Multi-Stakeholder collaborations for Financial Services to achieve Agenda 2030, UN 17 Sustainable Development Goals

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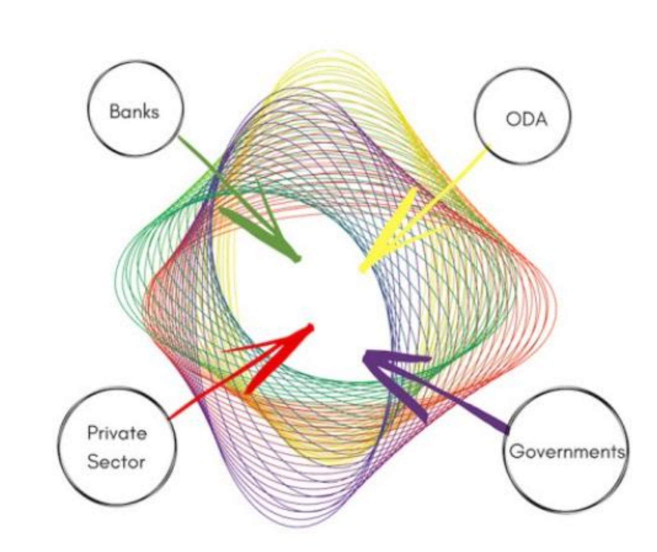
The United Nations Conference on Trade and Development (UNCTAD) says achieving the Sustainable Development Goals (SDGs) will take between US$5 to $7 trillion, with an investment gap in developing countries of about $2.5 trillion. At the same time, the most recent OECD DAC report shows that in 2016 the total official development assistance reached a peak of $142.6 billion, which is one order of magnitude smaller than the needs. Who is going to cover these gaps and how? The World Bank estimated that between 50 and 80 percent of what's required will come from domestic resources.



Private funding and private capital hold another great potential. A recent report by the Business & Sustainable Development Commission estimates that achieving the SDGs could open up $12 trillion of market opportunities in food and agriculture, cities, energy and materials, and health and well-being alone and create 380 million new jobs by 2030 (http://report.businesscommission.org/).

It is also well recognized that government policy and regulation play an important role to the extent to which private sector capital aligns to sustainable development. There are several global initiatives addressing this including the UN Environment Program's Inquiry into the Design of a Sustainable Financial System and Principles for Sustainable Insurance (PSI) Initiative, and the Access to Insurance Initiative. The importance of policies and regulations are further underpinned in par. 38 of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development agreed by 193 UN member states in July 2015:

"We acknowledge that some risk-mitigating measures could potentially have unintended consequences, such as making it more difficult for micro, small and medium sized enterprises to access financial services. We will work to ensure that our policy and regulatory environment supports financial market stability and promote financial inclusion in a balanced manner, and with appropriate consumer protection. We will endeavor to design policies, including capital market regulations where appropriate, that promote incentives along the investment chain that are aligned with long-term performance and sustainability indicators, and that reduce excess volatility."

Financial Mechanisms – Short Summary:

EQUATOR PRINCIPLES:

This is a risk management framework for determining, assessing and managing environmental and social risks in projects. The ten principles are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. As at July 2015 there are 80 Equator Principles Financial Institutions covering over 70% of international project finance debt in emerging markets. https://equator-principles.com/

GREEN BOND PRINCIPLES

These are voluntary process guidelines that provide guidance to issuers on the key components involved in launching a credible Green Bond; they aid investors by ensuring availability of information necessary to evaluate the environmental impact of their Green Bond investments; and they assist underwriters by moving the market towards standard disclosures, which will facilitate transactions. In addition, three banks have published a proposed Social Bond and Sustainability Bond Appendix to encourage transparency, disclosure and integrity in the development of these new markets.

https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

UN-SUPPORTED PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

Investors publicly commit to adopt and implement six principles; where consistent with their fiduciary responsibilities, believing this will improve their ability to meet commitments to beneficiaries as well as better align investment activities with the broader interests of society. The principles include incorporating environmental, social and governance issues into investment analysis, decision-making processes, ownership policies and processes. As at July 2015 there are close to 1,400 signatories representing US$59 trillion of assets under management. www.unpri.org

SUSTAINABLE STOCK EXCHANGES INITIATIVE (SSE)

The SSE initiative provides an effective platform for exchanges to engage with the UN, investors, companies and regulators. By exploring how exchanges can work with these actors, the SSE is working to create more sustainable capital markets. The SSE specifically focuses on working in partnership with exchanges, in collaboration with investors, regulators, and companies, to enhance corporate transparency – and ultimately performance – on environmental, social and corporate governance issues and encourage sustainable investment. As of July 2015, the SSE has 23 Partner Stock Exchanges, which list over 21,000 companies globally and represent US$41 trillion in market capitalization. www.sseinitiative.org

BANKING ENVIRONMENT INITIATIVE

The Chief Executives of some of the world's largest banks created the Banking Environment Initiative (BEI) in 2010 with the mission to lead the banking industry in collectively directing capital towards socially and environmentally sustainable economic development. Convened by the University of Cambridge, the group comprises 11 leading banks with over US$10 trillion of assets. The BEI has developed a powerful model of change, at the heart of which lies a simple thesis: banks work for their clients and this group can only be transformative if it truly aligns banks' interests with those of their clients. The BEI's model is therefore to form strategic partnerships with groups of leading corporates, investors and even regulators that share the BEI's ambitions. The group then works to catalyze mainstream change by (i) driving industry-level standards that accelerate the emergence of new business norms; (ii) innovating banking products and services that address unmet needs in a sustainable economy; and (iii) helping policy-makers and regulators evolve a level playing field for sustainable business models. https://www.cisl.cam.ac.uk/business-action/sustainable-finance/banking-environment-initiative

THE INVESTMENT LEADERS GROUP (ILG)

A group of eleven influential investment managers and asset owners aiming to drive the investment chain towards responsible, long-term value creation. Jointly conceived by the University of Cambridge and Natixis Asset Management, the group is developing a fresh approach for the industry based on a vision of responsible investment and a set of actions and tools to lead the industry there. One key focus of the ILG is to enable investors to report to beneficiaries and manage the contribution of their investment towards sustainable development. Inspired by the UN Sustainable Development Goals, the group has developed an Impact Evaluation Framework, which clarifies which social and environmental impacts investors should aim to disclose. It focuses on how investment achieves environmental and social outcomes across various asset classes and investment styles, and aims to enable beneficiaries and clients to make practical choices. https://www.cisl.cam.ac.uk/business-action/sustainable-finance/investment-leaders-group

THE PORTFOLIO DECARBONISATION COALITION

A multi-stakeholder initiative that will drive greenhouse gas emission reductions by mobilizing a critical mass of institutional investors committed to gradually decarbonizing their portfolios. Members of the Coalition share a dual vision, setting themselves two interconnected and intermediary targets to first measure and disclose their carbon exposure, and then to take action to decarbonize. http://unepfi.org/pdc/

GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION

An inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders to carry forward work on financial inclusion, including the implementation of the Financial Inclusion Action Plan, endorsed at the G20 Summit in Seoul. Seven implementing Partners coordinate the implementation of the activities. The private sector participates through those implementing partners, in particular the International Finance Corporation, the Better Than Cash Alliance, and the Consultative Group to Assist the Poor. https://www.gpfi.org/

CLIMATEWISE

Over 30 leading insurers are members of ClimateWise, a global industry leadership platform convened by the University of Cambridge, which aims to drive an industry response to climate change. ClimateWise pursues its mission by combining the expertise of the University of Cambridge with leading insurer practice, thereby creating a platform for collaboration with stakeholders from across the insurance value chain, Government and clients to tackle exposure to climate-related risk. In recent years, ClimateWise has collaborated with the UK Prudential Regulatory Authority to inform its inquiry into the impacts of climate change on the insurance industry and the customers its serves; has worked with city authorities in North America to identify ways that insurance can make investments in support of climate resilient cities; partnered with energy companies to develop risk management solutions for emerging low carbon energy technologies; and has worked to enable insurers to direct more of their invested assets towards building a low carbon, climate resilient economy.

http://climateinitiativesplatform.org/index.php/ClimateWise

CLIMATE BONDS INITIATIVE

An international, investor-focused not-for-profit focused on mobilizing the US$100 trillion bond market for climate change solutions. It is encouraging issuers, supporting investors and developing standards to provide assurance for investors regarding the environmental integrity of climate bonds. Several banks are partner organizations, along with other stakeholders. https://www.climatebonds.net/

THE 1-IN-100 INITIATIVE

This applies the climate and natural hazard risk stress tests that have transformed the resilience of the insurance industry into the wider financial sector and across the economy. It includes the development and adoption of risk assessment standards for companies and public entities to evaluate the 1 in 100 year, 1 in 20 and annual average loss from these risk and the integration of these disclosures into financial regulation, accounting and rating. Using these techniques excess natural hazard risk will proportionally decrease the value of assets, while resilience will be recognized. http://climateinitiativesplatform.org/index.php/The_1-in-100_Initiative

THE SMART RISK INVESTING PROJECT

An insurance industry-wide initiative which aims to encourage and enable all insurers to incorporate sustainability considerations in their asset management policies and practices. It raises standards for insurers' responsible investments by harnessing their expertise in risk assessment and applying it to asset management decisions. The Smart Risk investing framework stimulates new ways of thinking for insurers' asset managers; by integrating environmental and social risk considerations in the selection of assets, they will have a rigorous, informed basis for selecting assets that promote social and environmental resilience, and for not selecting assets that present high risk to our world. https://unfccc.int/news/smart-risk-investing

MONTREAL CARBON PLEDGE

By signing the Montréal Carbon Pledge, investors commit to measure and publicly disclose the carbon footprint of their investment portfolios on an annual basis. The Pledge was launched on 25 September 2014 at PRI in Person in Montréal, and is supported by PRI and the UNEP FI. It aims to attract commitment from portfolios totaling US$3 trillion in time for the United Nations Climate Change Conference (COP 21) in December 2015 in Paris. It allows investors (asset owners and investment managers) to formalize their commitment to the goals of the recently announced Portfolio Decarbonization Coalition, which will mobilize investors to measure, disclose and reduce their portfolio carbon footprints at the scale of hundreds of billions of dollars by the December 2015 UN Climate Change Conference. http://montrealpledge.org/

GLOBAL IMPACT INVESTING NETWORK

This Network provides a platform for like-minded investors to meet and take part in activities that build the impact investing industry from a practitioner's perspective. Network members gain access to industry information, tools, and resources to enhance their capacity to make and manage impact investments and connect with one another through virtual and in-person members-only events. https://thegiin.org/