



June 2024

UNEP Finance Initiative

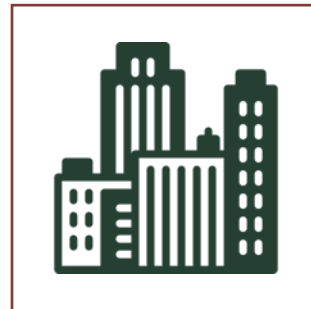
# UNEP FI in Europe



# UNEP FI: A partnership between the United Nations & the Global Finance Sector



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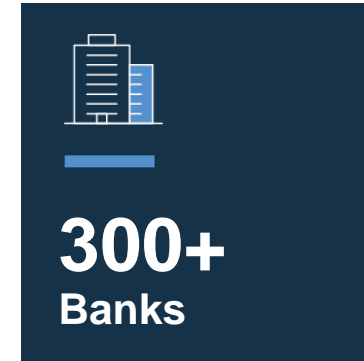
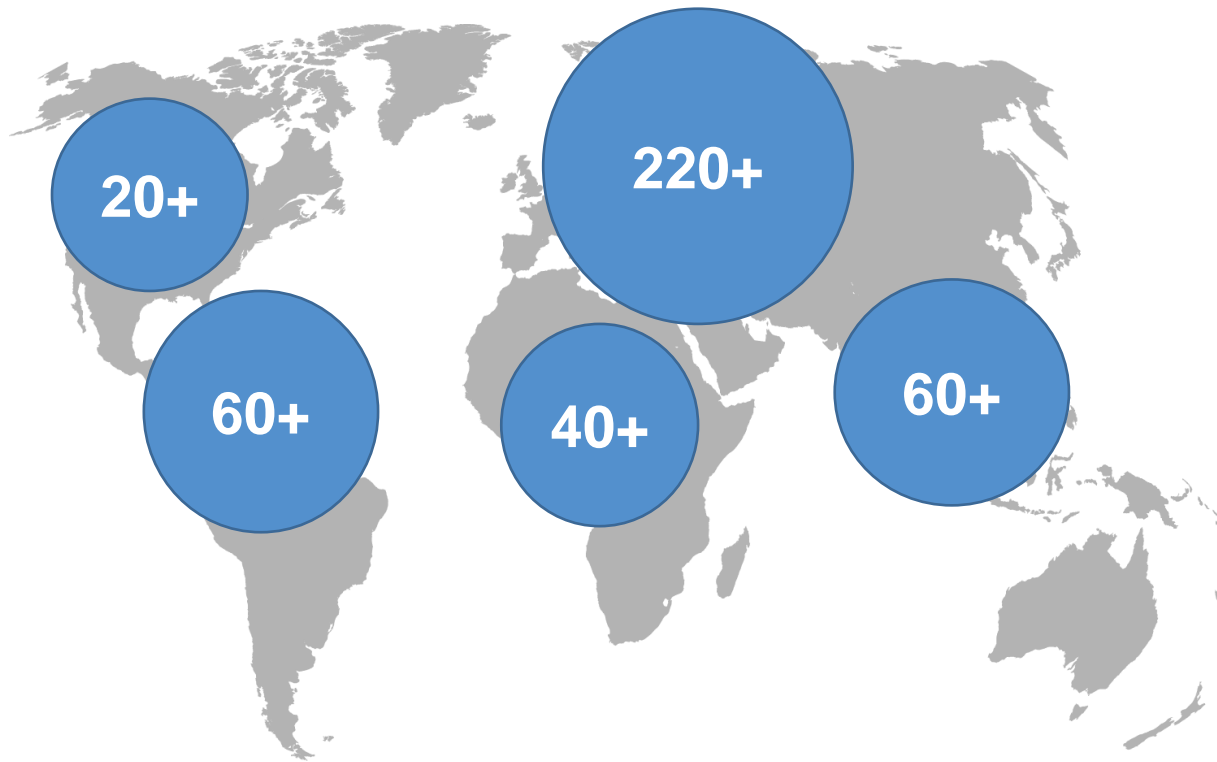


**We work** in partnership with 500+ banks, insurers and investors to help create a financial sector that serves people and planet

**We develop** the world's guiding norms to mainstream sustainable finance (e.g., PRI, PSI and PRB)

**We co-create** practical research, tools and peer-exchange forums to help financial institutions deliver on their sustainable journey for stakeholders

## A global growing membership



# Aligning finance with the SDGs

## Key thematic workstreams



### Climate change

Accelerate the transition to low-carbon economies



### Nature

Protect and restore land and ocean nature and biodiversity



### SDGs & Impact

Holistic impact analysis and management to close financing gap



### Pollution & Circular Economy

Accelerate the transition to pollution-free and circular economies



### Social & Human Rights

Exploring the intersection between finance and human rights



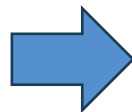
### Policy & Regulation

Engaging with regulators and policy-makers on sustainable finance

# Sustainable finance goes beyond climate

- A lot of focus is put on Climate – “Climate Finance”, “Green Finance”, “Transition Finance”... as well as specific products such as green bonds and loans to tackle this problem
- While this is critical, the world is currently facing a triple planetary crisis – Climate Change, Pollution and Biodiversity Loss
- In addition, Sustainability encompasses elements beyond the E of Environment, but also looking at S – Social and G – Governance issues

To achieve the SDGs and including the 1.5°C warming ambition of the Paris Agreement, **CO<sub>2</sub> emissions need to be cut in half every 10 years** until 2050.



To meet these goals **public sector finance alone is far insufficient to the task**, the global community, including the private sector will need to **invest about \$4 trillion each year until 2050**.

# Principles for Responsible Banking

**UN**   
environment programme | finance initiative

Principles for Responsible Banking

**UN**   
environment programme | finance initiative

Principles for Responsible Banking

The Principles are the **world's foremost sustainable banking framework to:**

Ensure that **banks' strategy and practice align** with the vision society has set out for its future in the UN Sustainable Development Goals and the Paris Climate Agreement.

Drive global momentum to **shape the future of banking** to one that is positive for people and the planet.

Help banks mainstream and **embed sustainability** into the heart of their business.

# The 6 Principles for Responsible Banking



PRINCIPLE 1:  
**ALIGNMENT**

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.



PRINCIPLE 2:  
**IMPACT & TARGET SETTING**

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.



PRINCIPLE 3:  
**CLIENTS & CUSTOMERS**

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.



PRINCIPLE 4:  
**STAKEHOLDERS**

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.



PRINCIPLE 5:  
**GOVERNANCE & CULTURE**

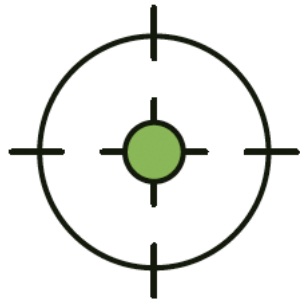
We will implement our commitment to these Principles through effective governance and a culture of responsible banking.



PRINCIPLE 6:  
**TRANSPARENCY & ACCOUNTABILITY**

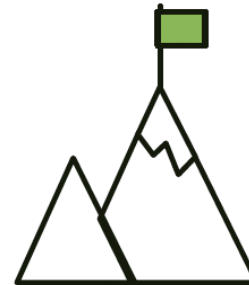
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

# 3 Key Steps for Implementation: Initial 4-year Journey



## Analyzing your bank's Impact on Planet & People

4 requirements: *scope, context, portfolio composition and performance measurement*



## Setting & Implementing Targets

Set at least 2 SMART targets (*specific, measurable, achievable, relevant, time-bound*)

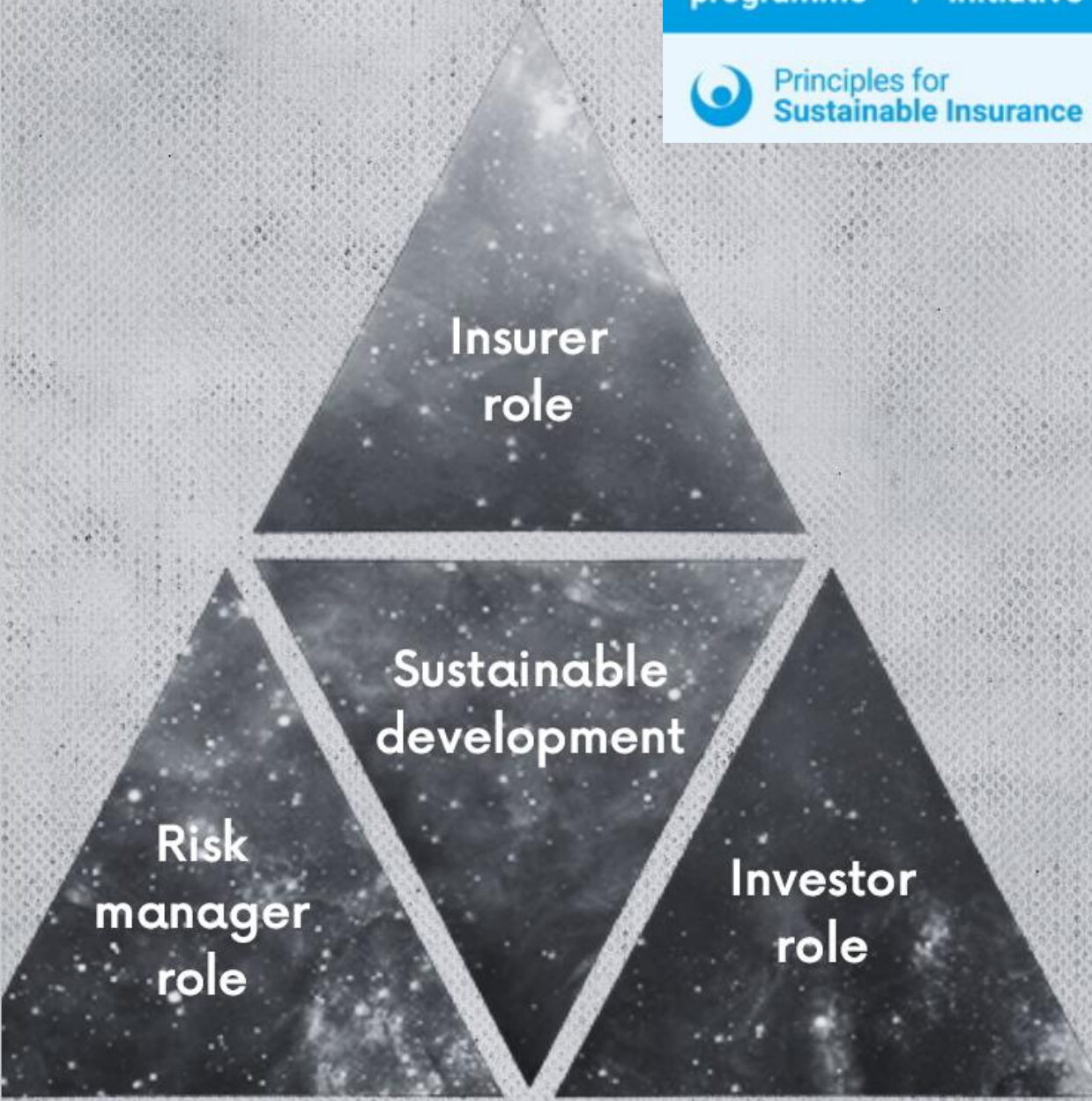


## Accountability & Measuring Progress

Using our PRB template and in line with your Annual Reporting cycle

Learn more about the 3 key steps and how to implement each Principle using the Principles for Responsible Banking Guidance Document.





# The triple role of the **insurance** industry

As risk managers, risk carriers and investors, the insurance industry has a vital interest and plays an important role in fostering sustainable economic and social development.

Better management of ESG issues will strengthen the insurance industry's contribution to building a resilient, inclusive and sustainable society.

The principles



# The 4 Principles for Sustainable Insurance

## Principle 1 .....

We will embed in our decision making environmental, social and governance issues relevant to our insurance business

## Principle 2 .....

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

## Principle 3 .....

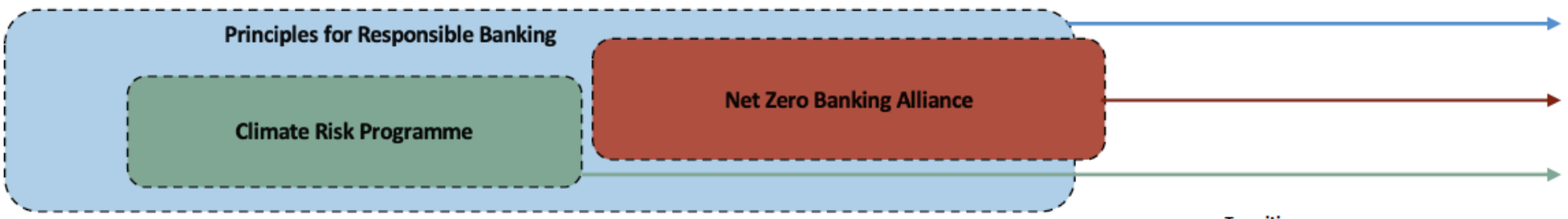
We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

## Principle 4 .....

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

# There is a complex ecosystem of actors that banks need to navigate as they are looking to build different capabilities

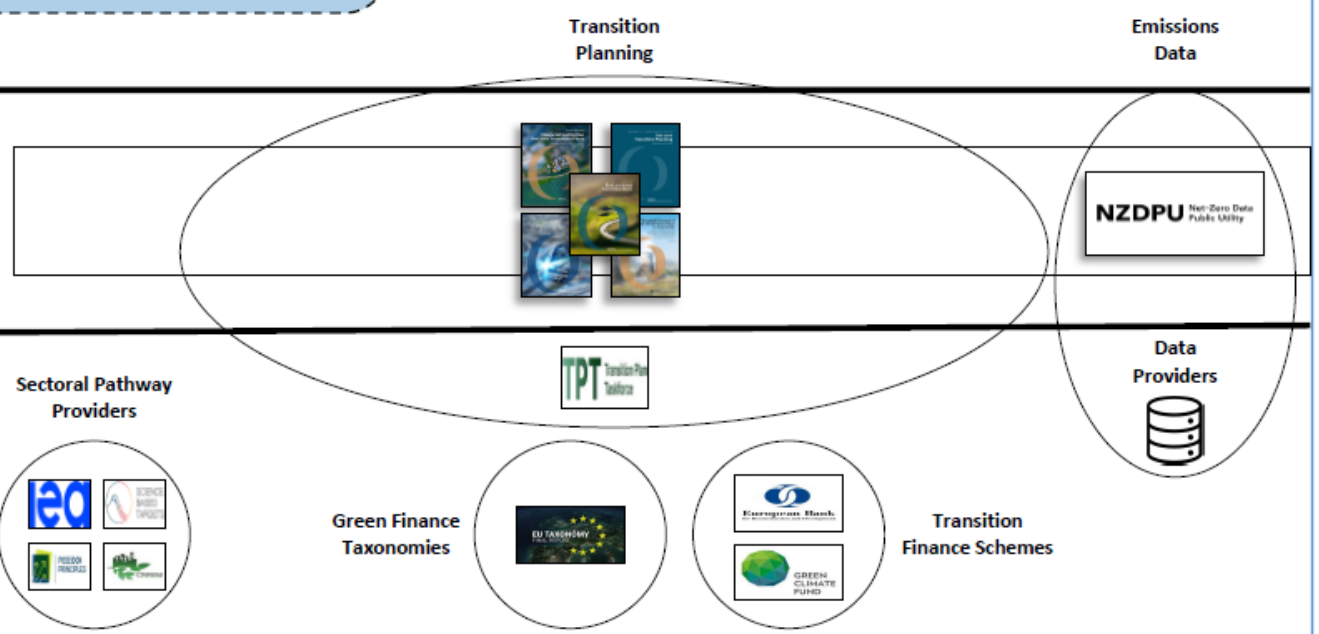
ILLUSTRATIVE



UN environment programme

GFANZ

OTHER



# Industry-led and UN-convened, NZBA is a group of global banks committed to ambitious climate action

Membership of the Net-Zero Banking Alliance (NZBA) has tripled since its launch and its members are making significant progress. In April 2021, no bank had set a science-based sectoral 2030 target for its financed emissions using 1.5° C scenarios. Today over two thirds of the banks in NZBA have set such targets, and more are on track to do so in the coming months.

**140+**  
banks

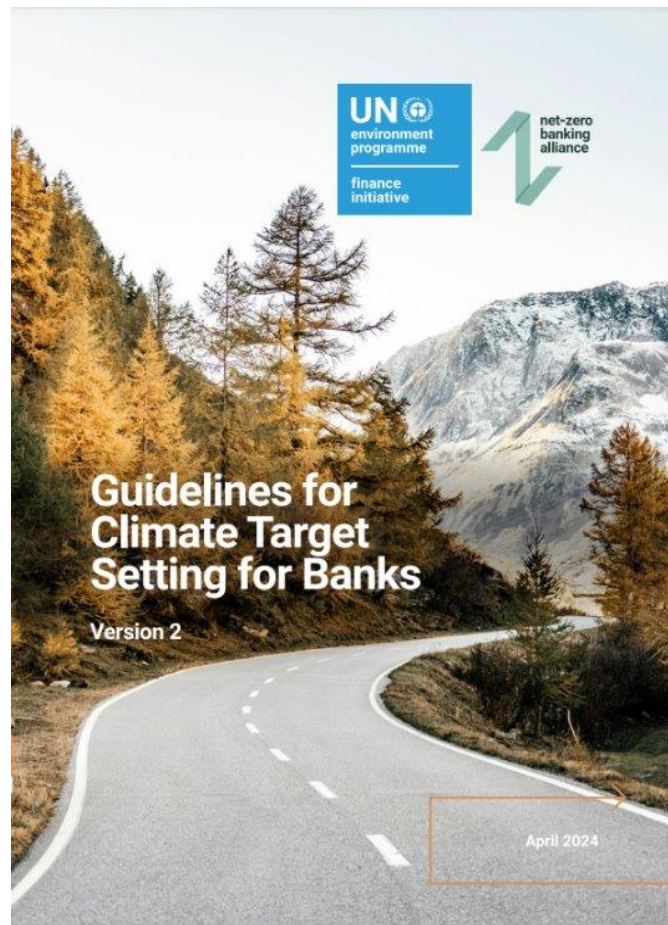
**40+**  
countries

**US\$  
74trn**  
in total assets

**41%**  
of global banking  
assets

# The commitment NZBA banks make

The NZBA commitment statement and guidelines detail the pledges banks make



**One**

Banks shall individually and independently set and publicly disclose long-term and intermediate targets to support meeting a net-zero by 2050 GHG emissions goal.

**Two**

Banks shall establish an emissions baseline and annually measure and report the emissions profile of their lending, investment and capital markets activities.






**Three**

Banks shall use widely accepted science-based decarbonisation scenarios to set both long-term and intermediate targets that are aligned with a net-zero by 2050 goal.

**Four**

Banks shall regularly review targets to ensure consistency with current climate science.

# Signatories join the most ambitious and transparent global climate mitigation commitment for banks

-  Setting **2050 net-zero targets** and **interim targets for 2030 or sooner** for all their on-balance sheet lending and investing. Off-balance sheet guidelines are under development.
-  Setting targets for **nine key economic sectors**: agriculture; aluminium; cement; coal; commercial and residential real estate; iron and steel; oil and gas; power generation; and transport. Banks have 18 months to set targets for the sectors where they can have highest impact, and three years to set targets for all nine.
-  Setting targets based on **science-based no- or low-overshoot scenarios** aligned with the Paris Agreement goal of limiting global overheating to 1.5°C.
-  **Report annually on progress** towards targets.
-  Take a robust approach to the role of offsets in transition plans.

# What does a net zero commitment mean?

## SYSTEMIC

Supporting, and being at the core of, the systemic change needed to help transition the economy.

## HOLISTIC

Viewing your portfolios and holdings in a holistic manner – managing their full carbon-footprint, across sector, geographic and asset class exposures.

## SCIENCE-BASED

Aligning your portfolios with the scenarios laid out by the Intergovernmental Panel on Climate Change, among others.

## TRANSPARENT

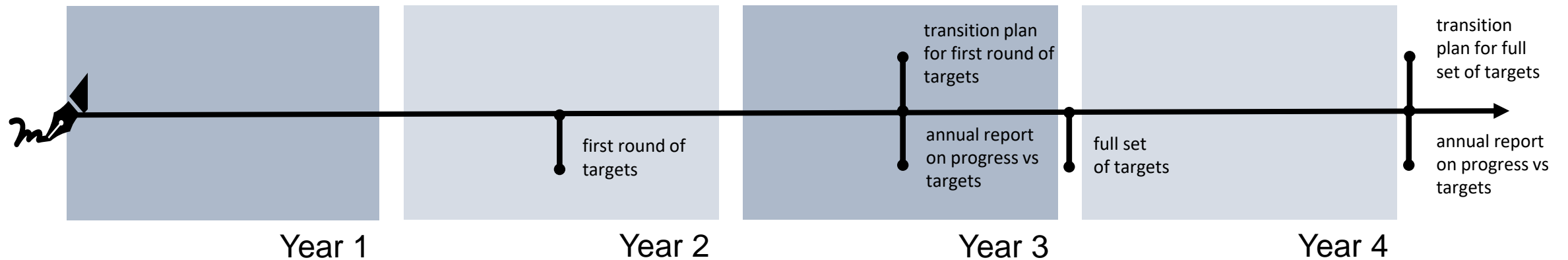
Disclosures that demonstrate you are meeting the commitment to a world that is increasingly sceptical about greenwashing. This means full public reporting.

## IMMEDIATE

Taking immediate and concrete action.  
  
Ensuring the financing of infrastructure, technologies and business models is compatible with your goals.



# Timeline for setting interim sector targets

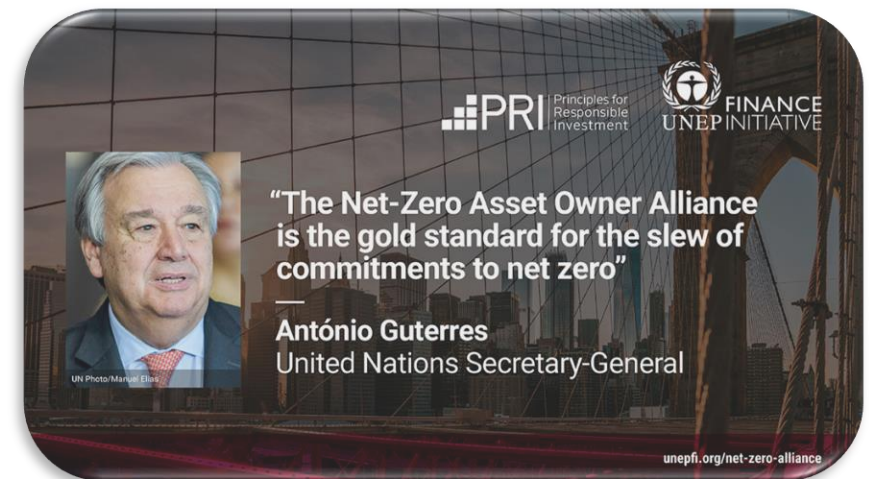


Targets should prioritize those sectors that represent a bank's largest GHG emissions and/or greenhouse gas intensities in its portfolio.



# Quick facts about the Alliance

- The UN-convened Net Zero Asset Owner Alliance (NZAOA) is a **member-led initiative of institutional investors committed to transitioning their investment portfolios to net-zero GHG emissions by 2050** – consistent with a maximum temperature rise of 1.5°C
- As of April 2024, The Alliance has **89 AO members with more than \$9.5 Trillion** in Assets under Management
- The Alliance members are the finance industry’s **first to set intermediate targets**, which include CO2 reduction ranges for 2025 (22 – 32%) and for 2030 (40% – 60%)
- The obligation of Alliance membership can be summarised in three parts **i) making the commitment, ii) boosting the efficacy of like-minded initiatives, and iii) reporting on progress**



# Why Asset Owners should align with Net Zero

## Fiduciary duty

- Reducing transition and physical risk exposure
- **For insurance companies, this risk is on both sides of the balance sheet**
- **Additional return expectations** from new investment opportunities & business models

## Clients' request

- For climate resilient products
- Positive brand impact

## Shareholders' request

- **Addressing downside risk**
- Opportunities for **growing value**

## General social responsibility

- Towards **our society and future generations**
- Towards **our planet and creation**

For insurance companies and long-term investors, implementing net-zero strategies is determinant of future success. Sustainability is profitability

# Commitment Document

Members commit to

- **Transitioning the investment portfolios** to net-zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial levels

Members fully endorse and understand that

- In order to meet our fiduciary duty to manage risks and achieve target returns, this **Commitment must be embedded in a holistic approach** to managing sustainability considerations, incorporating but not limited to, climate change, and **must emphasize GHG emissions reduction outcomes in the real economy.**

Members will

- Seek to reach this Commitment, especially through advocating for, and engaging on, corporate and industry action, as well as public policies, **for a low-carbon transition of economic sectors in line with science** and under consideration of associated social impacts.



# Six minimum requirements – how to comply

1

**Setting intermediate individual targets**, in line with the Alliance’s Target-Setting Protocol (TSP), within 12 months of joining. As per the TSP intermediate targets shall include targets on a minimum of three (3) of the four (4) target categories set out in the Protocol.

2

**Publishing intermediate individual targets.**

3

**Annually disclosing publicly on progress towards intermediate individual targets**, including on investment portfolios’ emissions profile and emissions reductions.

4

**Reporting intermediate individual targets and annually on progress towards intermediate individual targets**, via the internal Alliance reporting template/tool for aggregation and publication in the Alliance progress report.

5

**Paying membership fees within thirty days of invoicing.** The Alliance’s membership fee structure is established by the Steering Group and is at all times publicly accessible on the Alliance’s website.

6

Where the Alliance has or establishes a **Position, considering to adopt and publish**, where applicable, a corresponding individual investment policy or approach, informed by the Alliance’s Position, as applicable within twelve months of joining the Alliance, or within twelve months of publication of the Alliance Position. Key elements of an individual investment policy or approach shall be in line with the Alliance’s published Position. Members can point to the Alliance’s Position (published on the Alliance website) and/or join initiatives in line with the Alliance’s Position.



# ECAs and EXIMs must be part of the solution

**80 to 90% of international trade<sup>1</sup>** relies on public and private trade and export financing, guarantees and insurance. ECAs and EXIMs provide support for export-import operations in the form of export credits and export credit insurance on behalf of their governments, assuming risks going beyond commercial appetites, including support for technology transfer and innovations.

ECAs and EXIMs provide around **\$2.6 trillion of payment risk protection<sup>2</sup>**. As a result, they have significant potential to stimulate more sustainable international trade in general and the trade in climate-related technologies in particular.

ECAs and EXIMs introducing consistent action on climate change are also playing an active role in **supporting their governments' climate commitments and transitioning national economies**.

<sup>1</sup> World Trade Organization (2022)

<sup>2</sup> Berne Union (2023)

## The Net-Zero Export Credit Agencies Alliance is a new platform dedicated to bringing together a high ambition group to deliver on net-zero commitments by 2050 or sooner



**Bringing together leading ECAs and EXIMs committed to delivering on net-zero.**

Membership in the Alliance amplifies individual climate action efforts and facilitates alignment on net-zero approaches for all ECAs and EXIMs through leading by example.



**Focus on implementation support for net-zero commitments**

The NZECA will seek to delve into the development of credible methodologies on target setting, reporting, monitoring and client engagement for net-zero commitments tailored specifically for ECAs and EXIMs.



**Developing consensus on net-zero approaches**

Through the process of alignment and standardization as well as broad engagement with relevant stakeholders, the NZECA will serve as a source of best practice and will help level the playing field across different jurisdictions on export credit and potentially broader on public finance transition.



**Creating greater access for ECAs and EXIMs across existing climate initiatives**

The NZECA will ensure better access and representation for ECAs and EXIMs to several influential climate initiatives, including GFANZ, TCFD, PCAF, SBTi and other net-zero alliances.



**Benefitting from the support of GFANZ, UNEP FI, Race to Zero and the Innovation and Knowledge Hub at the University of Oxford**

The NZECA is supported by UNEP FI, the University of Oxford, GFANZ, Race to Zero campaign and FCC, which enable members to benefit from access to expertise of leading institutions and experts on net-zero.

## NZECA has been officially launched at COP 28 in Dubai



- The first net-zero alliance for public financial institutions.
- Connecting trade and finance to support the real economy transition.
- 8 founding members from 7 countries representing Europe, North America, Middle East and Central Asia.
- Full members have committed to:
  1. Align portfolios with the path to net zero by mid-century, or sooner, consistent with 1.5°C.
  2. Discontinue new support for the unabated fossil fuel energy sector by the end of 2024.
- Flexible membership options with affiliate members focusing on capacity building.
- Ambition to grow further and engage with other public FIs to maximise synergies towards real economy transformation.
- Partner of the Race to Zero campaign, part of GFANZ.

## KEY POLICY AREAS

### 1) FINANCIAL SECTOR REGULATION (AND ENABLING)

Support the development and implementation of a coherent and progressive sustainable finance policy and regulatory framework at jurisdiction and regional levels [soft and hard].

### 2) MULTILATERAL POLICY PLATFORMS

Ensure an ambitious level playing field, help provide clear directions and interoperable standards/global frameworks (e.g. UN processes, multilateral platforms, standard setters)

### 3) REAL ECONOMY POLICY

Engage for ambitious industry/real economy sector policies that enable finance sector align with sustainability objectives (e.g., national roadmaps, sector pathways etc.).

To be further developed: 4) DEVELOPMENT FINANCE



## EU regulatory framework highly developed with a highly knowledgeable market

- Secretariat fully engaged in the relevant new regulatory pieces of work, including via the EU Platform work (Compendium, GAR, TF), consultation responses (ESRS, VSME/LSME, EBA, etc.), as well as new relations with EFRAG, etc.
- Key developments at European level:
  - First year of GAR reporting including alignment – WIP and lessons learned to be extracted
  - CSDDD – transition plans – Art. 22 + possible future inclusion of FIs in L2
  - ECB is ramping up pressure on commitments and supervisory expectations on firms
  - Work integrating transition plans present across the regulatory framework to be continued (Tx, CSRD, CSDDD, CRD...)
- European (regulated) members in a complex relationship with policy actions

## Key priorities coming months:

- **Maintain engagements in key EU policy platforms and further develop network (i.e., beyond FISMA)**
- **Implementation support for ESRS & CSRD – key internal & external collaboration (consultancy companies)**
- **Support to policy makers and policy engagement to be further developed**
- **Putting UNEP FI “on the map” in non-EU countries for SF frameworks policy support (Balkans, Caucasus & Central Asia)**

# Overview of the Implementation Support Programme\*

- **Starting date** – September 2024
- **Target Audience** – open to all UNEP FI members and their consultants
- **Format** – Monthly Interactive Sessions of variable length (virtual and recorded)

## Introductory Session

- Content overview
- Scope
- International applicability
- Links to other frameworks

## Materiality Assessment Sessions

- Impact Mat.
  - Key concepts, process, leveraging PRB
- Financial Mat.
  - Key concepts, prudential connections, etc.

## Thematic & Sector Sessions

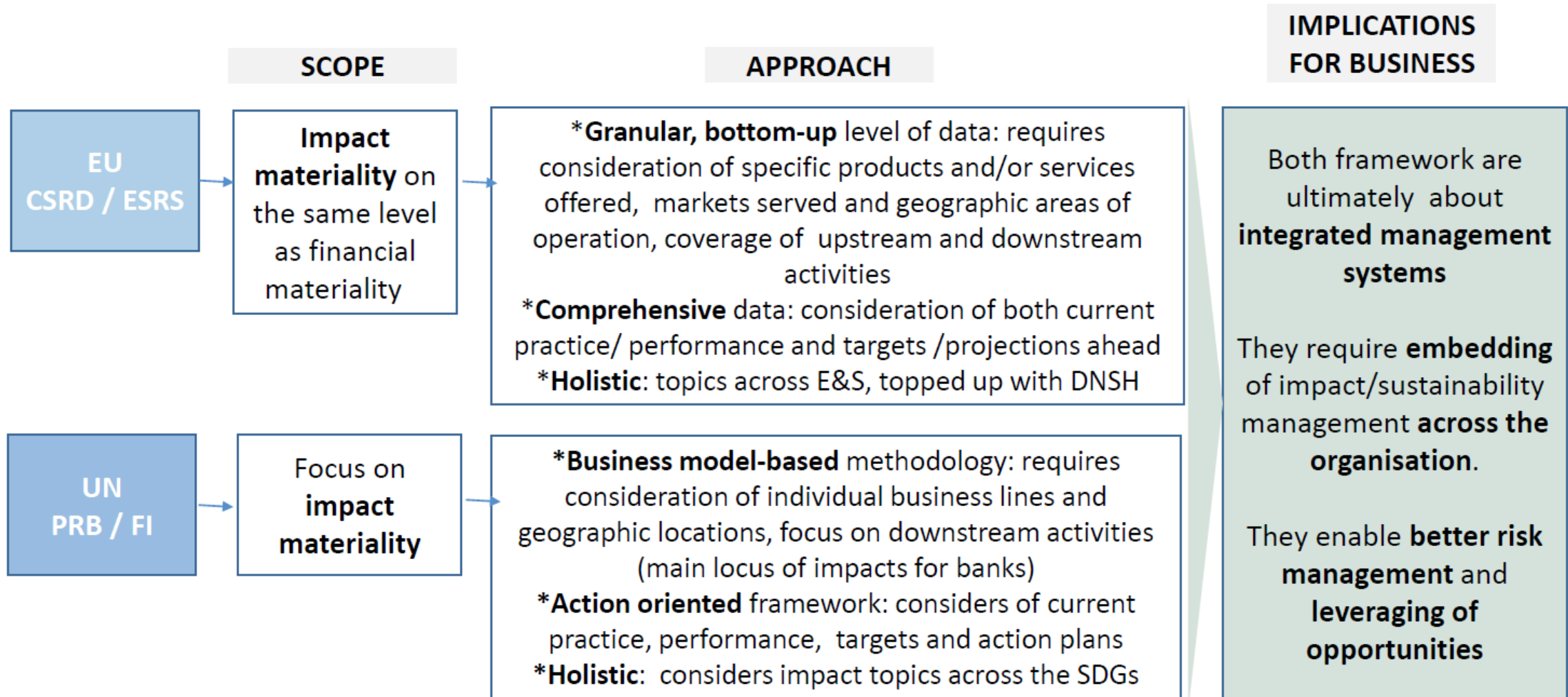
- Climate & other thematic standards & transition plans
- SMEs
- Banking sector standard

## Data Sessions

- Data-gathering insights
  - Clients, providers, etc.
- ESRS data for risk-management purposes

\*See Annex for further details

# The Opportunity: Strong CSRD/ESRS – PRB/UNEP FI Alignment



# High level mapping of CSRD/ESRS to PRB



**ESRS 1-2**

- General Requirements
- General Disclosures

**ESRS E1-5**

- Climate change
- Pollution
- Water and marine resources
- Biodiversity and ecosystems
- Resource use and circular economy
- Own workforce
- Workers in the value chain
- Affected communities
- Consumers and end-users

**ESRS S1-4**

**ESRS G1**

- Business conduct

**P1 Alignment**

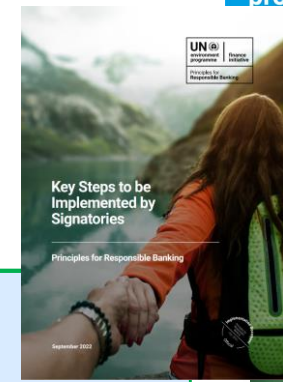
**P2 Impact and target-setting**

**P3 Clients & customers**

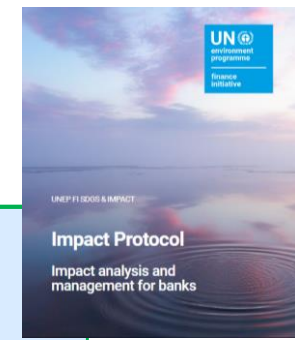
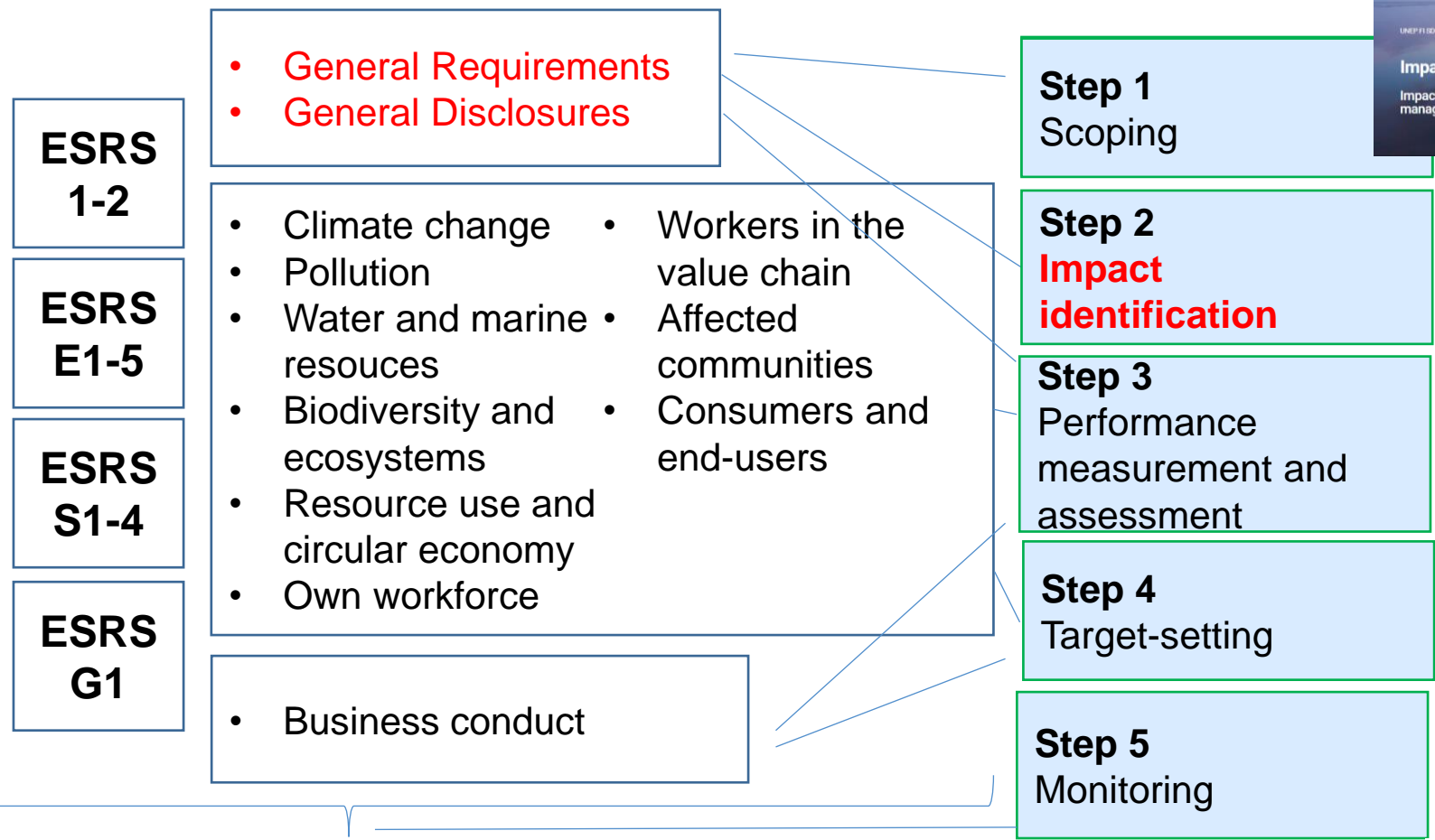
**P4 Stakeholders**

**P5 Governance and culture**

**P6 Transparency & accountability**



# High level mapping of CSRD/ESRS to UNEP FI impact methodology



**Step 3. Public Reporting**  
 Signatory banks must report regularly in English on how they are using the Principles for Responsible Banking, the targets they have set and using the reporting and self-assessment template. This should be annual reporting. Key elements have to be assured. Each bank's the collective progress report published every two years by UNEI

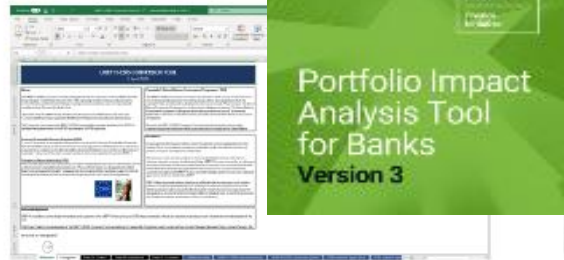
# UNEP FI / ESRS Interoperability Package



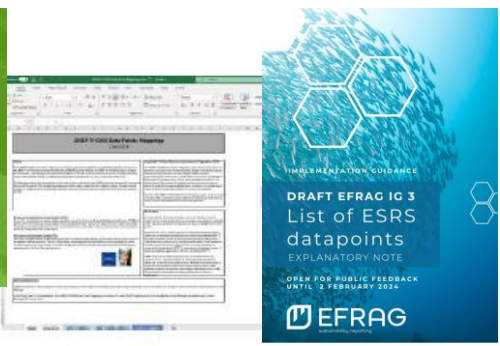
First iteration now available for download from [UNEP FI's dedicated page](#)



UNEP FI-ESRS Interoperability Guide



UNEP FI-ESRS Conversion Tool



UNEP FI-ESRS Data Points Mappings



UNEP FI-ESRS Topics Mappings



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**Thank you**