



UNEP FI INPUTS TO THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Facilitating the flows and integration of climate information for a smooth but determined transition to the new climate economy

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First meeting of the TCFD

9 February 2016 – London, UK

UNEP FINANCE INITIATIVE

A UNEP-run network of **financial institutions** worldwide

- Members: 230 listed and un-listed financial corporations from banking, insurance, and asset management; development banks.
- Objective: Financial institutions fit for financing sustainable development
- **Two agendas:**
 - ✓ **Environmental risk** agenda (managing brown problems)
 - ✓ **Environmental performance** agenda (delivering green solutions)
- **Availability + integration** of information central to both agendas



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- UNEP FI has track record both on
 - ✓ Financial institutions as the **readers** of information
 - ✓ Financial institutions as the **issuers** of information
- **FIs as readers:** require standardised; material, integrated and verified information.
- **FIs as issuers:** FI disclosure less advanced than disclosure in the real economy.



RELEVANT INITIATIVES



Positive Impact Workstream
130 banks driving positive impact. Enabling assessment and disclosure.



Risk managers, risk carriers and investors

PSI
Principles for Sustainable Insurance



100+ investors committed to disclosing carbon footprints



GREENHOUSE GAS PROTOCOL

Portfolio Carbon Initiative
FI disclosure approaches and metrics



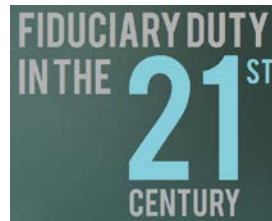
UNEP Inquiry:
Design of a Sustainable Financial System



Sustainable Stock Exchanges
48 members; 15 providing ESG reporting guidance; 13 committed to do so



Investor action as the next step to disclosure
USD 600 bn committed towards decarbonization



Integrating ESG/carbon information into investment practice.



From:

Real economy actors

Risk information

Financial economy actors

Recommendation 1: Include finance sector climate disclosure in the scope of your work.

To:

Real economy actors

Risk information

Financial economy actors

**Owners
Beneficiaries
Regulators**



Rationale for finance sector disclosure:

1. Enables assessment of climate risks to systemic financial stability
2. Investor disclosure drives corporate disclosure + corporate action
3. It's already starting to happen:



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However:

1. Disclosure requirements, approaches, and metrics for financial actors, as issuers of information, will differ from those for actors in the real economy.
2. Even within the financial economy, disclosure approaches, and metrics are likely to differ according to asset class.

Therefore:

Recommendation 2: Distinguish between the approaches, requirements, and metrics needed for disclosure by:

- i) Corporations/actors in the real economy*
- ii) Institutional investors such as pension funds*
- iii) Other FIs such as lenders*



The different objectives of finance sector disclosure:

1. Assessments of the **climate risk** exposure of financial portfolios, financial institutions & the financial system
 - *how well are FIs reacting to the climate economic transition and effects of climate change?*
2. Assessments of the **climate performance** of financial portfolios, financial institutions & the financial system
 - *to what degree are FIs supporting the climate economic transition?*

Therefore:

Recommendation 3: Distinguish between climate risk objective and climate performance objective, and include the latter in your scope of work.



Rationale for distinguishing between risk and performance objectives:

- Climate risk disclosure by FIs allows for an assessment of a rather immediate risk exposure.
- Doesn't say much about the degree to which FIs are conducive (or not) towards the low carbon economy.
- Considering long-term financial stability concerns, shouldn't financial system help **drive the transition?**
- The **French regulation** makes the distinction and asks FIs to disclose on both.



Recommendation 4: Push for integrated reporting by engaging the financial accounting and audit community

- COP21 agreed to limit climate change to well below 2°C increase.
- This has profound effects on the **valuation** of many economic assets that are incompatible with these commitments.
- Critical that financial accounting and audit organizations start to address the valuation implications of the economic transitions that Governments have committed to.



UNEP FINANCE INITIATIVE'S CLIMATE CHANGE ADVISORY GROUP

A group of recognized climate change experts from the different industries of the finance sector

Chair

Karsten Löffler, Allianz

From banking

Abyd Karmali, BoAML

Giorgio Capurri, Unicredit

Madeleine Ronquest, FirstRand

From investment

Bruce Duguid, Hermes

Frederic Samama, Amundi

From insurance

David Bresch, SwissRe

From UNEP

Nick Robins, Co-Director, UNEP Inquiry

Merlyn VanVoore, Climate Change Coordinator



Recommendation 1: Include finance sector climate disclosure in the scope of your work.

Recommendation 2: Distinguish between the approaches, requirements, and metrics needed for disclosure by:

- i) Corporations/actors in the real economy
- ii) Institutional investors such as pension funds
- iii) Other FIs such as lenders

Recommendation 3: Distinguish between climate risk objective and climate performance objective, and include the latter in your scope of work.

Recommendation 4: Push for integrated reporting by engaging the financial accounting and audit community

THANK YOU.

Eric Usher, Acting Head, UNEP Finance Initiative

