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Biodiversity & the Financial Sector

The United Nations Environment Programme Finance Initiative (UNEP FI) is a global partnership between the United Nations Environment Programme, UNEP, and the global financial sector. UNEP FI works closely with over 175 financial institutions, which include banks, insurers, asset managers, and pension funds as well as a range of partner organisations, to embed best sustainability practice within financial institutions and change the way capital markets account for environmental, social & governance (ESG) issues.

The development of UNEP FI's work on biodiversity & ecosystem services comes partly as a response to the UN Convention on Biological Diversity (CBD) CoP 8 decisions which gave an explicit mandate to the private sector, with a specific reference to UNEP FI to develop and promote the business case for biodiversity.....”

Why should financial institutions focus on biodiversity & ecosystem services?

To understand how impacts of biodiversity & ecosystem services on the financial sector subsequently lead to challenges and opportunities. The business case for financial institutions is not just about conserving endangered species. It is about valuing and accounting for biodiversity & ecosystem services within traditional business risk frameworks.

UNEP FI developed the report Bloom or Bust (which consists of a CEO briefing as well as a more detailed report for executives in financial institutions dealing with risk/environmental issues on a daily basis), building the business case for the banking and investment sectors, and illustrating how declining biodiversity and loss of vital ecosystem services pose both risks and opportunities to the financial sector. the report also provides recommendations for the financial sector as well as policy makers.

Can financial institutions make a difference?

The answer is YES.

Practical next steps for financial institutions include developing and promoting benchmarking of performance across the financial sector. UNEP FI is already addressing this through its Natural Value Initiative project for the asset management sector in collaboration with Fauna & Flora International, Brazilian business school FGV and the UN Principles for Responsible Investment.

Is the market starting to transform?

In the past few years, there has been a significant shift in the way the financial sector has addressed ESG issues. Efforts so far focused on asset managers, although since 2004, there has been significant shift in focus to deepen understanding of how the world's largest institutional investors integrate ESG considerations into their short- and long-term investment policies and investment decision-making.

A number of financial institutions have released major reviews that reference the materiality of biodiversity & ecosystem service risks across a range of investments & industry sectors.

The UN Principles for Responsible Investment, launched in April 2006 at the New York Stock Exchange by the then UN Secretary General Kofi Annan, marks an important step towards embedding ESG issues into decision-making.

270 institutional investors from 30 countries representing USD 14 trillion in assets have committed to integrate ESG into all investment policy-making and investment decision-making. This will further strengthen and embed BES into mainstream investment decision making.

We are facing turbulent times. Our generation's greatest challenges are also our most exciting opportunities. It is upto the financial sector whether it can step up to the challenge.