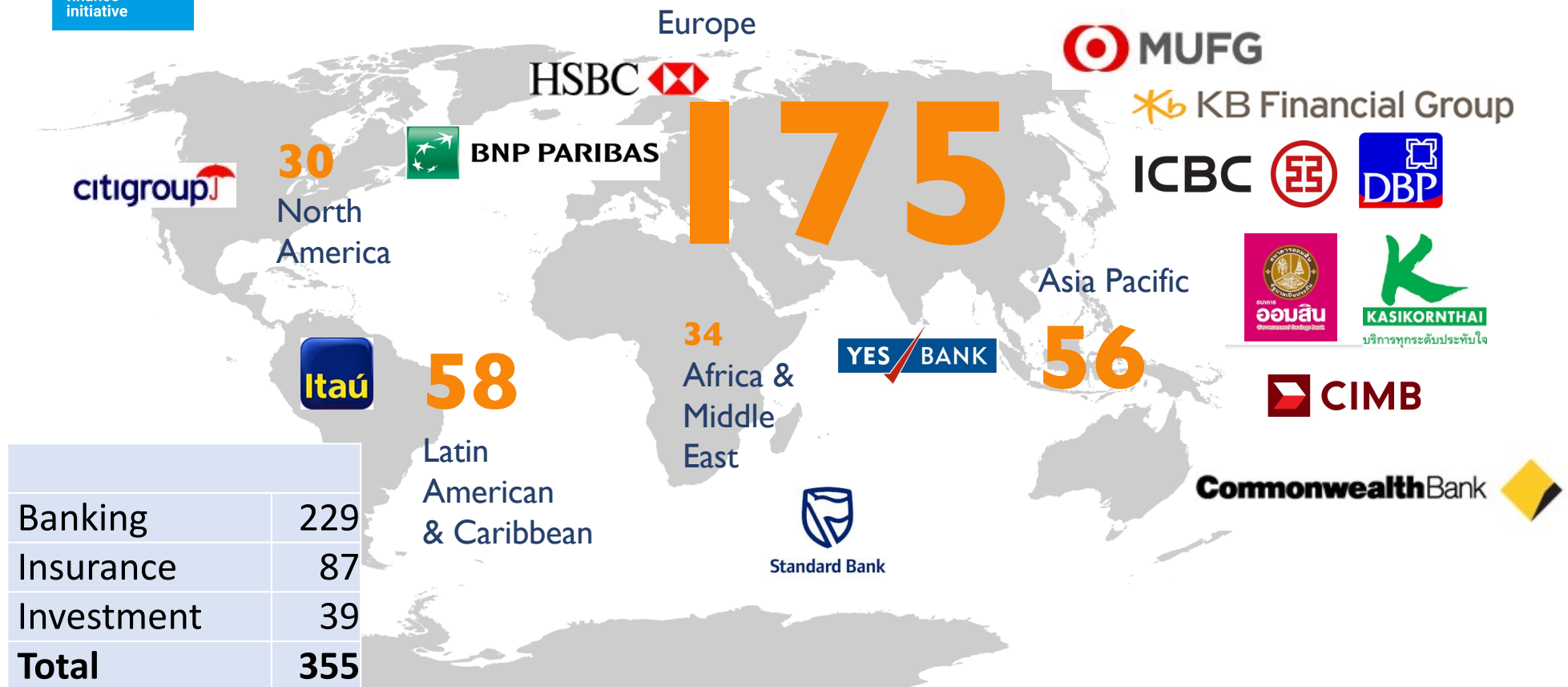


Key issues in sustainable finance and how they intersect with economic development

Yuki Yasui
Asia Pacific Region Coordination Manager
UN Environmental Programme Finance Initiative

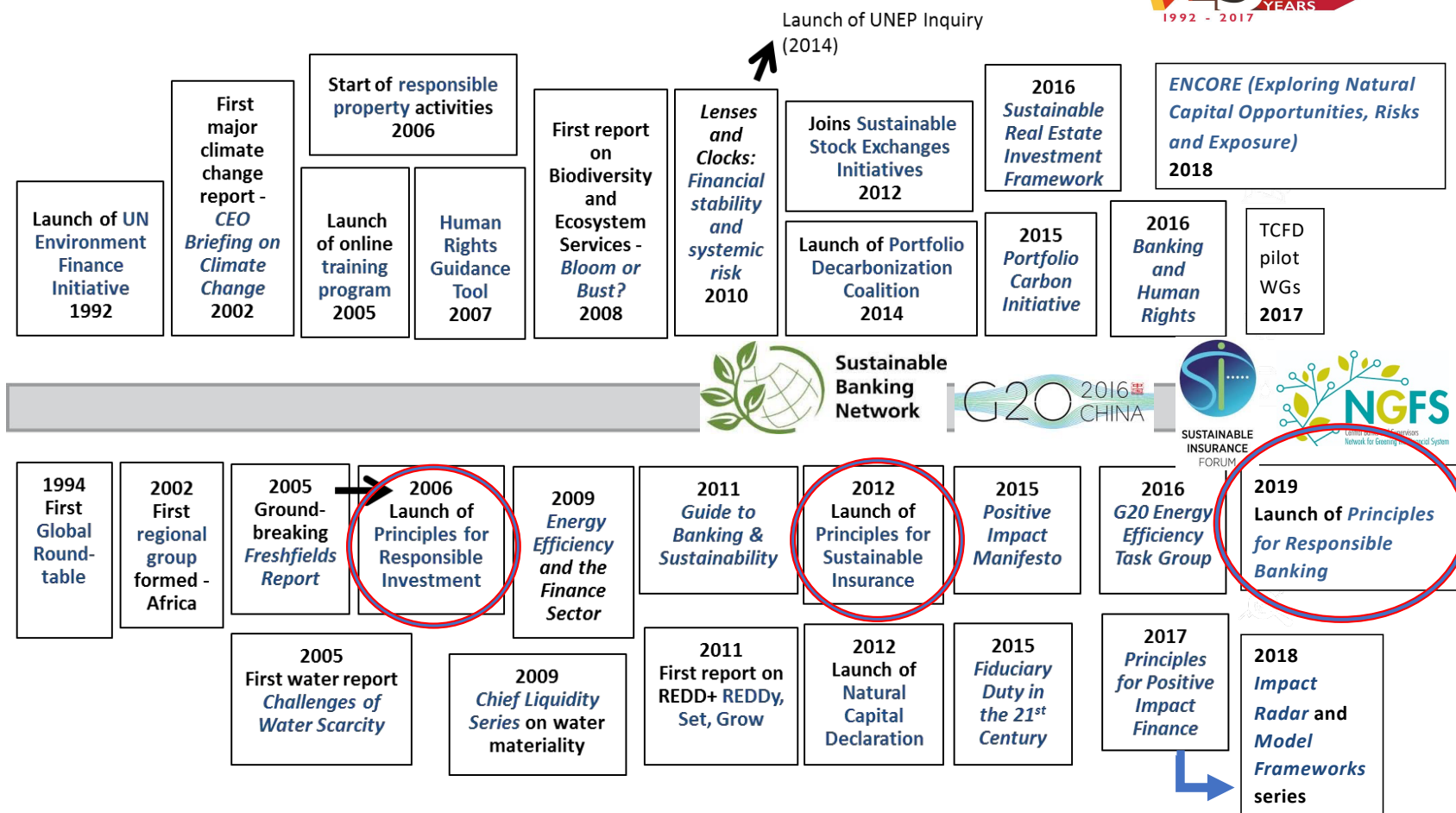
yuki.yasui@un.org

UNEP Finance Initiative 355 members (at 30 Sep 2020)



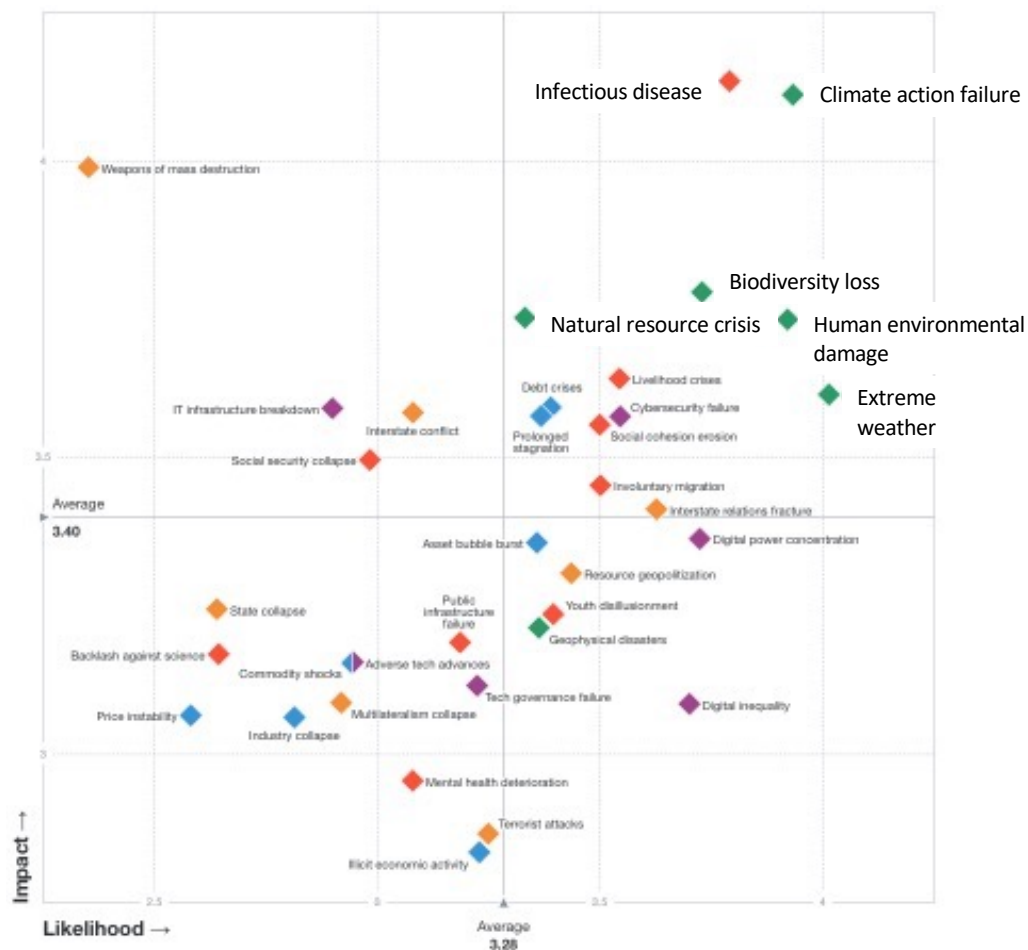
UNEP Finance Initiative Since 1992

Changing Finance, Financing Change



General direction of sustainable finance

1. **Expansion of scope:** From ESG 'risk' management to societal 'impact' management
2. **Time horizon:** From 'backward looking' to 'forward looking'
3. From 'future taker' to '**future maker**'
4. Accelerating pace & scale of change



Climate change

A source of economic and financial risks with unique characteristics

- Far-reaching impact in breadth and magnitude
- Foreseeable nature
- Irreversibility
- Dependency on short-term actions
- Not fully reflected in asset valuations

Source: **Network of Central Banks and Supervisors for Greening the Financial System (NGFS)** (April 2019), *A call for action: Climate change as a source of financial risk*

Climate change risk in financial regulation

- **France** – First country to introduce mandatory carbon reporting for institutional investors (Energy Transition Law, adopted 2015)
- **Bank of England** - First central bank to demand banks and insurers to undertake CC stress testing (postponed to mid-2021). Monetary Authority of Singapore to follow.
- **New Zealand** – First country to make TCFD reporting mandatory for banks, asset managers and insurers (announced Sep 2020)

Investors' Net Zero Target Setting



37 institutional investors representing over \$ 5 trillion AUM (as at January 2021)
commit to transition their investment portfolios to
net-zero GHG emissions by 2050

UN-CONVENED **NET-ZERO**
ASSET OWNER ALLIANCE

January 2021



From 'future taker' to 'future maker'

1) E&S Credit Risk Management

- Prevent/mitigate harm **caused by** businesses
- Manageable at client/project level



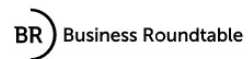
2) Expanding E&S risks

- Business & economies significantly **harmed by** E&S risks - becoming an existential threat
- System-wide and global societal risk
Elevated risk concern for investors and regulators

3) E&S solutions for own & others' becoming major business opportunities

Solving corporate E&S issues ⇔ Meeting societal needs

Business opportunities found in E&S solutions
Focus of businesses turn to society,
triggering ‘repurposing of business’ and interest in ‘stakeholder capitalism’



Business Roundtable CEOs are responding to COVID-19

LEARN MORE



Stakeholder capitalism seeks to create shareholder returns by creating value for society

CORPORATE GOVERNANCE

**Business Roundtable
Redefines the Purpose of
a Corporation to
Promote ‘An Economy
That Serves All
Americans’**

AUG 19, 2019

Updated Statement Moves Away from Shareholder Primacy, Includes Commitment to All Stakeholders

DANONE



**Danone: Annual General Meeting of
June 26, 2020: Shareholders
unanimously vote for Danone to
become the first listed ‘Entreprise à
Mission’**

UN Principles for Responsible Banking



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.



PRINCIPLES FOR
RESPONSIBLE
BANKING

229 signatories from 69 countries collectively worth \$58 trillion
40% of the banking industry and serving more than 1.6 billion people worldwide



2. Implementing PIF Loans @SuMi TRUST

	Borrower	Loan Type	Major Impact Areas
1	FUJI OIL HOLDINGS INC. (Food)	Bilateral loan	<ul style="list-style-type: none"> ✓ Sustainable sourcing ✓ Reducing negative environmental impact during production ✓ Providing solutions with food and food safety, reliability and quality
2	J.FRONT RETAILING Co.,Ltd. (Retail)	Bilateral loan	<ul style="list-style-type: none"> ✓ Contribution to a low-carbon society ✓ Sustainable management of the entire supply chain ✓ Shared prosperity with local communities ✓ Diversity and work-life balance
3	Nippon Paper Industries Co., Ltd. (Pulp and Paper)	Bilateral loan	<ul style="list-style-type: none"> ✓ Sustainable sourcing through securing biodiversity ✓ Mitigation of climate change ✓ Reducing negative environmental impact by recycling of resources ✓ Building a vibrant organization ✓ Providing environmentally and socially conscientious Products
4	Toyo Aluminium K.K. (Non-ferrous Metals)	Bilateral loan	<ul style="list-style-type: none"> ✓ Innovation for the Future ✓ Environmental conservation ✓ Diversity
5	Sumitomo Rubber Industries, Ltd. (Rubber Products)	Bilateral loan	<ul style="list-style-type: none"> ✓ Greening (Re-forestation) ✓ Reducing negative environmental impact of business activities ✓ Development of next-generation technologies and products. ✓ Sustainable supply chain management

Source: Prepared based on each company's release

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Summary: General direction of sustainable finance

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