

Changing finance, financing change

# UNEP Finance Initiative Overview



## We, Members of the Financial Services Industry ...

*“We members of the financial services industry recognize that sustainable development depends upon a positive interaction between economic and social development, and environmental protection, to balance the interests of this and future generations. We further recognize that sustainable development is the collective responsibility of government, business, and individuals. We are committed to working cooperatively with these sectors within the framework of market mechanisms toward common environmental goals.”*

**UNEP Statement by Financial Institutions on the Environment & Sustainable Development**

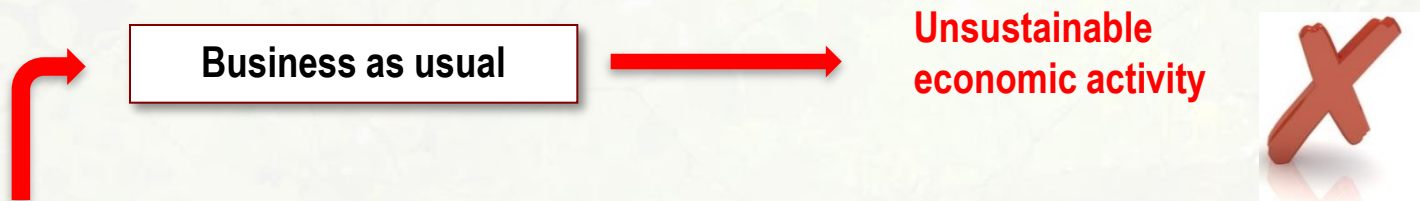
## **A finance sector closely involved in the transition to an inclusive green economy**

### **In practice...**

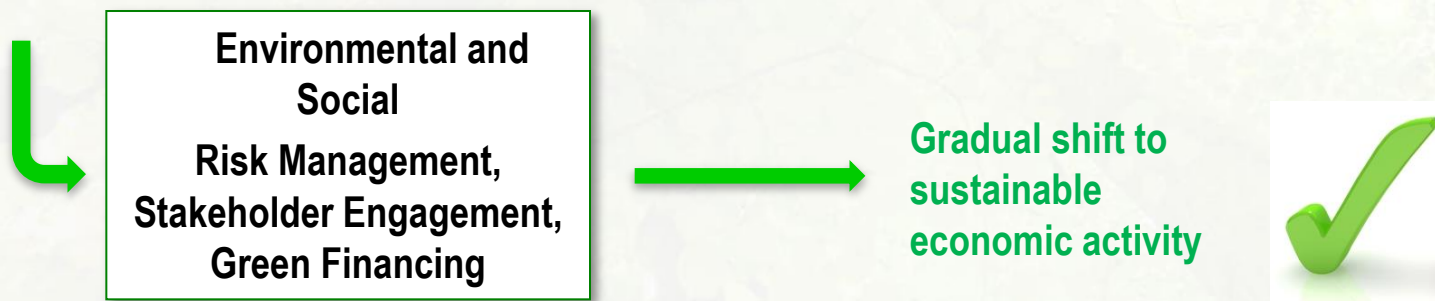
- Mainstreaming and improving E&S risk management
- Increasing the level of green/positive impact financing
- Promoting transparency & disclosure of FIs on sustainability issues
- Enhancing sustainability in financial regulation

# Changing finance, financing change

## CHANGING FINANCE, FINANCING CHANGE



### Financial Institutions



## A Global Partner Network

**Associations:** China Banking Association, South Africa Banking Associations, Insurance Institute in India, etc.

**Based in Geneva, UNEP FI has the global partner network across sectors and regions**

**Academics:** Cambridge University, INCAE Business School, Frankford School, Shanghai Finance University, etc.

**Development Agencies:** International Finance Corporation (IFC), Entrepreneurial Development Bank (FMO), GIZ, etc.



UNEP Finance Initiative

# Natural Capital Declaration

*Advancing natural capital in finance*



Natural  
Capital  
Declaration

Financial sector leadership  
on natural capital

Secretariat:



UNEP **Finance Initiative**  
Innovative financing for sustainability



**GCP**  
GLOBAL CANOPY PROGRAMME

# Natural Capital and the Financial Sector

- How do we define natural capital and what types of initiatives / knowledge are emerging in the field?
- The landscape of initiatives for governments, companies, investors
- How is it relevant to the financial sector's ESG risk management?

# What is natural capital?

The stock of ecosystems that yields a renewable flow of goods and services that underpin the economy and provide inputs and benefits to businesses and society (e.g. food, fibre, water, energy, timber, climate security)

NCD, 2012



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Capital  
Declaration

Convened by

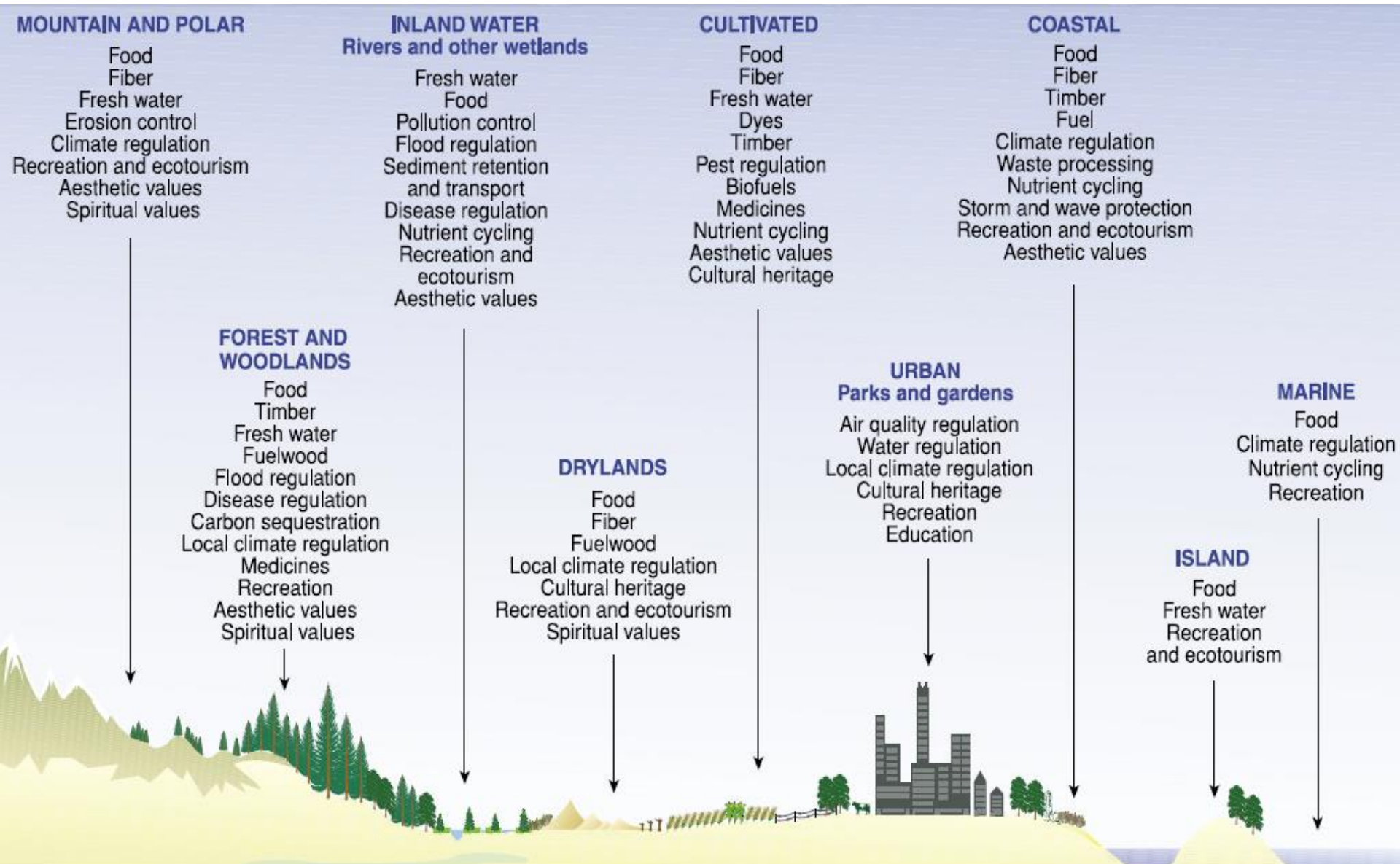


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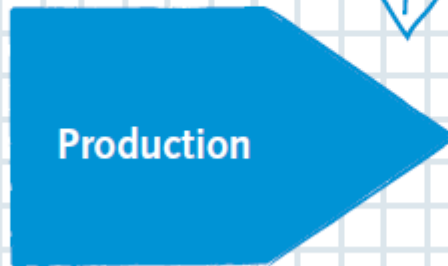


# Mangrove – coastal protection



# Emerging knowledge

Raw material inputs / Water use / Fuel / Energy use / Land use



Resource depletion / Air pollution / Heavy metals / Toxic chemicals / Greenhouse gases / Waste

Ecosystem degradation / Acidification / Eutrophication / Ozone depletion /  
Climate change / Water scarcity / Biodiversity loss

# Emerging knowledge

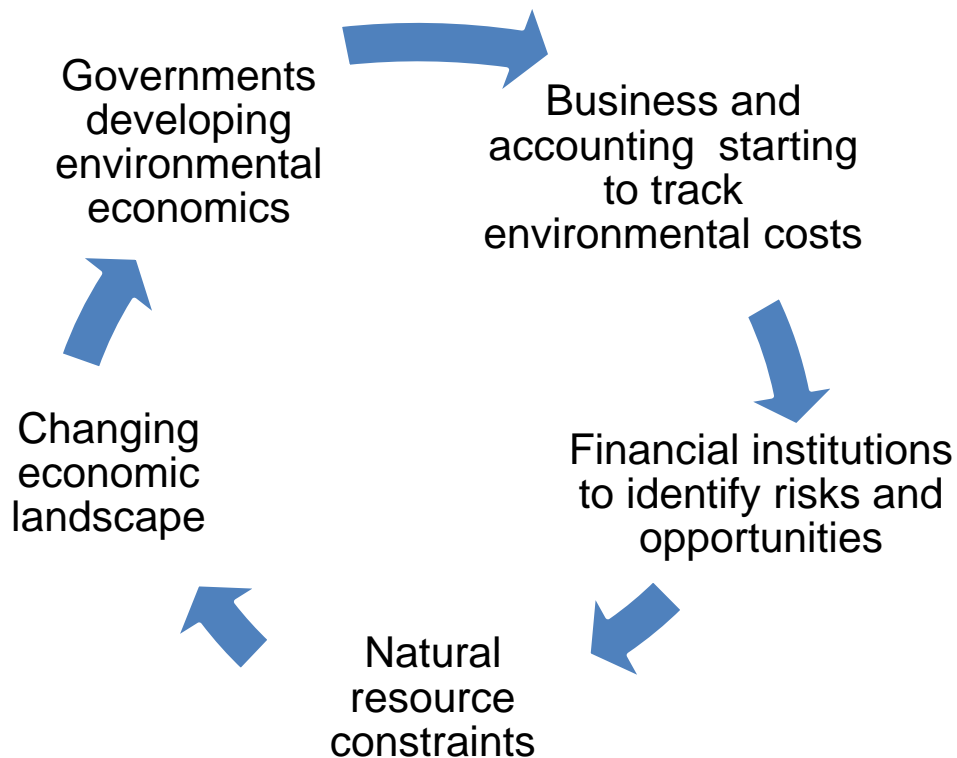
Annual environmental costs in 2008 attributable to the largest 3,000 public companies

Environmental impact	<i>External costs generated by listed companies in 2008 (US\$ million)</i>
GHG emissions	1,444,864
Water abstraction	366,555
Pollution (SO <sub>x</sub> , NO <sub>x</sub> , PM, VOCs and mercury)	314,001
General waste	21,157
Natural resources	
<i>Fish</i>	6,099
<i>Timber</i>	1,542
Other ecosystem services, pollutants and waste	Not available (NA)
<b>Total</b>	<b>2,154,218</b>

Companies that pollute and deplete resources do not usually pay the direct economic costs of damages, unless regulations correct this market failure

Source: Trucost Plc

# Response to natural resource risks



# Implications for financial sector

*“Analysing, isolating and quantifying the contribution of natural capital to economic activity has been difficult, mainly due to limited data and lack of consistent methodologies.”*

([HSBC](#), Natural Capital, Identifying implications for economies, 2013)



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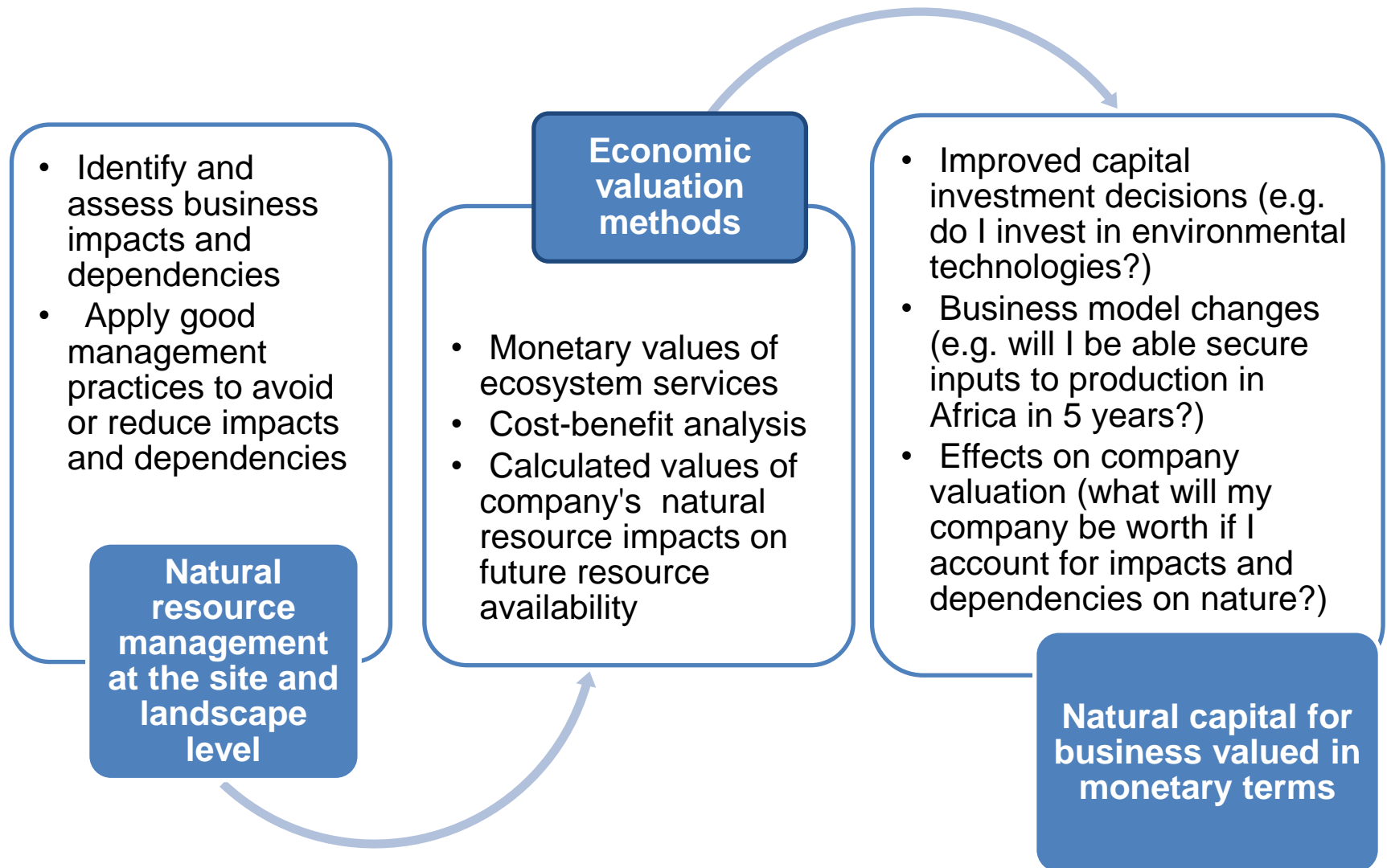


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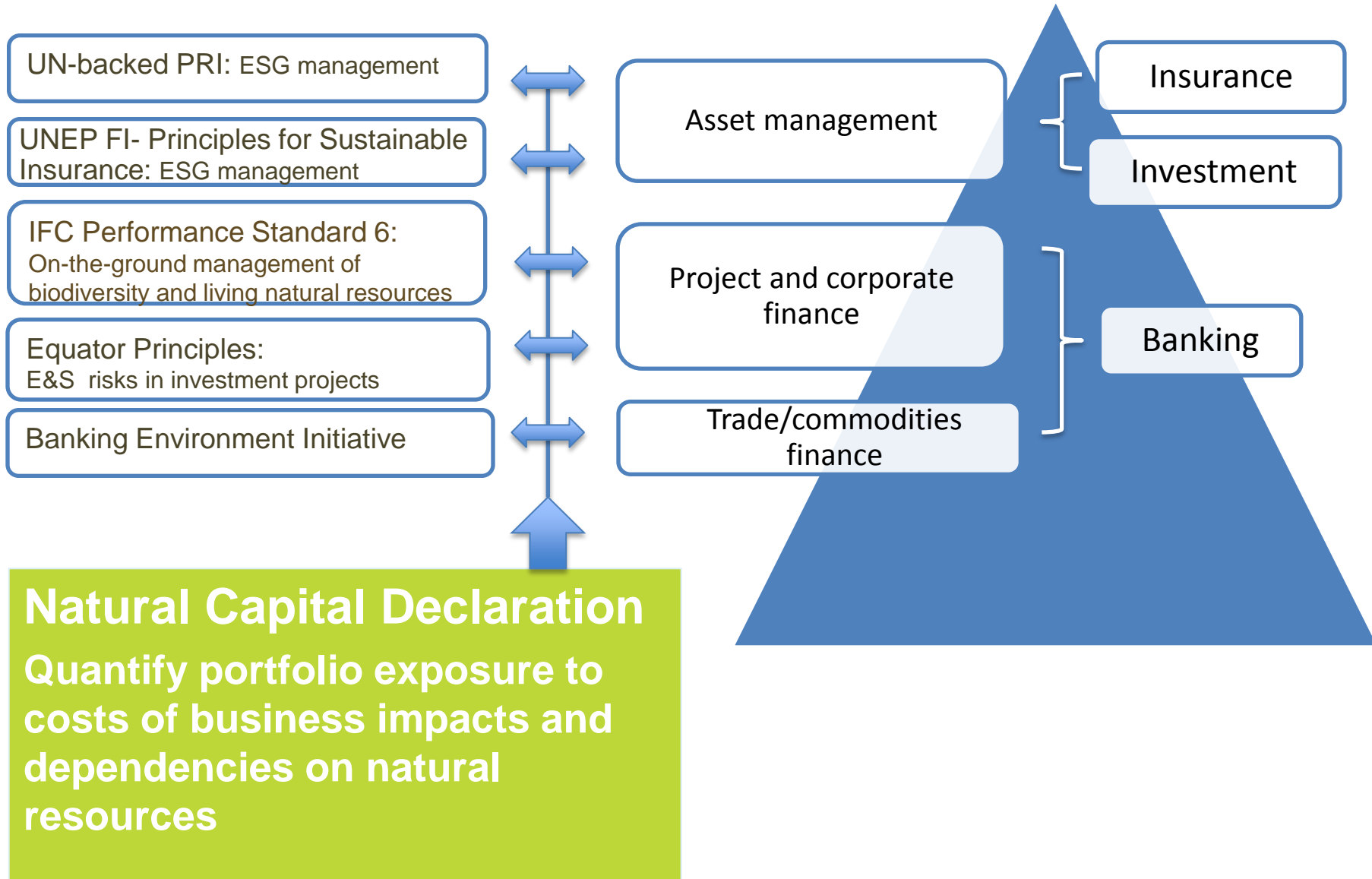


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# How do we move from environmental risk management to “capital”?



# Co-ordination across responsible finance initiatives





# A subset of ESG

## ESG indicators

Qualitative and quantitative E.g. risk scores, policies, performance indicators

Governance

Social

Environmental

Corporate profiles in context

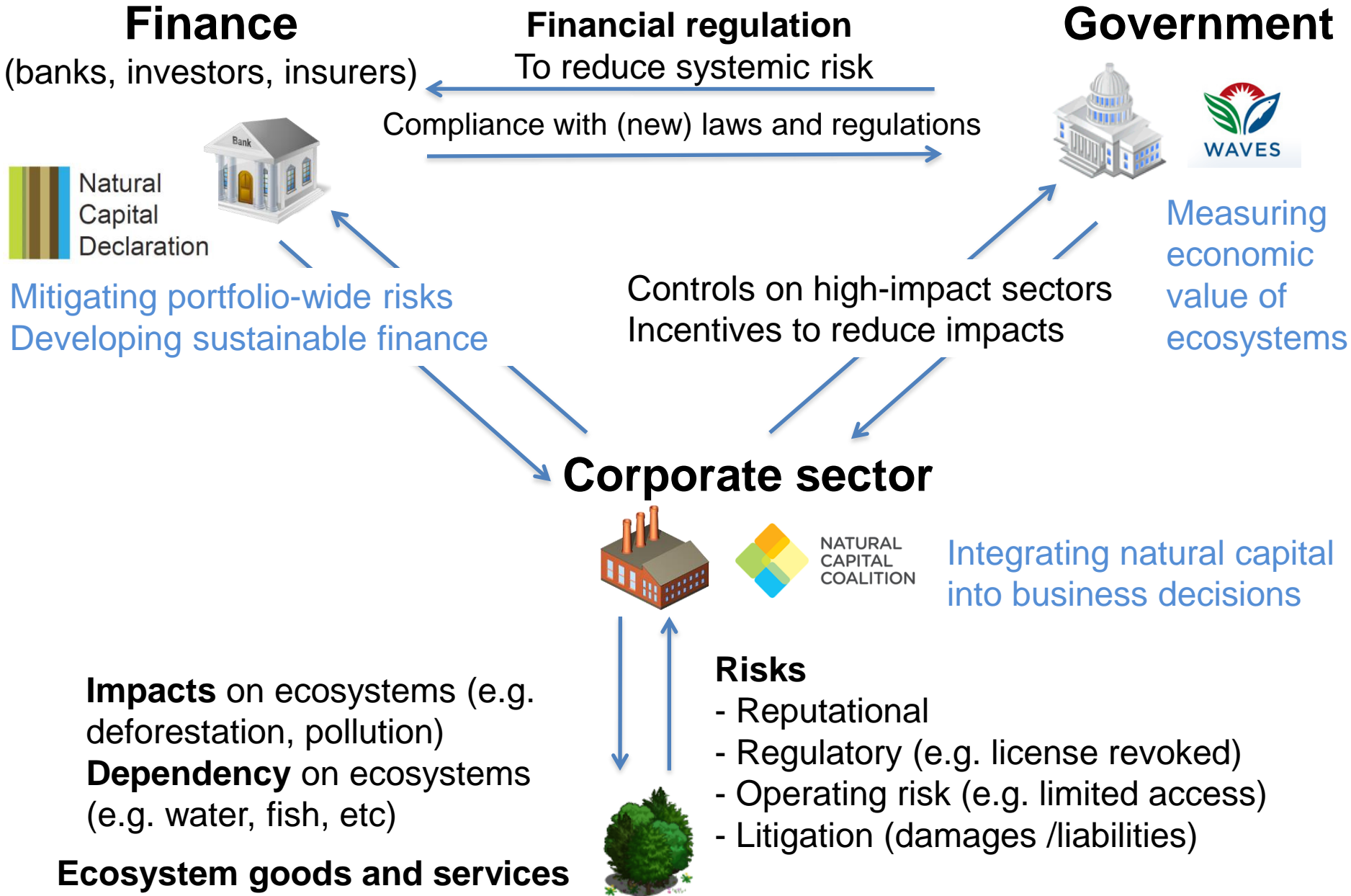
Natural capital in finance

Quantify economic value of impacts and dependence of companies

## Natural environment

Geospatial ecosystems data  
Stocks and flows accounting  
Physical boundaries  
Natural resource constraints

# Emerging initiatives



# What is the NCD: Approach

- **Business focused**: Finance-led projects. Aimed to be directly beneficial for signatories and the wider financial sector. Methodologies/outputs are open source.
- **Work beyond sustainability teams**: Develop and test new methods that integrate natural capital in a range of financial products with credit risk analysts, loan offers, portfolio managers.
- **Foster innovation**: Work with relevant business teams to manage risk and stimulate innovation to develop new products.
- **Focus on quality**: The NCD aims to work with financial institutions that are committed to contributing resources to the projects. Not a logo initiative.
- **Annual contribution**: Signatories contribute annual fee. Additional funds are raised from signatories, governments, foundations, UNEP, etc.



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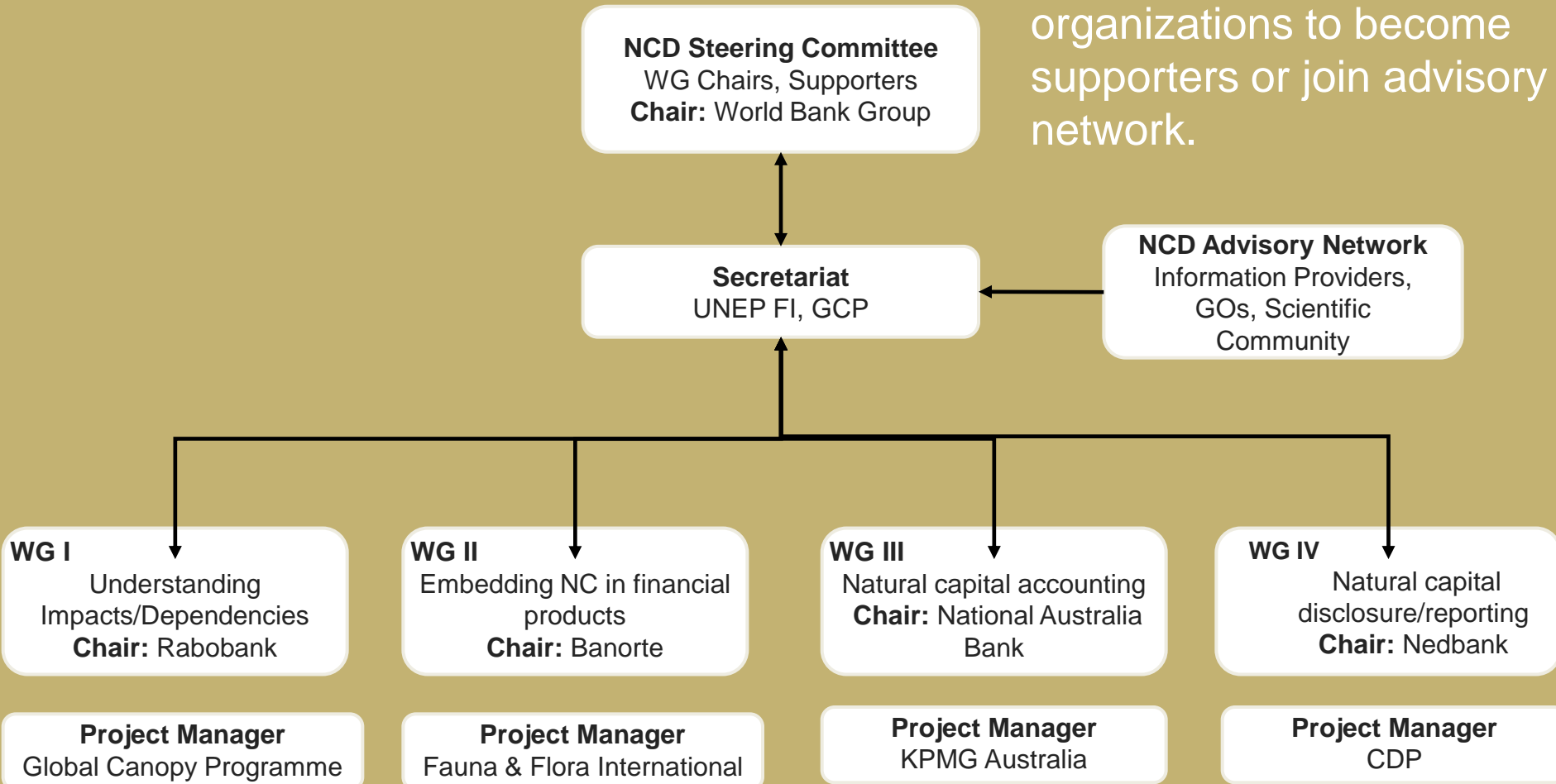


# The NCD Commitments

Working Group	NCD commitment
<b>1. Understand</b>	Build an understanding of risks and opportunities linked to the natural capital <u>impacts and dependencies of portfolio companies</u> .
<b>2. Embed</b>	<u>Integrate natural capital factors into financial products and services</u> - including loans, investments and insurance products.
<b>3. Account</b>	Work towards a consensus on <u>including natural capital in accounting and decision-making</u> .
<b>4. Report</b>	Work towards consensus on <u>Integrated Reporting</u> , including natural capital disclosures.

# Governance NCD

Seek multidisciplinary knowledge and expertise by inviting non-financial organizations to become supporters or join advisory network.



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# 40+ NCD signatories

## Financial institution members of NCD Working Groups

We would like to thank the following signatories for providing financial contributions.



- 40+ institutions have endorsed the NCD at CEO level.
- Most have contributed financially (annual contribution, project contribution).
- A number of institutions have 'observer status'.
- Growing number interested and committed to actively participate in one or more pilot projects.
- 5 FI representatives are part of the NCD Steering Committee

## Observers



# 30+ NCD supporters



ABRAPP



ACCA



Aldersgate Group



Association for Sustainable & Responsible Investment in Asia



Bloomberg L.P.



Carbon Disclosure Project



Clarmondial



Climate Disclosure Standards Board



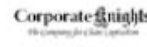
CECODES



Conservation International



Convention on Biological Diversity



Corporate Knights



Eurosif



Fauna & Flora International



Forum for the Future



Fundação Grupo Boticário



Fundação Getúlio Vargas - Centre for Sustainability Studies (GVces)



Global Footprint Network



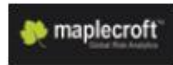
Global Reporting Initiative



Institute of Chartered Accountants in England and Wales



International Institute for Sustainable Development



Maplecroft



Natural Capital Coalition (TEEB for Business)



The Natural Value Initiative



Quercus



Social Investment Forum Japan



Social Investment Organization



SPVS



Stakeholder Forum



Trucost



True Price



UK Sustainable Investment and Finance Association  
UK Sustainable Investment and Finance Association



UNDP



US SIF



VBDO



World Business Council for Sustainable Development



WWF

- 30+ organisations support the NCD: crucial to create broader acknowledgement and support
- A number are part or (planned) pilot projects.
- 2 representatives are part of the NCD Steering Committee

# Thank you

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