN Secretary-General and launched at the 2012 UN Conference on Sustainable Development, the Principles for Sustainable Insurance (PSI), developed by UNEP FI, now serves as the global framework for integrating ESG risks and opportunities into the core business of insurance companies. The Principles have become part of the insurance industry criteria of the Dow Jones Sustainability Indices, the FTSE4Good, and the Brazilian Corporate Sustainability Index.

UNEP FI's work area also includes:

- Climate Change
- Ecosystems
- Sustainable Stock Exchanges Initiative
- Energy efficiency
- Sustainable land use
- Climate and disaster resilience
- Human Rights

A CHANGING WORLD

The changing physical environment is already affecting all economic players, regardless of institution or product. For instance, climate change and droughts are leading to increasing volatility of commodity prices, which could have long-term detrimental effects on the financial health of both companies and the economy at large. But it is not just the physical world that is undergoing change. The legal and regulatory frameworks within which financial institutions are obliged to operate are also changing, and this has far-reaching implications both for financial institutions and sustainable development policies.

Across the world, the values and preferences of individuals are changing too. The expectations placed on financial institutions by their customer base are now shifting as never before. Capitalism is at a turning point, and there are misgivings about market structures and short-termism. And whilst emerging markets have lifted poorer economies out of poverty, it is abundantly clear that across the world, the rich are getting richer and the poor are getting poorer.

For financial institutions, therefore, business as usual is under threat. The current model of corporate social responsibility is ripe for expansion and UNEP FI is strategically placed to advance the agenda.



UNEP FI'S ROLE IN SHAPING SUSTAINABLE DEVELOPMENT

Sustainable development is a broad agenda. It includes ending poverty, ensuring access to affordable, reliable, sustainable and modern energy for all and ensuring sustainable consumption and production patterns. It also requires taking urgent action to combat climate change and its impact, along with ensuring the availability and sustainable management of water and sanitation for all.

UNEP FI helps both policy makers and financial institutions overcome the challenges set by sustainable development, challenges which they have not previously considered to be part of their remit. For instance, the UNEP FI climate change project is a leading partner in the Portfolio Decarbonization Coalition (PDC), a multi-stakeholder initiative that will drive down greenhouse gas emissions by mobilising a critical mass of institutional investors, with \$100 billion of assets under management, committed to gradually decarbonising their portfolios.

The PDC acts as a platform for financial institutions to demonstrate their own leadership in moving to action on climate change and show to the world that they are now investing in the low-carbon economy. Financial institutions are already starting to adapt, but this action needs to be mirrored by governments. The PDC therefore not only allows financial institutions to show leadership, but also act as a spur to governments to introduce better finance-related policies and regulations.

Likewise, the Natural Capital Declaration (NCD), another UNEP FI-led initiative, recognises the growing momentum around the focus on natural capital and the need to protect what is most valuable. The NCD is a set of commitments for the finance sector to integrate natural capital considerations into loans, equity, fixed income and insurance products, as well as in accounting, disclosure and reporting frameworks. Financial institutions representing more than US\$6 trillion in assets are now collaborating on this initiative.

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The Sustainable Development Goals set the agenda for the next generation. Both national economies and individual institutions need to adapt to this new reality. Core systemic changes need to be put in place, such as robust risk assessment structures.

Financial institutions will contribute towards this transition to a green economy. Ideally, the majority of finance will flow to the new, sustainable economy – and no longer to the unsustainable economy. UNEP FI's work on sustainable finance focuses on both the structural, functional mechanisms necessary for change ('changing finance') and also the result of that change: a greener economy ('financing change').

UNEP FI AND THE FUTURE OF SUSTAINABLE DEVELOPMENT

UNEP FI supports sustainable development at several levels. Firstly it demonstrates to financial institutions the materiality of certain risks that they are currently exposed to. These include contexts such as 'stranded assets' and the 'carbon risk bubble', which, if left unchecked, might prove detrimental to financial institutions over the long-term.

But these changes can only take place if a more robust international regulatory framework is set in place by governments. In particular, a public policy lever is required to unlock private finance through the establishment of a financial framework that creates long-term, clear and credible policy signals. This framework is essential if responsible managers of private capital are to consider reallocating capital under their management towards green growth activities.

Finally, UNEP FI also facilitates dialogue between the private finance sector and policy makers. UNEP FI highlights the potential for financial institutions to invest in new kinds of opportunities and encourages actions that work towards inclusive green growth and an inclusive green economy. This – ideally combined with private finance champions – creates the political space to change policy.



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Taken 12 July 2009
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