

Changing finance, financing change



UNEP Finance Initiative

Introduction to the UNEP Finance Initiative and The Natural Capital Declaration



Secretariat:



www.unepfi.org

UNEP FI and the evolution of the global debate on Sustainable Finance

Since 1992: Platform connecting the United Nations and the financial sector globally to encourage financial institutions to fulfill its role towards a sustainable world

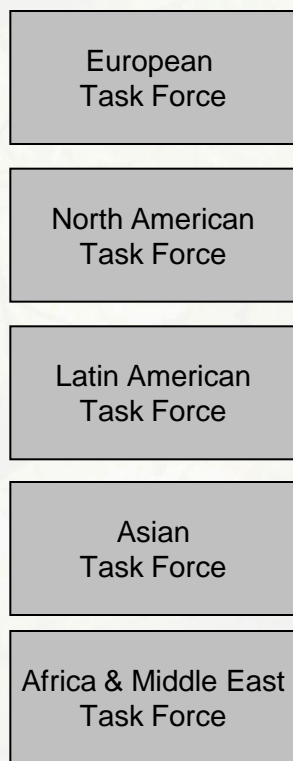
2014: Over 230 members globally from banking, investment and insurance sectors

Mission: To be a catalyst for systemic change in the financial sector to ensure its active participation in sustainable development

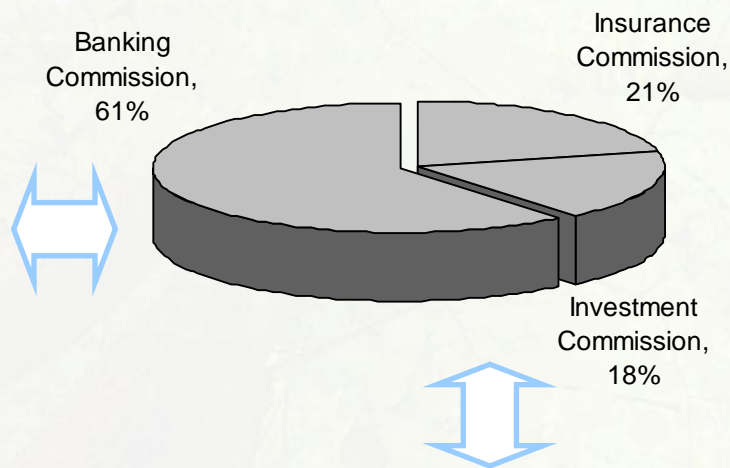
Achievement: A finance community increasingly aware of sustainability challenges, risks and opportunities and its role in contributing to the well-being of society

UNEPFI Structure and Dynamics

Regional Task Forces

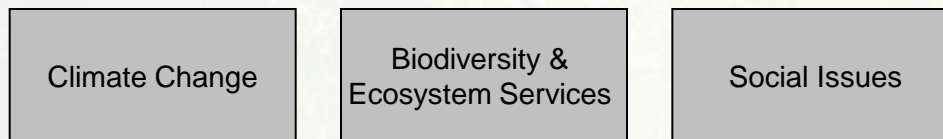


UNEP FI members



UNEPFI Commissions interact with **Regional Task Forces** and **Thematic Advisory Groups**

Thematic Advisory Groups



The Natural Capital Declaration and Roadmap

*Financial sector leadership
on natural capital*



Natural
Capital
Declaration

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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, fiber, water, energy, timber).
- One factor of environmental, social and governance (ESG) considerations that can be material to financial institutions, mainly through loans, investments or insurance.



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Four Signatory Commitments by 2020

Working Group	NCD commitment
1. Understand	Identify financial risks and opportunities linked to natural capital impacts and dependencies of company operations and supply chains.
2. Embed	Integrate natural capital factors into financial products and services.
3. Account	Work towards accounting for natural capital.
4. Report	Natural capital information disclosure and reporting using an integrated approach.

Learning by doing

- **Finance-led, CEO-endorsed to mainstream** natural capital across loans, bonds, equities and insurance.
- **Visualise and integrate natural capital in financial accounts** of companies, including finance institutions.
- Work with relevant business teams to manage risk and stimulate **innovation** to develop new products.
- **Not a logo initiative:** Focus on quality and having impact (not # of Fis).

42 NCD signatories

www.naturalcapitaldeclaration.org



36 NCD supporters



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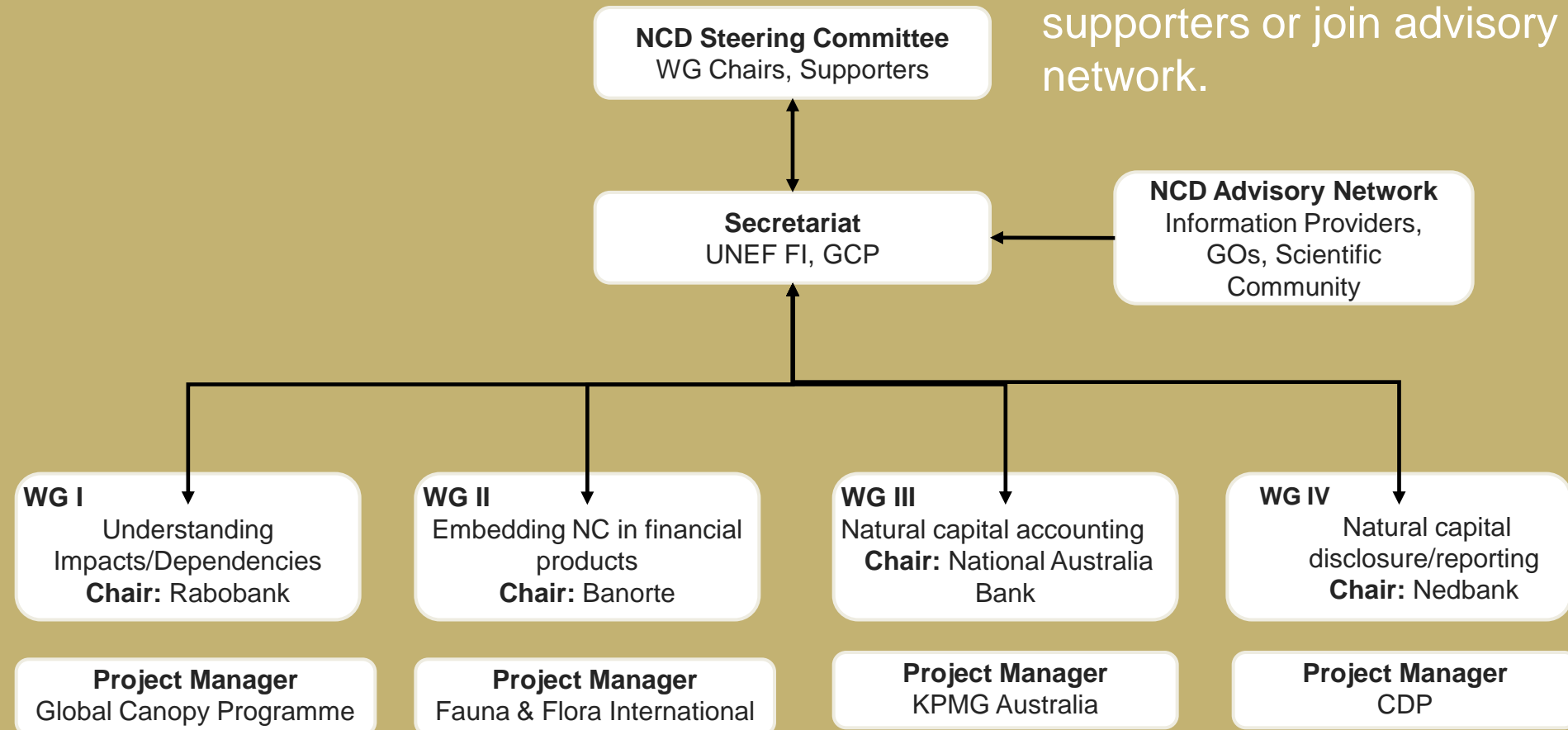


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Governance NCD

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



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NCD Roadmap and Business Plan

Objectives for implementation 2014-2016

- **Develop understanding** of links between natural capital and financial risk and returns.
- Pilot projects to develop and test tools, metrics and guidance to enable financial institutions to build knowledge and capacity to understand, integrate, account for and report on natural capital factors.
- Develop practical tools, guidance, methodologies, frameworks and indicators.



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Progress to date

- Consulted on work plans for 2014-2016 for step-by-step implementation.
- Steering Committee chaired by the IFC contributing to decision-making - finance-sector led.
- Survey of signatories to identify asset classes and sectors to focus on.
- Pipeline of pilot projects under development.
- Financial institutions engaging in projects.
- Establishing Advisory Network.
- Fundraising to support implementation.

Work plans for 2014-2016

Working Group 1: Understanding

Chair: Olaf Brugman, Rabobank

Project Manager: Global Canopy Programme

Next steps:

- Scoping study with survey of supporters to identify approaches to benchmarking companies and sectors on natural capital indicators. Identify gaps and options to structure work to understand natural capital risks.
- Pilot project to develop capabilities to evaluate natural capital risks in loans and investments.

Planned outputs: Report, methodology and guidance

Working Group 2: Integrating

Chair: Marcos Mancini, Banorte (Mexico);

Project Manager, Fauna and Flora International

- Focus on corporate banking (lending, project finance) and investment (public and private equities, fixed income).
- Work streams (1) Risk management; (2) Opportunities/innovation to develop products.
- Sector focus: Food and agriculture (100%); energy and electric utilities; forest/timber and mining.

Working Group 3: Accounting

Chair: Rosemary Bissett, National Australia Bank

Project Manager: Susan Staples, KPMG Australia

- Work stream 1: Develop finance sector supplement for the Natural Capital Protocol in partnership with the Natural Capital Coalition and other stakeholders.
- Work stream 2: Develop application of valuation and accounting projects.
- Pilot project proposed by NAB: Accounting for natural value to assess credit risk assessment in agri sector.



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Working Group 4: Disclosure/reporting

Chair: Vicky Beukes, Nedbank (South Africa)

Project Manager: CDP

Aims:

- Develop voluntary disclosure programme with questionnaire to build capacity and general internal benefits within FIs.
- Guidance for reporting on indirect use of and effect on natural capital as providers of financial capital.
- Climate Disclosure Standards Board to develop guidance on integrating material information on natural capital in primary reports (align Integrated Reporting).



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First NCD Pilot Project in progress:

- **Bank and Investor Risk Policies for Soft Commodities**
- Develop framework to evaluate sector-specific or thematic risk policies to address deforestation risks from soy, palm oil and beef supply chains.
- Recommendations for minimal/best practice standards to limit indirect impacts through loans and investments.
- UNEP/UN-REDD programme funding.
- Sustainalytics reviewing policies and their implementation across 30+ financial institutions.
- 8 NCD signatories participating will be interviewed.
- WWF providing support on benchmarking criteria.
- NCD to release report and framework in July 2014

Pipeline of projects includes:

1. Tool to evaluate mining company exposure to water risk.
2. Understanding natural capital risks for financial institutions and embedding them in credit risk assessments
 - Develop evidence-based approach to establish **direct quantitative link between** natural capital and credit risk
 - Identify methodologies **to identifying natural capital risks across loan books and investment portfolios**
 - Develop approaches to **integrate natural capital factors into credit risk assessment** and suggest practical ways to create risk-adjusted premiums/cost of capital.

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