OUR WEBINAR WILL BEGIN SHORTLY ...
#MFW4AWEBINARSERIES

OUTLINE

• HOUSEKEEPING
• MFW4A
• PANELISTS
• UNEP-FI, FINANCE IN MOTION & ECO.BUSINESS FUND
• PRESENTATIONS
• Q&A
• CLOSING
Today’s session is scheduled to last 1H15 min including Q&A.

To ensure the highest quality of experience, all participants will be muted.

QUESTIONS can be submitted via the “Chat” or “Q&A”.

For “live” questions / comments: Click on “Raise Hand” icon to speak then lower hand and mute.

Slides and a recording of this presentation will be circulated within 72 hours of the They will also be available on www.mfw4a.org.

Message the organizers if you experience any issues.

Please fill our the survey which appears automatically after the session.
• G8 initiative launched in October 2007

• Common platform for the harmonization and facilitation of financial sector development and knowledge sharing in Africa.

• Donor partners, African governments the private sector, and other financial sector with the aim of unleashing the full potential of Africa's financial sector in order to drive economic development and reduce poverty across the continent.
MFW4A’s activities are broadly focused on three thematic pillars:

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<tr>
<th>Financial Inclusion</th>
<th>Long-term Finance</th>
<th>Financial Stability and Governance</th>
</tr>
</thead>
<tbody>
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<td>• Digital Finance</td>
<td>• Institutional Investors</td>
<td>• Community of African Banking Supervisors</td>
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<td>• Agricultural Finance</td>
<td>• Housing Finance</td>
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<td>• SME Finance</td>
<td>• The Africa Long Term Finance Initiative</td>
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<td>• Trade Finance</td>
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<td>• Insurance</td>
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Knowledge Management and Advocacy
#MFW4AWEBINARSERIES

PANELISTS

MODERATOR
Mr. Eric Wanyama
Senior Officer, Technical Assistance Management
Finance in Motion

PRESENTERS
Dr. Ulrich Volz
Director, Centre for Sustainable Finance,
SOAS University of London

Mr. David Carlin
TCFD Program Lead
UNEP- Finance Initiative

Ms. Rosaura Salter
Vice Manager Social and Environmental Program, Banco Lafise Bancentro S.A,
Nicaragua
UNEP-FI

FINANCE IN MOTION & THE ECO.BUSINESS FUND
The **United Nations Environment Programme Finance Initiative** (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. UNEP FI works with more than 300 members – banks, insurers, and investors – and over 100 supporting institutions to help promote and accelerate sustainable finance. This includes UNEP FI’s lead role in co-creating 3 sets of global financial sector principles that guide the integration of sustainability into financial market practice. These are the *Principles for Responsible Banking (PRB)*, *Principles for Sustainable Insurance (PSI)*, and *Principles for Responsible Investment (PRI)*. UNEP FI has also being involved in running TCFD Banking Pilots with member banks to help banks mainstream and implement TCFD recommendations within their operations.
Overview of finance in motion & the eco.business fund

The eco.business Fund’s mission is to promote business and consumption practices that contribute to sustainable uses of natural resources; biodiversity conservation; and climate change adaptation and mitigation.

The eco.business Fund provides dedicated financing and technical assistance to financial institutions and businesses committed to environmental practices in unique ecological landscapes both in Latin America and sub-Saharan Africa. The fund focuses on sustainability in four economic sectors: Agriculture and agri-processing; fishery and aquaculture; forestry; and tourism.

Finance in Motion is an impact asset manager with over $ 2.5 billion in assets under management and an exclusive focus on development finance. The eco.business Fund is one of 5 impact funds that it advises.
RISKS & OPPORTUNITIES FROM CLIMATE CHANGE FOR THE FINANCIAL SECTOR
Climate Change – Mitigating Macro-Financial Risks and Creating Sustainable Opportunities
Climate change has impacts on the macroeconomy & poses financial risks

• Climate change is already having significant impacts, and the impacts will get larger in most countries

• Climate and environmental risks constitute a significant systemic risk for the financial sector
  — Physical risks
  — Transition risks
  — Liability risks

• Climate change can have direct consequences for macroeconomic and price stability
  — Potential impact on food and energy prices, or output and employment in crucial sectors (agriculture, natural resources)
  — Can cause supply and demand shocks
Important role for central banks and supervisors in addressing climate-related risks

• To meet the climate goals, it will be imperative to align finance flows with a pathway towards low greenhouse gas emissions and climate-resilient development, as stipulated in Article 2.1c of the Paris Agreement

• A growing number of central banks and supervisors acknowledge their role in addressing climate-related financial risks & in scaling up sustainable finance

• The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) – established by 8 central banks and supervisors at the Paris “One Planet Summit” in December 2017 – has already 72 members and 13 observers (as of 18 Sep 2020)
An agenda for governing sustainable finance is emerging

• Sustainable finance taxonomies based on the climate and sustainability impact of lending and investments
• Mandatory disclosure of climate and other sustainability risks across the financial sector to enable the development of reliable approaches to analyse forward-looking climate risks
• Climate stress-testing that considers multiple scenarios associated to different low-carbon transition pathways
• Integration of climate-related financial risks into prudential frameworks
The financial sector needs to get serious about climate change

• Managing risk is at the heart of finance – financial institutions that don’t address climate-related risks are not doing their job & they are missing a big opportunity

• Sustainable finance is booming and will continue to do so
  — Huge investment needs in sustainable infrastructure & other areas associated with the low-carbon transition

• The financial sector alone cannot solve the climate crisis

• But finance needs to be part of the solution, rather than being part of the problem

• Without the financial sector, a just transition will be impossible
A Toolbox for Sustainable Crisis Response Measures for Central Banks and Supervisors

INSPIRE Briefing Paper

June 2020

Simon Dikau, Nick Robins & Ulrich Volz

https://eprints.soas.ac.uk/33106/
Financial sector risks and opportunities from climate change: 
How to understand, analyze and translate them into effective strategies

Low-carbon economic transition risks for financial institutions and seizing the opportunities offered by the transitions and the main role and aims of TCFD
“Changes in climate policies, new technologies and growing physical risks will prompt reassessments of the values of virtually every financial asset. Firms that align their business models to the transition to a net zero world will be rewarded handsomely. Those that fail to adapt will cease to exist.”

– Mark Carney, Chair of the Financial Stability Board 2011-2018
Climate Change Presents two broad types of risk
Physical Risks relate to direct climate impacts, While Transition Risks Relate to the move to a low-carbon economy

Source: CICERO
The Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD was created to enable financial markets to better assess and price climate risk

TCFD recommendation pillars

1. Governance
   The organization’s governance around climate-related risks and opportunities

2. Strategy
   The actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning

3. Risk Management
   The processes used by the organization to identify, assess, and manage climate-related risks

4. Metrics and Targets
   The metrics and targets used to assess and manage relevant climate-related risks and opportunities
TCFD recommended disclosures

While disclosures are improving rapidly, quantitative Disclosures remain a challenge for many institutions

11 recommended disclosures

<table>
<thead>
<tr>
<th>Governance</th>
<th>Strategy</th>
<th>Risk Management</th>
<th>Metrics &amp; Targets</th>
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<tbody>
<tr>
<td>Disclose the organisation’s governance around climate-related risks and opportunities.</td>
<td>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material.</td>
<td>Disclose how the organisation identifies, assesses, and manages climate-related risks.</td>
<td>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</td>
</tr>
<tr>
<td>a) Describe the board’s oversight of climate-related risks and opportunities.</td>
<td>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</td>
<td>a) Describe the organisation’s processes for identifying and assessing climate-related risks.</td>
<td>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</td>
</tr>
<tr>
<td>b) Describe management’s role in assessing and managing climate-related risks and opportunities.</td>
<td>b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.</td>
<td>b) Describe the organisation’s processes for managing climate-related risks.</td>
<td>b) Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks.</td>
</tr>
<tr>
<td>c) Describe the organisation’s processes for identifying, assessing, and managing climate-related risks and opportunities into the organisation’s overall risk management.</td>
<td>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated with the organisation’s overall risk management.</td>
<td>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</td>
<td></td>
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</tbody>
</table>
TCFD Banking Phase II: assessing and disclosing climate risks
39 global banks from 6 continents worked to expand their climate risk toolkits

**Climate scenarios**
- Explore the spectrum of climate scenarios
- Identify scenario differences and key assumptions
- Learn how to use scenarios to assess risks and opportunities
- Identify relevant internal and comparable reference scenarios

**Data and methodology**
- Determine availability of climate relevant asset-level data
- Advance and refine phase I methodologies for risk and opportunity assessment
- Create a comprehensive risk taxonomy across sectors and geographies
- Develop best-practices around sector/geographical assessments

**Reporting and governance**
- Understand expectations around TCFD disclosures
- Develop approaches to standardize disclosures
- Develop practices for creating an internal climate risk program
- Draft TCFD disclosures
TCFD Banking Phase II: Outputs
These deliverables provide industry perspectives on scenarios, methodologies, and disclosure approaches

**Physical risk blueprint**
- Assessment of existing data portals
- Piloting of physical risk tools
- Piloting of correlation analysis
- Exploration of opportunities methodology

**Transition risk webtool**
- Developed in conjunction with Oliver Wyman
- Open to all UNEP FI members
- Publicly available scenario visualizer
- Ability to incorporate most IAM scenarios
  - Plans to incorporate NGFS scenarios
  - Further user controls to be added

**Transition risk perspective papers**
- Climate scenarios in the financial industry
- Evaluating a disorderly transition
- Extending the phase I methodology
  - Real estate sector calibration
  - Heatmapping
- Climate risk governance and application

**TCFD template and database**
- Collaboration with IIF
- Guide to best practices on disclosure
  - Illustrative examples
  - Specific details from TCFD
- Database to assess existing disclosures
  - Evaluation of methodologies used
  - Opportunity for peer benchmarking
New TCFD Program operating model

Participants will have access to all outputs, but will engage directly with specific, nimble Modules.
Lessons from Latin America: How sustainable practices help financial institutions, and their clients adapt to climate change

A case study of a commercial bank that acknowledged climate change risks and harnessed the benefits of sustainable practices by rolling out a fully-fledged ESMS.
11 Countries
+550k Clients

+4,000 Employees

+195 Offices & Branches

+700k Accounts

+70 MM Transactions
LAFISE Products

- Equipment Insurance
- Banking
- Agricultural Stock Exchange
- EcoCreditos
- Tecnoleasing
- Sustainable Cattle Farming
Material Risk Assessment

Focused mainly on:
- Credit
- Operational
- IT
- Continuity
- Market
Regional Partnerships

FMO
Entrepreneurial Development Bank

bio
Development Bank

IFC
International Finance Corporation

SIFEM
Supporting Investments for Emerging Markets

FINNFW
Financing

OPIC
Development

CAF
Development Bank of Latin America

IDB
Development Bank

Excellence Award for Sustainable Agriculture Financing
- 40% of Agricultural GDP
- LAFISE finances 50% local cattle loan market
- 75% goes to Industrial Slaughterhouse
- USA - top export destination
Sustainable Cattle Production

<table>
<thead>
<tr>
<th>ID</th>
<th>Area Deforestation</th>
<th>Area (ha)</th>
<th>Area (%)</th>
<th>Overlay</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>0.000</td>
<td>0.000</td>
<td>228.907</td>
</tr>
<tr>
<td></td>
<td></td>
<td>56.54</td>
<td>97.7%</td>
<td>53.75</td>
</tr>
</tbody>
</table>

Producers outside protected areas: 113 (100%)
Producers with max. 2% forest change: 82 (72%)
- 1 bank
- 46 staff members trained
- 113 cattle producers analyzed and 40 surveyed
- 113 polygons constructed
- 17,337 ha monitored
- 113 sustainable producers analyzed
- 7,087 ha forest preserved
- 40 reports prepared
Improved animal breeds

Training on the use of tablets and data collection

Seminar “Supporting Sustainable Cattle Financing in Nicaragua”
Please send us your questions using the chat and/or the Q&A features.

*If you want to ask a question directly, please click on the "Raise Hand" button or send a message to the organizers.*
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