Workshop material:

The role of business and corporate reporting in addressing major challenges of global development agenda

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The role of financial sector reporting in addressing major challenges of the global development agenda

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The role of financial sector reporting in addressing major challenges of the global development agenda

GHG emissions are among the most important global risk-drivers for the financial sector. Drivers:

1. Climate impacts are intensifying
2. Steady, bottom-up build-up of public policy
3. Regulatory shift to mandatory reporting - for companies and financial intermediaries
4. Growing expectations of investor transparency

Need for financial sector to manage carbon risk exposure

Pressure on all companies to reduce carbon emissions
1. Climate impacts are intensifying
2. Steady, bottom-up build-up of public policy

- Steady, bottom-up build-up of public policy at regional & local levels
- Public perceptions and prioritisation of climate change is changing, including in the USA and China
- Governments targeting Paris COP 2015 for next global agreement
3. Regulatory shift to mandatory reporting - for companies and investors

For companies:
Increasing mandatory GHG disclosure requirements:
• Existing examples: South Africa (integrated reporting), United Kingdom (GHG emissions)
• Interests in non-financial reporting: 10 countries in the Group of Friends of Paragraph 47, China (mandatory from 2015)

For the financial sector:
Nascent regulatory efforts to target investors and financial intermediaries
• France, Grenelle II – disclosure on integration of ESG criteria in decision-making
• European Commission – considering disclosure on ESG approach of retail funds.
4. Growing expectations of investor transparency

- Corporate disclosure is now well-established, including on Scope 3 emissions:
  4,000+ companies around the world disclose information under CDP

- Recent momentum among institutional investors
  - **Montreal Pledge** – Launched Sep 2014 by PRI. Aim to gather commitment of $3 trillion of investment portfolio to annually disclose its carbon footprint by COP 21 (Paris, Dec 2015)
  - **Portfolio Decarbonisation Coalition** - Launched at UN Climate Summit Sept 2014 by UNEP FI, AP4, Amundi & CDP. Aims to gather a coalition of institutional investors committed to decarbonizing $100bn of investment by COP 21.
Need for financial sector to manage carbon risk exposure

1. Understand and **measure** carbon risk exposure

2. **Carbon footprint analysis** at the company and portfolio level

3. **Reporting** of ‘financed emissions’ to address stakeholder, regulatory disclosure pressures and show environmental stewardship as well as ‘progress over time’

4. Managing risk exposure by **reducing the carbon footprint** of individual investments, lending positions and entire portfolios
UNEP FI developing tools for financial actors to reporting on GHG emissions and climate impacts

UNEP FI has partnered with the GHG Protocol, led by WRI and WBCSD

Developing accounting and reporting standards for GHG emissions that address the heterogeneity of financial actors and asset classes within the finance sector
Pressure on all companies to reduce carbon emissions through reporting

- Investors GHG Reporting
- Regulatory & Civil Society demand
- Corporate GHG reporting
Thank you for your attention!
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