

# Mainstreaming Climate Action Within Financial Institutions

- ▶ **What are they?** Five “Principles” for Mainstreaming Climate Change to support and guide financial institutions moving forward in the process of adapting to climate change and promoting climate smart development. They are:
  - ❖ *Aspirational and Voluntary*
  - ❖ *Non-binding, not prescriptive*
- ▶ **Why develop them?** Draw on emerging practice of many Financial Institutions, encapsulate key concepts (ie: “Principles”) that can be used to guide financial institutions in the process integrating climate into strategies, operations, investments and risk management processes
- ▶ **What was launched at CoP 21, Paris?** Two [2] deliverables:
  - ❖ Voluntary Principles: 2-pg summary + Principles
  - ❖ Emerging Practices Paper + Case Studies

# Mainstreaming Climate Action Within Financial Institutions: Five Principles

## Principle 1: COMMIT to Climate Strategies

Be strategic when addressing climate change. Institutional commitments to address climate change are demonstrated by senior management leadership, explicit strategic priorities, policy commitments and targets, which allow for the integration of climate change considerations within a financial institution's lending and advisory activities over time.

## Principle 2: MANAGE Climate Risks

Be active in understanding and managing climate risk. Assess your portfolio, pipeline and new investments. Work with clients to determine appropriate measures for building resilience to climate impacts and improving the long-term sustainability of investments.

## Principle 3: PROMOTE Climate Smart Objectives

Promote approaches to generating instruments, tools and knowledge on how best to overcome risks and barriers to low carbon and resilient investments. This may include mobilizing and catalyzing additional financing and developing specialized financing vehicles/products, such as green bonds, risk sharing mechanisms or blended finance. Engage clients and other stakeholders (e.g. rating agencies, accounting firms) on climate change risks and resilience, and share lessons of experience to help further mainstream climate considerations into activities and investments.

## Principle 4: IMPROVE Climate Performance

Set up operational tools to improve the climate performance of activities. Financial institutions track and monitor indicators tied to climate change priorities, including GHG reporting, lending and advisory volumes supporting green investment, asset allocations, and the institution's own climate footprint.

## Principle 5: ACCOUNT for your Climate Activities

Be transparent and report, wherever possible, on the climate performance of your institution, including increases in financing of clean energy, energy efficiency, climate resilience or other climate-related activities and investments. Be transparent and report, wherever possible, the climate footprint of the institutions' own investment portfolio, and how the<sup>2</sup> institution is addressing climate risk.

# Mainstreaming Climate Action Within Financial Institutions: Emerging Practices Paper

- ▶ **What is it?** A “living document”, describing concepts behind the Principles, and collecting “emerging practices” - case studies on financial institutions’ approaches, policies and tools for integrating climate considerations into operations. Will be updated regularly with new case studies.
- ▶ **What is included?**
  - ❖ Brief explanation of each Principle
  - ❖ Case Studies of Emerging Practice, submitted by Supporting Institutions
  - ❖ “Key Lessons” from Emerging Practices
- ▶ **Sample “Key Lessons” from Emerging Practices**
  - ▶ **P1 Commit to Climate Strategies:** “[Both] Embedding climate staff throughout the organization is crucial making climate business a part of “business as usual”, [and having] a centralized climate staff is key to provide the tools, strategy and support to build climate business.” *International Finance Corporation (IFC)*
  - ▶ **P2: Manage Climate Risk:** “Risks need to be identified at the early phase of project preparation. Adaptation is not cost neutral but may not necessarily be expensive and a large menu of adaptation options are available [including both] engineering and non-engineering [options].” *Asia Development Bank (ADB)*
  - ▶ **P4: Improve Climate Performance:** “The implementation of the Carbon Footprint Tool has been a key element to mainstream climate change considerations not only within AFD but also when engaging with clients and stakeholders, as it helps identify opportunities and risks, and evaluate alternative options when relevant.” *Agence Française de Développement (AFD)*
  - ▶ **P5: Account for your Climate Action :** “We believe our increased transparency has helped us build trust, credibility and visibility among communities and investors, and profitability for the Bank. The Bank’s success in integrating its sustainability objectives into its core business operations clearly demonstrates that achieving profitability and meeting one’s developmental priorities can be mutually inclusive.” *YES Bank, India*

# Mainstreaming Climate Action Within Financial Institutions: Next Steps

## ▶ What happened during COP?

- ❖ Principles & Emerging Practices Launched during COP (Dec. 7)
- ❖ 26 Supporting Institutions - First Meeting
- ❖ Online Platform/Webpage - collect & share emerging practices

## ▶ What happens after CoP?

- ❖ On a voluntary basis, “Supporting Institutions” invited to participate in knowledge sharing, contribute to thought leadership
- ❖ Potential to develop common approaches for integrating climate action w/in operations

## ▶ What can you do?

- ❖ Consider becoming a “Supporting Institution”
- ❖ Participate in ongoing knowledge sharing
- ❖ Participate in development of common approaches

# Mainstreaming Climate Action Within Financial Institutions: Supporting Institutions

## ► What is a “Supporting Institution”?

A “**Supporting Institution**” is a financial institution whose management has publically confirmed their support for the five voluntary **Principles for Mainstreaming Climate Action within Financial Institutions**, and is interested in participating (on a voluntary basis) in the ongoing knowledge sharing and development of emerging operational approaches and practices linked to the Principles.

## ► How can you become a Supporting Institution?

- ❖ Check your email - Package on how to become a “Supporting Institution”
- ❖ Indicate in writing (by email) your Institution's Support for the Principles
- ❖ Send your Institution's logo
- ❖ Optional: Submit a Case Study for Inclusion within the Emerging Practices Paper

► For more information visit <http://bit.ly/Flmainstreaming>

---