



UN 
environment
programme

finance
initiative

UNEP FI

Annual Overview

07/2019–12/2020

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

UN Environment Programme Finance Initiative (UNEP FI) is a partnership between UN Environment Programme and the global financial sector created in the wake of the 1992 Earth Summit to promote sustainable finance. UNEP FI works with more than 400 financial institutions, including banks, insurers, and investors, to implement industry frameworks to integrate sustainability into financial market practice. UNEP FI establishes norms in sustainable finance to align financing with international goals such as the Paris Agreement on Climate Change and UN Sustainable Development Goals.



UNEP Finance Initiative Membership by numbers December 2020



250

Banks



40

Investors



92

Insurers



\$80tr

Assets represented



29yrs

Experience



>100

Supporting institutions



>4,000

Professionals
trained



54

Webinars held



6

Roundtables



>5,200

Delegates

Foreword

The COVID-19 pandemic changed lives overnight and plunged global economies into crises. It shone a spotlight on how dependent our societal and economic health is on the health of our planet and how far we still have to go to build resilient and sustainable societies and economies. Despite the global industrial and transport slowdowns as a

As the world recovers, sustainable finance has the potential to play a transformative role in shaping financing that builds back better.

result of the pandemic, carbon dioxide emissions were higher in December 2020 than in December 2019¹ and governments are failing to deliver on their commitments made under the Paris Climate Agreement. At the same time, one million animal and plant species are threatened with extinction within decades.² Social problems are likely to become worse for many people around the world, in particular in the global south, as the world's poor and vulnerable are hardest hit by the environmental decline caused by the pandemic.

As the world recovers, sustainable finance has the potential to play a transformative role in shaping financing that builds back better—and we see momentum increasing demonstrated by new UNEP FI initiatives and the growth in UNEP FI's membership. We were reminded of the critical role of financial institutions in supporting communities through this crisis when UNEP FI convened members shortly after COVID struck to exchange and share best practice on how they were supporting their clients and society through the pandemic. And throughout these challenging times, UNEP FI has continued to work with members to equip them with the tools to contribute to a green recovery and put sustainability at the heart of decision-making. Indeed, the blueprints for change are now available for each sector of the finance industry. The Principles for Sustainable Insurance developed by UNEP FI in 2012, and the UN-backed Principles for Responsible Investment have already been in place for some time to guide insurers and investors. With the launch of the UN Principles for Responsible Banking in September 2019, the banking industry now has the framework to embed achieving the Sustainable Development Goals and the Paris Agreement as core elements of their strategies.

September 2019 also saw the launch of major initiatives in the 'Race to Zero' climate transition. The UN-convened Net-Zero Asset Owner Alliance, which the UN Secretary-General has called the "gold standard" for net-zero commitments, brings together investors to provide a framework for high-ambition target setting, and the Collective Commitment to Climate Action convenes a group of banks which are signatories to the

1 International Energy Agency: <https://www.iea.org/news/after-steep-drop-in-early-2020-global-carbon-dioxide-emissions-have-rebounded-strongly>

2 The IPBES Global Assessment Report on Biodiversity and Ecosystem Services (2019)

Principles for Responsible Banking to work towards aligning their portfolios with the Paris Agreement climate goals.

UNEP FI and its members are now focusing on developing credible and robust approaches to implementing commitments, as we work towards our shared mission to create a financial sector that positively impacts and serves people and planet. Our membership has continued to expand, growing by one-fifth in the year to the end of December 2020 and together our impact is growing. By the end of 2020, more than 200 banks representing upwards of 40% of the global banking industry had signed the Principles for Responsible Banking and 38 banks had signed the Collective Commitment to Climate Action. Thirty-three asset owners had joined the Net-Zero Asset Owner Alliance. All three initiatives launched at the UN General Assembly and the UN Secretary-General's Climate Action Summit in 2019.

Our membership has continued to expand, growing by one-fifth in the year to the end of December 2020 and together our impact is growing.

Despite the pandemic, in just over a year these groups have set up rigorous governance structures and through a series of working groups are developing tools and guidance to operationalize their commitments. At the end of 2020, a group of insurers convened by UNEP FI announced the intention to form a coalition to work on ensuring their underwriting business is net-zero by 2050. In early 2021 a group of banks launched a similar undertaking, the Net-Zero Banking Alliance, ratcheting up the ambition built so far through the Collective Commitment to Climate Action. Both are further examples of the increasing momentum to shift financing to deliver net-zero economies.

This high level of ambition from all financial institutions will be required to deliver on the commitments agreed at the Paris Climate Summit. UNEP FI is also mobilising climate leadership by financial institutions on adaptation to climate change delivering a key technical paper on finance to support the Global Commission on Adaptation's (GCA) flagship report on climate change adaptation and convening a group of ten financial institutions who are calling on policymakers and regulators to move towards greater standardisation and improved access to climate scenario and asset data. In the run-up to COP26 in November 2021 when the world is expecting decisive and transformative action from governments on climate change, this ambition demonstrates that leading financial institutions are taking urgent action on climate.

In addition to these key initiatives, UNEP FI continues to lead work with financial institutions as they explore approaches to integrating nature into decision-making: developing tools for banks to enable them to assess biodiversity and developing guidance for banks, insurers and investors to sustainably finance the ocean economy via the Blue Economy Finance Initiative.

Helping financial institutions contribute to achieving the Sustainable Development Goals (SDGs) and assess impacts is a key target for UNEP FI. The SDGs and Impact workstream developed two tools to enable banks and investors to analyse the impact of their portfolios during 2020, and under the auspices of the Principles for Sustainable Insurance, a group of insurers also started work to develop Sustainable Development Goals for the insurance industry. Guidance for banks to set targets for gender diversity

has been launched and in 2021, work will begin on developing guidance for banks on financial inclusion.

Our work with insurers and reinsurers continues to deliver industry firsts: the first global guide to manage Environmental, Social and Governance risks in insurance underwriting launched in 2020 meanwhile twenty-two leading insurers and reinsurers from across the globe worked with UNEP FI to develop the first comprehensive guidance for the insurance industry to identify and disclose the impact of climate change on their businesses in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 39 banks helped expand their climate risk toolkits and delivered the results of the second phase of piloting of the TCFD recommendations during 2020 and early 2021, building on a first pilot during 2017.

In 2020, we helped the banking industry prepare for new regulations by assessing and testing how the EU taxonomy can be applied to core banking products: results launched in January 2021 and a second phase is continuing in 2021. You can read more about these projects and many more in the rest of this report.

"A recovery from the coronavirus crisis...is an opportunity to build more sustainable and inclusive economies and societies," said UN Secretary-General António Guterres in April 2020 as he proposed six climate-positive actions for governments to consider as they build back global economies, societies and communities in the wake of the COVID-19 pandemic. Our members are playing a crucial role themselves in building back better. Every project, programme and initiative that UNEP FI convenes with members requires commitments in terms of intention as well as time and resources. Combined with UNEP FI's regional and global events and a rich programme of webinars, as well as a growing training programme, we are providing the insight, guidance and tools for the finance industry to play its part. We salute the perseverance of our members who continued to concentrate on sustainability while dealing with the huge strains caused by the global pandemic and look forward to continuing to collaborate to achieve more sustainable, fairer and more resilient economies and societies. In this report, we summarise UNEP FI's work from July 2019 until December 2020.



Jacki Johnson
UNEP FI Global Steering Committee Co-Chairs



Antoni Ballabriga



Eric Usher
UNEP FI Head

Supporting leadership action & market transformation



UNEP FI convenes financial institutions to shape market-leading initiatives that pave the way to aligning the global financial market with the transition to a sustainable economy. For instance, UNEP FI has framed the global sustainable finance agenda through the development of industry principles to provide frameworks for integrating sustainability into financial practice.

UNEP FI is focused on supporting implementation of the Principles for Responsible Banking and Principles for Sustainable Insurance, which provide guiding frameworks for the industries to integrate sustainability across their businesses. UNEP FI works with its members to provide the guidance and tools for financial institutions to implement the Principles, while developing knowledge and resources to accelerating financing to address specific societal and environmental challenges such as climate change, biodiversity and ocean health.

Implementing the UN Principles for Responsible Banking: More than 200 signatories collectively driving action

In September 2019, 130 banks signed the UN's Principles for Responsible Banking, the first global sustainability framework for the banking industry. By December 2020, the coalition had reached 200 signatories across 58 countries and six continents, collectively representing 1.7 billion customers and USD 54 trillion in assets or more than 40% of the global banking sector.

During 2020, to help members effectively implement the Principles, UNEP FI established an implementation support structure. Over 300 colleagues from member banks participated in 11 working groups across six areas including impact analysis and target-setting to exchange knowledge with peers and co-create tools, guidance and resources that will benefit all members.

Following an Extraordinary General Meeting of UNEP FI's banking membership, over 87% of over two-thirds of UNEP FI members voted in favour of the Banking Committee's proposal for delivering the Principles for Responsible Banking. Outcomes include a strengthened Banking Board and additional resources to support effective implementation of the Principles for Responsible Banking. Members also agreed to put in place robust accountability mechanisms involving civil society through the creation of a Civil Society Advisory Body in 2021. Guidance will be issued throughout 2021 to help banks implement the Principles, and signatories' first biennial progress report will be released in September 2021.

Many resources have already been created to support banks and enable them to report on their implementation of the Principles and more are in the process of being developed. The full list is available at unepfi.org/prb-resources.

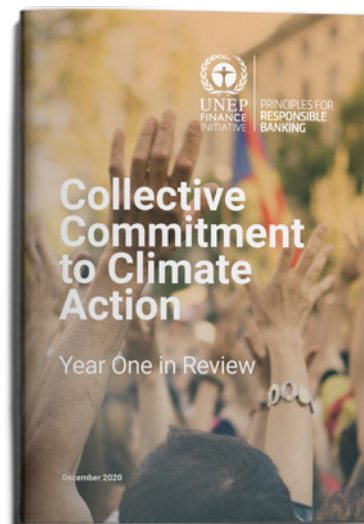


Trailblazers set out pathway to a net-zero economy

First reporting from banks who signed up to ambitious climate action

Over 35 of the founding signatories of the Principles for Responsible Banking issued the Collective Commitment to Climate Action (CCCA) in September 2019, committing to aligning their loan-books with greenhouse gas emissions pathways compatible with the international Paris Agreement on climate change and with a temperature outcome of well below 2 degrees, striving for 1.5.

Members of the coalition—all signatories to Principles for Responsible Banking—are fast-tracking their commitment to align their business strategy with the temperature goals of the Paris Agreement. A year later, in September 2020, members of the group had increased to 38 banks who collectively represent US\$ 15 trillion.

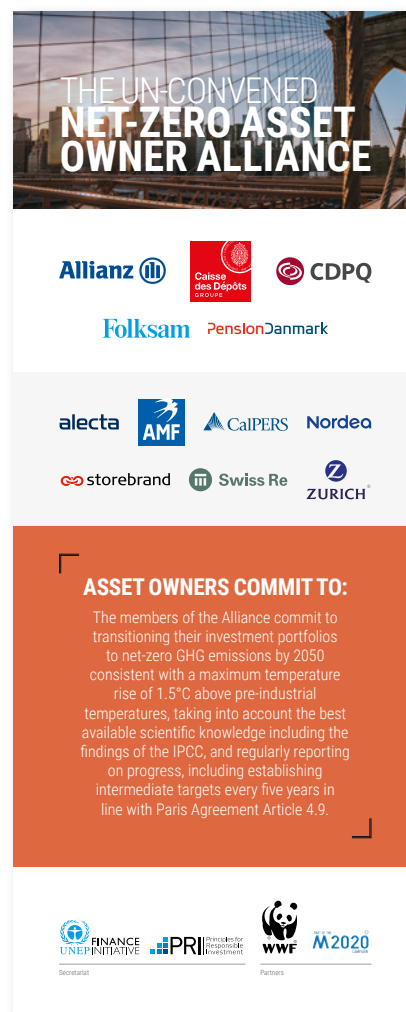


UNEP FI summarised the first annual reporting from the banks in an overview of the concrete measures that the banks have taken to deliver on their commitment. It shows the growing use of scientific climate scenarios in banks' strategies and reflects the timelines imposed by science for achieving "well-below 2 degrees" of average global temperature increase. While most banks still have some way to go before they can publish a full assessment of their portfolios' alignment with the Paris Agreement and publish scenario-based targets, all 38 banks have committed to doing so within three years of signing the Collective Commitment. The group will provide guidance, tools and frameworks for the other 200+ signatories to the Principles for Responsible Banking.

UN-convened Net-zero Asset Owner Alliance: leadership on decarbonisation

The UN-convened Net Zero Asset Owner Alliance, incubated by UNEP FI and executed in partnership with the Principles for Responsible Investment, was launched by Allianz CEO Oliver Baete during the opening of the UN Secretary General's Climate Action Summit in September of 2019, as its most significant private sector initiative. Participating investors commit to transitioning their entire portfolio to net-zero emissions by 2050 in line with 1.5 degrees of warming, and to publish and report on intermediate portfolio-level targets every 5 years, starting in 2025.

The Alliance has grown from initially 12 to more than 30 institutional investors from three continents and with collective assets of US\$ 5 trillion (as at December 2020); has built a robust governance structure that includes strong participation from civil society, and has operationalised itself through 5 key and investor-led work tracks on i) corporate and sector engagement, ii) monitoring, reporting & verification (MRV), iii) financing climate solutions, iv) public policy, and v) communications. One of the key focus areas of work to date for the Alliance has been the development—by over 70 investment, UN and civil society professionals—of the AOA Target-Setting Protocol for the 2025 intermediate targets which was finalized at the beginning of 2021. Find more information at unepfi.org/net-zero-alliance.



Inspiring leadership in net-zero finance

UNEP FI is inspiring debate on the topic of net-zero finance, with the release of six essays in our series of "thought leaders" in partnership with EIT Climate-KIC. Financial actors worldwide are encouraged to move from risk to alignment, challenge current assumptions around climate alignment and develop ideas and concepts on how to achieve alignment. The series convenes innovators and industry experts to provoke discussion, challenge the status quo and guide the transformation of business and finance towards a sustainable future. [Read more.](#)



Putting the Ocean on the agenda: Sustainable Blue Economy Finance Initiative

During 2020, UNEP FI built up the work programme of the Sustainable Blue Economy Finance Initiative, and expanded its global community of banks, insurers, investors, international organisations, scientists and researchers, working together to shape the future of ocean-related finance.

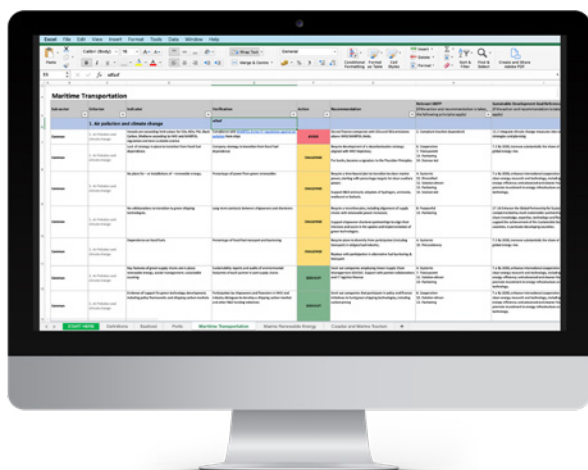
From shipping and ports, to seafood, aquaculture, coastal tourism and renewable energy, the blue economy generates over US\$2.5 trillion a year, equivalent to the Gross Domestic Product of the world's seventh largest economy. This wealth is currently under threat from overfishing, pollution and environmental degradation, with implications for economic stability, food, security and livelihoods.

Banks, insurers and investors have a major role to play in financing the transition to a sustainable blue economy, helping to rebuild ocean prosperity, restore biodiversity and regenerate ocean health. This initiative, open to all financial institutions, is bringing together an expert network of professionals at a global level to catalyse change and bring sustainable investment and finance practices to ocean-linked sectors. It is developing research and guidance for financial institutions to direct capital flows towards activities which contribute towards SDG 14 ('life below water').

By the end of 2020, more than 50 Institutions had joined the Sustainable Blue Economy Finance Initiative as members or signatories to the Principles and in early 2021 the first guidance was launched.

'*Turning the Tide: How to finance a sustainable ocean recovery*,' is the first practical toolkit for financial institutions to immediately start financing ocean sectors in a sustainable way. It provides detailed recommendations for banks, insurers and investors and covers five key sectors: shipping, fishing, marine renewables, coastal tourism, ports. This is comple-

mented by *The Rising Tide: Mapping Ocean Finance for a New Decade* which details the frameworks and financial instruments that are successfully addressing ocean sustainability and highlights new opportunities and gaps in the market. It looks across five major ocean-linked sectors chosen for their established connection with private finance: seafood, ports, shipping, coastal and marine tourism and marine renewable energy. [Read more.](#)

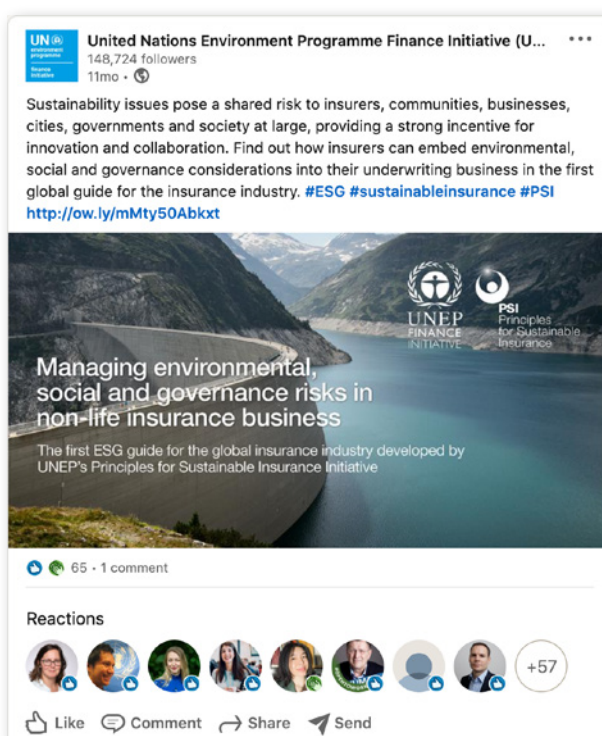


First global guide for non-life insurance underwriting on integrating Environmental, Social and Governance considerations

On 3 June, 2020, after a multi-year global consultation process, leading insurers from around the world and UNEP FI launched the first global insurance industry guide to tackle a wide range of sustainability risks—from climate change, ecosystem degradation, pollution and animal welfare and testing; to child labour, controversial weapons, and bribery and corruption.

Managing environmental, social and governance (ESG) risks in non-life insurance business, outlines eight areas comprising possible actions for insurers to manage ESG risks—also known as sustainability risks—in non-life insurance transactions, focusing on risk assessment and insurance underwriting. These areas include developing a company's ESG approach and risk appetite, integrating ESG issues into the organisation, establishing roles and responsibilities for ESG issues, escalating ESG risks to decision-makers, detecting and analysing ESG risks, and decision-making and reporting on ESG risks.

ESG issues pose a shared risk to insurers, communities, businesses, cities, governments and society at large, providing a strong incentive for innovation and collaboration. The guide includes two high-level, optional “heat maps” indicating the potential level of ESG risk across economic sectors and lines of insurance business. It helps draw attention to the complex range of considerations for insurers and how some industry participants are integrating ESG risk factors into non-life risk assessment and underwriting. The guide will be updated regularly. [Read more.](#)



Norm setting and uptake



UNEP FI helps members prepare for expected policy and regulatory developments in sustainable finance, including the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. Through training and capacity building initiatives, and projects that enable members to work collaboratively to incorporate environmental, social and governance considerations into their decision-making, UNEP FI is supporting the finance industry as it establishes sustainable finance practice as business-as-usual.

Risks and opportunities in a changing climate: implementing the TCFD recommendations for banks, insurers and investors

The TCFD Phase II banking pilot built on the success of the initial programme by developing a climate risk toolkit to help banks implement the latest recommendations from the Task Force on Climate-related Financial Disclosures and regulatory guidance. UNEP FI engaged 39 global institutions across six continents in a year-long pilot focused on three main pillars exploring physical and transition risks: climate scenarios, assessment methodologies, and governance and disclosure.

The pilot resulted in the following guidance:



Charting a New Climate (with Acclimatise): a state-of-the-art blueprint to support financial institutions in navigating the changing physical climate risk landscape. The report explores physical risk data, tools, correlation analyses, heatmapping, and opportunity identification among other crucial topics.



From Disclosure to Action: a stock-take on how financial institutions are incorporating climate risk into their operations. Numerous bank case studies and UNEP FI TCFD participant survey results provide details on the latest practices. The paper also provides concrete and actionable guidance on integrating climate risk throughout an organization.



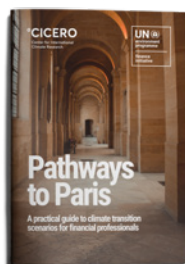
Beyond the Horizon: an exploration of the ways in which the UNEP FI TCFD programme advanced transition risk analysis. A major feature of the report is a comprehensive transition risk heatmap developed by the participating institutions that provides perspectives into how climate-sensitive sectors may be impacted by a low-carbon transition.



TCFD Playbook (with the Institute for International Finance): developed through consultation with member financial institutions, this document provides guidance on and examples of leading practices around TCFD reporting in the financial sector. This desk reference also aims to enhance the depth and comparability of TCFD disclosures by financial institutions.



Transition Check (with Oliver Wyman): a user-friendly webtool that enables financial institutions to assess transition risks across a wide range of geographies, economic sectors, and climate scenarios (including the latest NGFS scenarios). Transition Check produces loss estimates, PDs, and LGDs in a clean, downloadable format to support internal assessments and TCFD reporting.



Pathways to Paris (with CICERO): A practical guide to climate transition scenarios for financial professionals looking to understand and apply climate scenarios in a financial risk context. This paper also provides recommendations for enhancing the development and application of Integrated Assessment Models (IAMs) by financial institutions based on perspectives of participating banks that used UNEP FI's transition risk methodology. It also contains case studies from participating banks that capture their experiences using climate scenarios.



Decarbonisation and Disruption (with Oliver Wyman): Understanding the financial risks of a disorderly transition using climate scenarios covers two primary themes relevant to financial institutions. First, it examines sector-specific risk drivers that could result in a disorderly transition, making the argument that climate transition risk is a significant near-term threat to much of the economy. Second, the report explored how these risk drivers are currently being modeled in climate scenarios produced by major integrated assessment models (IAMs). The paper also includes bank case studies that affirm greater economic risks associated with disorderly transition scenarios compared with orderly transition scenarios.

TCFD database (to be released in 2021): UNEP FI undertook an extensive survey of our membership regarding climate disclosure and climate scenario analysis practices. the resulting data will be made accessible to financial institutions so that they can benchmark their practices to others across the industry.

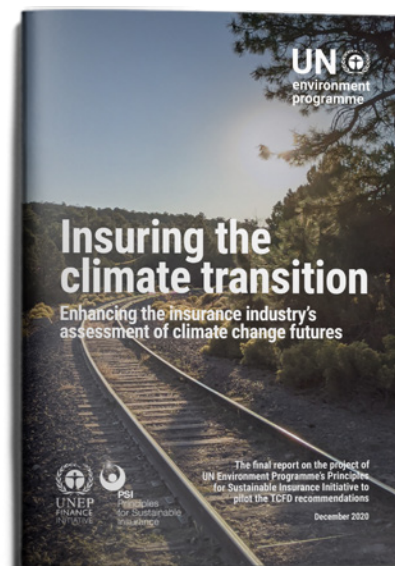
The following figure shows how each specific output from Phase II connects to a TCFD pillar. [Read more](#).

		Governance	Strategy	Risk management	Metrics & targets
Physical Risk	Charting a New Climate		✓	✓	✓
Physical & Transition Risk	From Disclosure to Action	✓	✓	✓	
	The Climate Risk Landscape			✓	✓
	TCFD Report Playbook	✓	✓	✓	✓
Transition Risk	Beyond the Horizon			✓	✓
	Transition Check			✓	✓
	Decarbonisation and Disruption		✓	✓	
	Pathways to Paris		✓	✓	

Enhancing the insurance industry's assessment of climate change

UNEP FI collaborated with 22 leading insurers and reinsurers from across the globe, representing more than 10% of the global industry premia, to develop methodologies to evaluate the financial impact that physical, transition and litigation risks may have on their underwriting portfolios. The resulting report represents the largest collaborative effort by market participants to pilot some of the most challenging recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The group—all signatories to UNEP FI's Principles for Sustainable Insurance—developed a new generation of risk assessment tools designed to enable the insurance industry to better understand the impacts of climate change on their business. The overall aim of this pilot project is to contribute to the development of consistent and transparent analytical approaches that can be used to identify, assess



and disclose climate change-related risks and opportunities in insurance underwriting portfolios. The report, *Insuring the Climate Transition*, recognizes that the insurance industry needs to assess climate change risks in an integrated manner, not only at an underwriting level but also in terms of its investments. In this vein, the project assesses climate-related physical, transition and litigation risks in underwriting portfolios, with a focus on scenario analysis. [Download](#).

Cross-industry guidance: mapping climate risk assessment providers

A summary of the key developments across third party climate risk assessment providers since May 2019, including new and updated scenarios, methodological tools, key guidelines, as well as an overview of the changing regulatory landscape and potential developments into 2021 is provided in the *Climate Risk Landscape: Mapping Climate-related Financial Risk Assessment Methodologies*. [Download](#).

Find all UNEP FI's guidance and tools for banks, insurers and investors implementing the TCFD Recommendations at unepfi.org/tcfd



Developing Sustainable Development Goals for the insurance industry

UNEP FI has launched an agenda-setting initiative to support the achievement of the UN Sustainable Development Goals (SDGs) by developing “Insurance Sustainable Development Goals” (iSDGs)—global insurance goals for priority SDGs backed by industry roadmaps and company-level insurance portfolio targets.

Currently, many insurance products and solutions already support achieving the SDGs but the industry lacks a systematic mapping of such products and solutions, a clear narrative, and methods to measure impact. There is also a lack of understanding on the types of insurance products and solutions needed—both existing and new—to support the achievement of various SDGs, and how such products and solutions can be developed and brought to scale. Finally, there are no global goals or targets for the insurance industry linking its insurance portfolios to the SDGs.

In the second half of 2020, a consultation process, including a global survey, was conducted and work will continue during 2021.

Scaling 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 more than 170 online courses and 110 in-person workshops, training around 10,500 professionals from the financial sector all over the world in awareness-raising and capacity building sessions. All online courses and in-person training workshops are highly personalized. The maximum number of participants that we accept per online course is 24 and no more than 30 participants for in-person workshops. During 2020, as the COVID-19 pandemic hit, in-person workshops moved online as a series of webinars and UNEP FI continued to offer its programme of online training courses as usual.

The core courses include *Environmental & Social Risk Analysis (ESRA)* and an updated *Climate Change and the TCFD: Risks and Opportunities for the Finance Sector and Corporate Ecoefficiency in Financial Institutions*. In addition, UNEP FI has provided training on green, social & sustainable (SDG) bonds, responsible investment, and sustainable finance for savings and credit cooperatives.

2020 highlights include:

3,930

trained from
July 2019 to
December 2020

3,928

people took part in
39 **225%**
training sessions increase
on 2019

2,539

attended online
seminars/webinars

459

people participated
in in-person training
workshops

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, the global guidance on the integration of ESG risks into insurance underwriting is the first tool for the insurance industry to identify and define ESG risks from an insurance underwriting perspective (see page 12 above), while the framework for natural capital-related portfolio risk helps financial institutions evaluate the dependencies of economic sectors on natural capital. Impact-based financing frameworks help clarify how financial instruments support the UN Sustainable Development Goals.

Positive Impact Initiative paves the way for mainstream impact finance, develops tools

UNEP FI's Positive Impact Initiative (PII) works with finance sector representatives and other stakeholder groups to mainstream impact analysis and help financial institutions ensure their business helps finance the Sustainable Development Goals (SDGs). In April 2020, it launched two new tools for corporates and banks to step up their contribution towards the achievement of the 17 goals.



The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their client and investee companies. This tool provides a strategic review of companies' impacts across different sectors and countries to allow users to obtain impact profiles based on the reality of the companies' business activities as well as the needs of the countries in which they operate, whether for sourcing, production or sales.

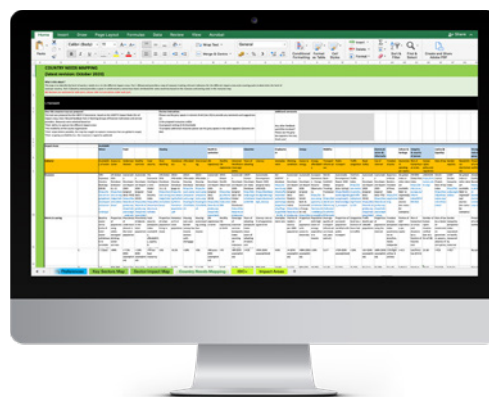


The Portfolio Impact Analysis Tool for Banks is designed to guide banks through an analysis of their portfolios. The tool, developed jointly with signatories of the Principles for Responsible Banking, helps banks understand the impacts associated with their own business and what impact themes to focus on as a matter of priority, based on the impact profile of their portfolios and the impact needs of the countries they are active in. The analysis enables banks to set targets where it matters in order to drive their contribution to society's goals.

New working groups continue developing the tools through 2020 and an updated version of UNEP FI's Portfolio Impact Analysis Tool for Banks and additional tools for holistic impact analysis will be launched during 2021. [Read more.](#)

Open review process and impact mappings

As part of its work on facilitating impact analysis across all aspects of a financial institution's business, the PII started a set of 'impact mappings', considering the positive and negative associations between sectors (e.g. car manufacturing) and impact areas (e.g. resource efficiency), as well as the level of country needs in relation to impact areas (e.g. Morocco and employment). The mappings are an integral part of the PII Impact Analysis Tools. The mappings can also be used independently of the PII tools, as input to other processes, methodologies and tools. In order to ensure that the mappings are of maximum accuracy and hence value, an open review and co-creation process is ongoing. [Read more.](#)



A call to action on biodiversity

Natural capital is a way of thinking about nature as a stock that provides a flow of benefits to people and the economy.

It consists of natural capital assets such as water, forests and clean air that enable economic activity by providing businesses with materials, inputs to production, protection from natural disasters and absorption of the pollution they emit. Any 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 which have traditionally been the focus of environmental risk assessment, natural capital risk analysis allows financial institutions to see the risks that they are exposed to in a new light.

2020 saw a major focus on the importance of biodiversity to economic health. Biodiversity is the variation of species and genetics among animals, plants, fungi or micro-organisms, and with major international frameworks currently underway, such as the '[Post-2020 Global Biodiversity](#)', UNEP FI worked across the financial industry to urgently align the economy to this new landscape.

Technical support for setting biodiversity targets

UNEP FI is working with the UNEP World Conservation Monitoring Centre and Global Canopy to further develop the tool Exploring Natural Capital Opportunities and Risk Exposure (ENCORE) to help financial institutions set biodiversity targets. The new module will enable financial institutions to answer the following questions:

- Am I influencing biodiversity through my investment or lending portfolio?
- Am I harming or building the resilience of biodiversity with my investments?
- Is my portfolio in alignment with global biodiversity targets and how much so?

Some 30 banks and investors joined a piloting group to provide inputs to the design of the ground-breaking biodiversity module in the ENCORE tool. The new module aims to help financial institutions align portfolios with the Post-2020 Global Biodiversity Framework to be agreed at the Convention on Biological Diversity Conference of the Parties (COP) 15 in 2021. [Read more](#).

As part of the project, a report, 'Beyond Business as Usual: Biodiversity Targets and Finance' was released in June 2020, setting out a step-by-step approach for financial institutions to contribute to halting biodiversity loss. It calls for the financial sector to urgently start setting biodiversity targets and identified sectors to focus on, such as agriculture and mining.

Financing sustainable land use

UNEP FI has continued to contribute to The Good Growth Partnership's work to advance technical capabilities to finance sustainable commodity supply chains. The project focuses on three commodities (beef, palm oil and soy) and four countries—Paraguay, Brazil, and Indonesia, and Liberia. The work is funded by the Global Environment Facility, partners include UNDP, IFC, UNEP-WCMC, WWF and others.

The following are key highlights of 2020:

- 43 financial tools and products were identified or developed to support investments in sustainable production.
- 142 financial institutions were involved in workshops and trainings on sustainable finance and responsible investments of palm oil, soy and/or beef.
- 18 commodity platforms and forums were established, enabled and/or supported to facilitate multi-stakeholder dialogue and sustainable action planning.
- In Brazil, we joined forces in a multi-stakeholder sustainable finance initiative of agri-commodities called the Finance Lab. We also joined the Brazilian Coalition of Forest, Climate and Agriculture comprising over 200 stakeholders and have started discussions on fiscal policy reform for agri-commodities. A partnership was established with FEBREBAN, the Brazilian Federation of Banks, to develop a series of tools, guidance and capacity building programmes that enable effective implementation of environmental, social and governance (ESG) risk management measures.
- In Paraguay, UNEP FI is also leading a comprehensive training programme for the financial sector on the implementation of ESG standards and deforestation risk management, supported by the Central Bank.
- In Indonesia UNEP FI partnered with Supply Chain, a GEF-supported initiative from Forest Trends, on a report to examine the state of corporate reporting on commitments made on deforestation linked to palm oil production.

UNEP FI has also commenced work on developing value at risk models for financial institutions to better understand the financial trade-offs and risks associated with business-as-usual vs sustainable actions. The approach provides banks with an additional tool to assess the risk exposure of their portfolio based on a series of sustainability parameters.

The Restoration Initiative is developing bankable projects to contribute to the restoration and maintenance of critical landscapes which provide global environmental benefits and more resilient economic development. It is providing technical assistance for nature-based solutions in 10 countries including China, Pakistan, Guinea-Bissau and Sao Tome and Principe. The work is co-led by IUCN, FAO and UNEP, funded by the Global Environment Facility and supported by UNEP FI. [Read more.](#)

Strengthening communication and engagement



UNEP FI brings its members together encouraging peer-to-peer learning and enabling them to meet with other actors in the sustainable finance community. We also work with supporting institutions throughout the world who play an important part in moving forward the sustainable finance agenda. By working in concert, and by developing policy guidance, UNEP FI and its members can amplify the collective voice of the financial sector to policymakers around the globe.

UNEP FI's Global Roundtable goes virtual






UNEP FI hosted its 16th Global Roundtable on 13–14 October 2020, in collaboration with Responsible Investor as a fully virtual event. UNEP FI's biennial Global Roundtable (GRT) is a major global agenda-setting event on sustainable finance. Held under the theme of "Financing a Resilient Future", the GRT brought together decision-makers, experts and thought leaders on a virtual event platform to help shape approaches to integrating environmental, social and governance (ESG) issues and accelerating sustainable banking, insurance and investment.

"We ran our Global Roundtable virtually for the first time ever to an audience of over 3300 participants. We hope to continue hosting important discussions virtually to reach a truly global audience."
Eric Usher

"Excellent online sessions as a solution to events during the Covid-19 pandemic"

"Great discussions in the virtual format - better than the live event would have been!"

"Access to big names due to the virtual format was excellent, plus recordings made it easier to watch the sessions instead of waking up early"

 45 sessions	 150+ speakers	 3,300+ live attendees	 40,000+ live views	 600+ messages exchanged
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The event convened over 4,500 finance professionals to highlight the development of financial products with positive impacts, explore emerging approaches to financing the Sustainable Development Goals, provide invaluable insight into alignment with the Paris Agreement, innovation, emerging guidance and good practice. The sessions also helped identify trends and issues on the horizon at a global level to explore the finance sectors' responses to science, policy and business developments in areas such as climate change, biodiversity, circularity and ocean health. [Read highlights.](#)

A stellar line-up of speakers included:



Christine Lagarde

President, European
Central Bank



Kristalina Georgieva

Managing Director,
International
Monetary Fund



Mark Carney

UN Special Envoy on
Climate Change and
Finance



Christiana Figueres

Convenor, Mission2020



**Elizabeth Maruma
Mrema**

Executive Secretary,
UN Convention on
Biological Diversity



Inger Andersen

Under-Secretary-
General of the
United Nations and
Executive Director of
the UN Environment
Programme

Providing a forum for global insurance supervisors

UNEP FI, UN Environment Programme's Inquiry into the Design of a Sustainable Financial System, and insurance regulators and supervisors launched UN Environment Programme's Sustainable Insurance Forum for Supervisors (SIF) in December 2016 in San Francisco, USA. The SIF is an international network of insurance regulators and supervisors that aims to promote cooperation on critical sustainability challenges and opportunities.

In 2019 and 2020, the SIF and the International Association of Insurance Supervisors (IAIS) collaborated on the 'Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures'. The paper provides an overview of practices that supervisors have considered in the development of climate-related disclosure requirements within their markets. Considering the diversity of supervisory frameworks across jurisdictions, this paper focuses on practices that can be implemented with limited direct regulatory intervention. [Download](#).

The SIF and IAIS are now developing an Application Paper on the Supervision of Climate-related Risks in the Insurance Sector to be published in 2021.

Fiduciary Duty in the 21st Century: from a legal case to regulatory clarification

A joint four-year Fiduciary Duty in the 21st Century programme together with the Principles for Responsible Investment (PRI) and The Generation Foundation concluded in October 2019 with a [final report](#) summarizing progress towards a modern interpretation of fiduciary duty—one that includes consideration of environmental, social and governance (ESG) issues at global and country level. A summary of the extensive research and outreach activities, including engagement with over 1,000 policy makers, regulators and investors across over ten major markets, is available in the final activity report, which was disseminated to policy-makers and investors around the world and featured at events in London, Washington D.C., and New York.



The conceptual debate is now over, and policy is being updated accordingly in most major jurisdictions. Investors that fail to incorporate ESG issues are failing their fiduciary duties and are increasingly likely to be subject to legal challenge.

The project concluded that modern fiduciary duties of investors require them to:

- Incorporate financially material ESG factors into their investment decision making, consistent with the time-frame of the obligation.
- Understand and incorporate into their decision making the sustainability preferences of beneficiaries/clients, regardless of whether these preferences are financially material.
- Be active owners, encouraging high standards of ESG performance in the companies or other entities in which they are invested.
- Support the stability and resilience of the financial system.
- Disclose their investment approach in a clear and understandable manner, including how preferences are incorporated into the scheme's investment approach.

There are three main reasons why the fiduciary duties of loyalty and prudence require the incorporation of ESG issues:

1. ESG incorporation is an investment norm.
2. ESG issues are financially material.
3. Policy and regulatory frameworks are changing to require ESG incorporation.

Despite the progress, further work is required. Our next phase of work—A Legal Framework for Impact—will identify barriers and pathways for impact management integration into investment decision making processes from a legal and regulatory perspective.

The next frontier in responsible investment: A Legal Framework for Impact

Building on the UNEP FI and PRI report affirming that fiduciary duty requires the incorporation of environmental, social and governance (ESG) issues into investment analysis and decision-making processes, UNEP FI, the PRI and The Generation Foundation launched a pioneering research project, A Legal Framework for Impact, which seeks to understand and analyse how investors can manage dual duties (their fiduciary duty and sustainability impact duties) and what happens if they are in conflict.

While the need to shift investors' focus to sustainability impact is widely acknowledged, there is not yet a comprehensive assessment of the extent to which legal frameworks currently enable or impede investors to drive this shift. To address this issue, UNEP FI and PRI appointed global law firm Freshfields Bruckhaus Deringer LLP to produce legal analysis and recommendations across 11 jurisdictions: the EU, Australia, Brazil, Canada, China, France, Japan, South Africa, the Netherlands, United Kingdom and the United States. The research is also supported by a reference group of experts. The final report will be released in 2021.



For capital markets to significantly help solve the significant societal issues we face requires moving beyond integration of financially material ESG issues alone. The Paris Agreement and UN Sustainable Development Goals (SDGs) have ramped up investor awareness of global sustainability challenges, with investors increasingly considering sustainability impact, such as portfolio-wide decarbonisation targets. The Report and work of PRI and UNEP FI moves towards a normative expectation that within the next decade, assessing, managing and accounting for the sustainability impact of investment decisions needs to become a core part of investment activity. [Read more.](#)

Leadership on physical climate change and adaptation, signalling to policymakers

UNEP FI's role in mobilising climate leadership by financial institutions is not limited to climate change mitigation—we are also highlighting the strategic role of the finance industry in adaptation to climate change. In 2019, UNEP FI delivered a key technical paper on financing for adaptation to support the Global Commission on Adaptation's (GCA) flagship report on climate change adaptation. The GCA's report launched a year

of action, which ran up to the Climate Adaptation Summit in January 2021. One of the key barriers to scaling up adaptation finance identified in our technical paper was a lack of disclosure of physical risks by financial institutions.

To tackle this challenge, UNEP FI convened a group of banks and investors committed to fully disclosing physical risks within two years. At the Climate Adaptation Summit, ten financial institutions delivered a statement calling for greater action on assessment, reporting and management of the physical risks of climate change, and asking policy makers to deliver mandatory disclosure requirements on climate risk. The signatory firms are the European Bank for Reconstruction and Development, Rabobank, Rockefeller Asset Management, Standard Chartered Bank, Yes Bank, ABN Amro, Danske Bank, ING, AXA XL and LinkREIT. They have all committed to publish climate risk disclosures relating to their business within two years.

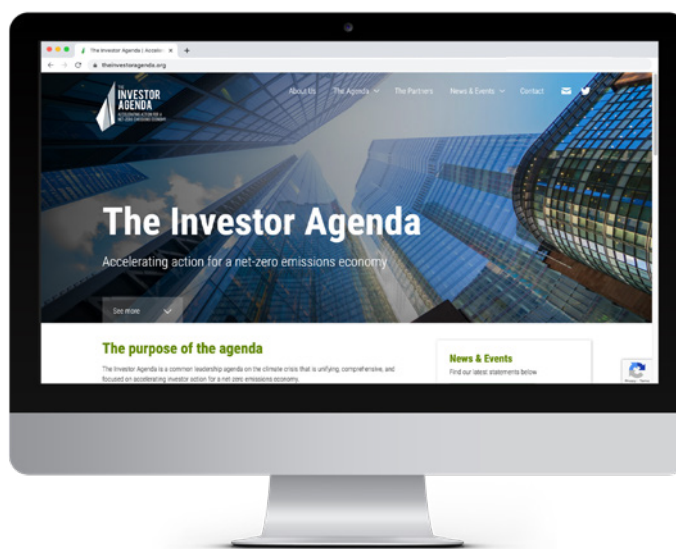
In addition to advocating for disclosure of climate risk, UNEP FI has engaged a leading law firm to look at the issues facing the finance sector from the physical impacts of climate change and potential litigation. We are also engaging with regional actors in the Middle East and North Africa to identify potential opportunities for scaling up financing for climate adaptation, with initial steps underway to partner with the Coalition for Climate Resilient Investment to lead a case study on risk pricing and infrastructure project prioritisation in a selected country in the region. [Read more.](#)

Driving the investor agenda on climate change

The Investor Agenda was developed for the global investor community to accelerate and scale up the actions that are critical to tackling climate change and achieving the goals of the Paris Agreement. UNEP FI is a founding member of the Investor Agenda with six other investor network partners.

Known for its annual Investor Statement to Governments on Climate Change, the latest statement was launched at COP25 in Madrid in December 2019, signed by a record 631 investors collectively managing over US\$ 37 trillion.

Throughout 2020, the Investor Agenda renewed its focus, committing to advance the aim of keeping average global temperature rise to no more than 1.5 degrees Celsius. Throughout 2020 and 2021, it will place an emphasis on two work streams: Policy advocacy and Investor Climate Action Plans (ICAPs). UNEP FI is co-chairing the ICAPs work-



ing group to support alignment across the various areas where investors are taking action/decarbonization targets. An ICAP allows an investor to state what action the institution is individually taking on climate, what initiatives the institution partners with, and enables the investor to communicate targets with respect to the low-carbon economy transition. In October 2020 the Investor Agenda launched the ICAPs process and guidance for consultation. We expect that investors will begin to publish their own ICAPs in Q2 2021. [Read more.](#)

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 regularly features in the top five sustainable finance influencers rankings.



>22,000 followers



>150,000 followers



>21,000 followers

Leveraging the UN network



The ability to mobilize a wide range of expertise from within the UN system is another strength increasingly utilised by UNEP FI. For example, UNEP FI's natural capital and sustainable land use activities work extensively with the UN Environment Programme's Ecosystems Division. UNEP FI's work on social issues connects UNEP FI with specialized UN fora on human rights such as the UN Office of the High Commissioner on Human Rights and the UN Working Group on Business and Human Rights.

Plastic pollution: implications for insurers, regulators and supervisors



In November 2019, UN Environment Programme, supported by UNEP FI and signatories to the Principles for Sustainable Insurance, launched the first global insurance industry study on managing the risks associated with plastic pollution, marine plastic litter and microplastics.

Plastic is an increasingly high-profile threat to our climate, ocean, wildlife and human health as it becomes widespread both in the ocean and on land, where it is impacting our ecosystems and threatening lives and human health. Plastics also make a direct contribution to climate change: their energy-intensive manufacture from fossil fuels, recycling and incineration result in high carbon emissions.

This report shows that plastic pollution risks can affect insurance and investment portfolios in the form of physical, transition, liability and reputational risks. These range from threats to human health to evolving liability claims connected to marine litter and plastic pollution should be closely monitored by insurers in coming years.

The study identifies how risks related to plastic pollution play out across insurance lines and asset classes in which insurers invest. It argues that insurers should take an active role in addressing the risks related to plastic pollution and in contributing to global efforts to reduce it. [Download](#).

How insurers can protect World Heritage Sites

The UN, WWF and world's insurers united in Sao Paulo, Brazil, at UNEP FI's Regional Roundtable to launch the first insurance industry guide to protect UNESCO World Heritage Sites in October 2019. The pioneering guide, *Protecting our World Heritage, insuring a sustainable future*, builds on the launch of the first insurance industry statement of commitment in 2018 to protect World Heritage Sites. The statement is supported by leading insurers—writing about USD 170 billion in gross premiums and managing USD 2.7 trillion in assets—as well as by insurance associations and key stakeholders around the world.

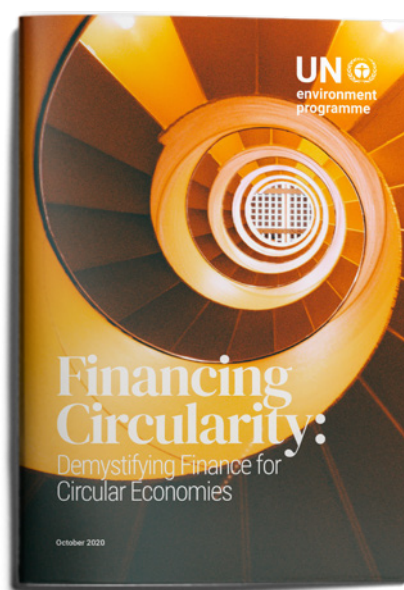


Practical guidance shows insurers how to prevent or reduce the risk of insuring and investing in companies or projects whose activities could damage World Heritage Sites, particularly in relation to sectors such as oil and gas, mining, and large-scale hydropower. Other relevant sectors include logging, fishing, agriculture, plantations, and large-scale infrastructure such as pipelines, roads and mega-ports.

The guide explains the risks that insurers face and outlines a set of basic and advanced recommendations that insurers can implement in their risk management, insurance and investment activities and includes case studies. To develop the guide, the PSI worked with its member insurers, WWF and the UN Educational, Scientific and Cultural Organization (UNESCO) World Heritage Centre, and was supported by ECOFACT, a sustainability service provider. [Download](#).

Raising awareness of financing for a circular economy

UNEP FI published a study with support and expert inputs from UNEP's Economy Division to provide practical steps that financial institutions can take to finance the transition to a circular economy aligned with global sustainable consumption and production goals. The study *Financing Circularity: Demystifying Finance for the Circular Economy*, published in October 2020, outlines how the financial sector can scale up financing to accelerate the shift to circular business models in order to keep resources at their highest value long-term and to reduce waste. The report explores strategies and actions that financial institutions can take to manage related risks and opportunities.



Opportunities include rethinking of the design and manufacturing of products and services, reducing inputs in agricultural production, and digital solutions to transform industries, coupled with waste management models designed to close material and resource loops.

The report provides insights into practical approaches to financing circularity, such as the application of sectoral metrics in decision-making, and encourages financial institutions to formalise industry-wide support programmes and commitments for the transition to a circular economy and more sustainable patterns of consumption and production.

The report provides recommendations for banks, insurers and investors as well as policymakers and regulators to accelerate financing for circularity. [Download](#).

How members benefit from being part of the United Nations' largest partnership with the finance sector

The partnership with our members is core to achieving UNEP FI's mission to accelerate the global development of financial institutions that integrate sustainability as a value creation driver and which contribute to achieving the UN Sustainable Development Goals. UNEP FI encourages and promotes leadership by financial institutions and facilitates knowledge development to help shape and scale up sustainable finance. Members have the opportunity to help shape global sustainable finance practice by contributing ideas, learning and knowledge, and initiating or participating in collaborative projects to co-develop solutions, such as guidance and tools for the financial sector.

UNEP FI collaborates with its members on initiatives that drive ambitious collective action and equips financial institutions with the knowledge and expertise to embed sustainability into their strategies and operations.

Much of the value that members derive from UNEP FI is the ability to take part in a rich work programme to support implementation of industry frameworks. They collaborate with peers to develop guidance and resources for financial institutions to integrate sustainability into decision-making. As part of the largest UN-backed global network of banks, insurers and investors, members can take part in leading-edge initiatives such as developing methodologies to implement the Principles for Responsible Banking, Principles for Sustainable Insurance and the Financial Stability Board's Task



Force on Climate-related Financial Disclosures recommendations. They can learn from peers, benefit from access to technical resources, and gain insights into industry and policy developments at our regional and global roundtables, workshops and webinars.

UNEP FI co-develops and shares knowledge and best practice, sets norms, catalyses market leadership, and engages policymakers and regulators to help accelerate sustainable finance across regions.

We also work with supporting institutions such as banking associations, non-governmental organisations and central banks to support the transition to a resilient, inclusive, low-carbon economy. We engage policymakers and regulators to help raise awareness of the enabling environment that the finance industry needs to help finance a sustainable world for all.



Join the UNEP FI team as a secondee

Members are invited to apply to join the UNEP FI secretariat through “virtual secondments”. These can be full- or part-time and contribute to supporting implementation of the Principles for Responsible Banking and Principles for Sustainable Insurance, regional co-ordination or industry or thematic work streams across ecosystems, oceans, and sustainable land use; responsible property investment; climate change; resource 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 Co-ordination Manager, Liesel Van Ast at liesel.vanast@un.org

Regional network for sustainable finance hubs and capacity building



UNEP FI members and supporting institutions form regional networks which contribute to shaping our agenda to accelerate sustainable finance in Africa & the Middle East, Asia Pacific, Europe, Latin America & the Caribbean and North America.

UNEP FI's regional coordinators engage members across industries in practical activities such as regional calls, events, workshops and peer exchanges to broaden collaboration, share knowledge and best practice, develop expertise and promote an enabling environment, addressing region-specific strategic priorities and needs.

Regional activities support implementation of our global work programme, taking account of regional contexts, enhancing engagement in focal countries, and convening members, supporting institutions, regulators and other key stakeholders to raise the profile of leading practice and help shape the sustainable finance agenda across regions. Members also benefit from getting together at UNEP FI's biennial Regional Rountables. Activities in developing countries include donor-funded projects to undertake research, technical assistance and training to scale up sustainable finance market practice.

This section highlights UNEP FI's regional activities from July 2019 until December 2020.



Regional Roundtables on Sustainable Finance 2019: Bringing members together with local peers

In 2019, UNEP FI hosted five Regional Roundtables to provide members more opportunities to meet and exchange best practice. Following the success of the Regional Roundtables for Africa & Middle East and Asia Pacific in Cairo and Beijing respectively, we hosted over 1,500 delegates at 3 further Roundtables in 2019 to cover North America, Latin America and Caribbean as well as Europe. The Roundtables in New York, Sao Paulo and Luxembourg featured a mix of high-level plenaries and keynotes from public and private sector leaders in sustainable finance, as well as technical sessions covering approaches to sustainability in investment, insurance and banking.

The events hosted sessions focused on the Principles for Responsible Banking, portfolio alignment with the Paris Agreement, climate adaptation, mainstreaming impact in investment, impact analysis in corporate finance, the Taskforce for Climate-Related Financial Disclosure Recommendations, energy efficiency, setting science-based biodiversity targets and the role of finance in reducing deforestation.

The Roundtable in New York in September was also held alongside the official launches of the Principles for Responsible Banking and the Net-Zero Asset Owner Alliance at the UN Headquarters in the presence of the UN Secretary General, Antonio Guterres. Read the highlights of the events [here](#).

Africa & the Middle East

Middle East and North Africa (MENA)

The SDG Climate Facility: Climate action for human security

In June 2019, UNEP FI entered a four-year partnership as part of a regional project targeting Arab states together with the UN Development Programme, the League of Arab States (LAS), the Arab Water Council (AWC), UN Disaster Risk Reduction, UN-Habitat and the World Food Programme. The goal is to deliver climate-oriented solutions that address climate challenges, and to bring co-benefits across the SDGs. In doing so, it aims to scale up access to and delivery of climate finance, including through innovative partnerships with the private sector. The project is financially supported by the Swedish International Development Agency (SIDA).

As part of this, UNEP FI launched a knowledge platform, “Financing the climate transition in the MENA”, in February 2020. The platform provides MENA-based financial institutions the tools and insight to help build resilience. It aims to engage key financial sector actors in the Arab region where climate change has emerged as one of the most important factors exacerbating poverty and human insecurity. Managing climate risk will be key to maintaining regional financial and political stability. The platform provides the knowledge for financial institutions in the Arab region to better understand climate-related risks and opportunities and how to address physical impacts as well as the transition to a low-carbon economy. [Read more.](#)

Collaboration with the League of Arab States

UNEP FI and the League of Arab States (LAS) signed a framework agreement in October 2019 to help build support and advance the sustainable finance agenda of the League’s member states. UNEP FI and the LAS are collaborating on activities including conducting a base-line study on the status of sustainable finance in a



selected number of countries in the Arab region; capacity building for regional financial institutions, facilitating dialogue with central banks on sustainable finance transition, and training workshops.

Participating in Arab Sustainable Development Week

During the Arab Sustainable Development Week in November 2019, UNEP FI organized a session on sustainable finance as part of the “Integration in financing sustainable development” theme. The session hosted UNEP FI members: Commercial International Bank, Banque Misr as well as representatives from the Egyptian Financial Regulatory Authority and African Development Bank and moderated by UNEP FI’s Regional Coordinator, at the time, Geeda Haddad. The session shed light on sustainable finance practice in the MENA region and highlighted the importance of collective action on the part of national and regional (development) finance institutions, policy makers, and regulators to align finance with the Paris Agreement and contribute to the SDGs.

Islamic finance and its role in the Sustainable Development Goals

In March 2020, a thought piece prepared in collaboration with the Islamic Development Bank was published in Responsible Investor. The piece argues that Islamic finance has enormous potential to align investors with crucial funding of the Sustainable Development Goals in the Arab region and explores in a few pointers how to achieve that.



Asia Pacific

UNEP FI has coordinators to support members and stakeholder engagement in China, Japan and South Korea, overseen by our Regional Coordinator for Asia Pacific.

Specific activities include the following sponsored projects:

- Green mortgage market development in Sri Lanka
- Guide on green mortgages and financing green buildings in Sri Lanka
- Workshops with banks and other stakeholders
- Timeline: July 2019–Dec 2021

Environmental Liability Insurance

- UNEP FI member, DB Insurance in South Korea has sponsored global research into environmental liability and sustainable insurance
- Events including a PSI Global Forum on Environmental Liability in South Korea
- Timeline: 2020–2021



Europe

UNEP FI urges EU to embed sustainability impact into its renewed sustainable finance strategy

UNEP FI responded to a consultation undertaken by the European Commission on its Renewed Sustainable Finance Strategy, which sets an ambitious tone and touches on cross-cutting policy areas relevant to the investment, banking and insurance industries. Despite significant advances, markets and the economy continue to operate beyond sustainability boundaries. UNEP FI urged the Commission to use this important opportunity to demonstrate its leadership and commitment to the European Green Deal. To truly drive the shift towards a more sustainable economy requires fully embedding sustainability impact into finance decisions, disclosure rules and (soft or hard) regulatory instruments to support the transition towards more sustainable business models.

UNEP FI invited members to provide inputs into the consultation response, which shares expertise and knowledge gained from initiatives led by its member institutions, with the objective to provide the Commission with hard evidence and hopefully confidence that the finance industry's leadership must be reflected in its Renewed Sustainable Finance Strategy.

The UNEP FI consultation response prioritises 14 questions across five themes:

1. The importance of taking a holistic impact approach, which focuses on the interlinkages between environmental, social and economic factors and the finance value chain (our responses to Questions 6, 8, 52, 82, 83, 89 and 90 focus on this theme).
2. Climate change (Question 10 in particular).
3. Biodiversity and ecosystems (Question 11).
4. The importance of harmonized and consistent disclosures across the value chain (Question 14).
5. The importance of mainstreaming both risk and impact management, in Europe and globally (Questions 60, 77, 91 and 102). [Read more](#).

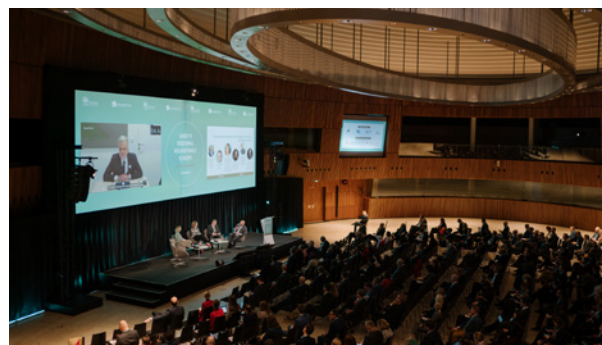


Testing the application of the EU Taxonomy to core banking products

UNEP FI and the European Banking Federation (EBF) jointly undertook a project with their members to assess the extent to which the EU Taxonomy on Sustainable Activities could be applied to core banking products for labelling or disclosure purposes. The project included participation from 26 major banks, seven banking associations and five observing organisations working together to test, pilot and assess the complexities of applying the EU Taxonomy, which is aimed mainly at investors, to core banking products.

From March to August 2020, banks participating in the project tested the EU Taxonomy on more than 40 transactions and existing client relationships, across several sectors and economic activities, and a diverse set of banking products, clients' corporate structures and geographical locations. Resulting insights, including case studies and recommendations were synthesized in a report published in January 2021.

The report *Testing the application of the EU Taxonomy to core banking products: High level recommendations* provides an initial understanding of the application of the EU Taxonomy to banking products and proposes recommendations to enhance applicability and address implementation challenges. It shares key insights and proposes high level principles to follow in order to apply the EU Taxonomy to retail banking, SME lending and corporate banking, including trade, export and project finance. A second phase of work to develop guidance started early in 2021. [Download](#).



Latin America & the Caribbean

Country Profiles: Sustainable Finance Activities in Latin America & the Caribbean

UNEP FI has consolidated information about countries which are leading sustainable finance in the Latin America & Caribbean region. Members and non-members alike can find an overview of the sustainable finance agenda in the region, information about UNEP FI members and supporting institutions, as well as information on regulation, protocols and other relevant activities in 11 countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panamá, Paraguay and Peru.

Research and information was supplied by UNEP FI and its members, as well as supporting institutions. We aim to update this information annually. [Read more.](#)

How banks incorporate climate change in their risk management in Latin America & the Caribbean: Survey of 78 financial institutions

A survey of 78 financial institutions in Latin America and the Caribbean, which collectively hold 54% of the total assets managed by the banking sector in the region, revealed that 38% of banks incorporate guidelines on climate change in their strategy and 24% have a policy on climate risk evaluation and disclosure. According to the report, 41% of the institutions that took part in the survey recognized they do not have mechanisms to identify, analyze and manage climate risks.

The study entitled “How banks incorporate climate change in their risk management—first survey in Latin America & the Caribbean” was undertaken UNEP FI and CAF - Development Bank of Latin America, with the collaboration of the Latin American Federation of Banks (FELABAN). [Download.](#)



Supporting implementation of Principles for Responsible Banking (PRB) in Latin America and Caribbean

Banks in Latin America and the Caribbean now have more resources to help them implement the Principles for Responsible Banking. Whether they are just beginning to integrate sustainability or are at a more advanced stage, banks from the region have access to videos and additional materials for applying the framework to their business. Industry experts and signatories present their insight and practices to inspire their peers in the region.

All content is available in Portuguese and Spanish and cover Principle 2 – Impact and Target Setting, Principle 3 – Clients & Customers and, Principle 5 – Governance and Culture.

The project was made possible by the sponsorship of CAF (Latin American Development Bank) and Ecobusiness Fund Development Facility. [Discover the tools.](#)

Public-Private Green Finance Working Group in Chile

A Public-Private Green Finance Working Group was created in Chile in July 2019, led by the Ministry of Finance, in collaboration with the Inter-American Development Bank (IADB), UNEP FI and the British Embassy Santiago. The group includes the Central Bank of Chile, Commission for the Financial Market (CMF), Association of Banks and Financial Institutions (ABIF), Chilean Insurance Association (AACH) and Santiago Stock Exchange (BCS). It aims to define an agenda for dialogue and long-term joint work between government, regulators and financial market institutions to incorporate the risks and opportunities of climate change into their business strategies.

Outputs from the working group in 2019 included a Green Agreement, Joint Declaration by Financial Regulators and Roadmap for Green Finance (2020–2024). The group has held several workshops, webinars, meetings and surveys of the Chilean financial sector (bank, investment and insurance) on climate change and TCFD to determine the extent to which financial institutions incorporate climate change risks and opportunities in decision-making.



North America

UNEP FI engaged relevant civil society organizations, industry associations and initiatives on sustainable finance in awareness raising and outreach, including the Network of Financial Centres for Sustainability, Ceres, PRI North America, US Sustainable Investment Forum, Responsible Investment Association (Canada), Canadian Bankers Association, American Bankers Association, Insurance Bureau of Canada, CFA, WWF and Global Compact.

Dialogues were held with members in North America (US & Canada) to discuss local priorities and share market practices and expertise, inform a sustainable finance roadmap in Canada.

Taskforces were launched for PSI members in Canada, as well as for North America banking members.

UNEP FI coordinated a North America working group, and engaged with the Center for Climate-Aligned Finance on financial sector ambition ahead of the COP25, raising awareness within the region and increasing members' engagement and peer exchange.



Launch of the Principles for Responsible Banking, New York City, September 2019



**finance
initiative**

United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. UNEP FI works with more than 400 members—banks, insurers, and investors—and over 100 supporting institutions— to help create a financial sector that serves people and planet while delivering positive impacts. We aim to inspire, inform and enable financial institutions to improve people’s quality of life without compromising that of future generations. By leveraging the UN’s role, UNEP FI accelerates sustainable finance.

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United Nations Environment Finance Initiative



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