



UNDP Africa Sustainable Finance Hub (SFH)

Impact Management for Re(Insurers)

African Insurance Organisation (AIO) Conference

Monday, 3 June 2024

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USD 463 trillion circulate in financial institutions¹ - but money does not go where it is most needed ...



Since the 2015 Paris Agreement (until 2020), commercial banks have invested more than USD 3.8 trillion in fossil fuels².



Fossil fuel subsidies surged to a record USD 7 trillion in 2023³.

Less than 1% of all USD in financial institutions addresses financing gap to achieve Sustainable Development Goals (SDGs)⁴.

90% of countries have endured a decline on the Human Development Index since 2020⁵.

**Decreasing Progress
Towards sustainability and
achieving 2030 Agenda**

USD 4.2 trillion⁶
Estimated annual financing gap to achieve the SDGs



1) UBS, 2023. Global Wealth Report. 2) Rainforest Action Network, BankTrack, Indigenous Environmental Network, Oil Change International, Reclaim Finance, and Sierra Club, 2021. Banking on Climate Chaos. 3) IMF, 2023. IMF Fossil Fuel Subsidies Data: 2023 Update.

4) OECD, 2021. Global Outlook on Financing for Sustainable Development 2021. 5) UNDP, 2021. Human Development Report 2021 / 2022. 6) UN, 2024. 2024 Financing for Sustainable Development Report: Financing for Development at a Crossroads.



... despite increasing momentum for “sustainable” investments and operations.

72%

of companies mention the SDGs in reporting¹

25%

of companies include the SDGs in published businesses strategy¹

14%

of companies mention specific SDG targets¹

1%

of companies report quantitative measures to show progress¹





**Increasing SDG Commitments
& Interest in sustainable finance, ESG & impact investing**

USD 30 trillion²
Finance labelled as “sustainable” by different standards and actors



1) PwC, 2019. SDG Challenge.
2) OECD, 2021. Global Outlook on Financing for Sustainable Development 2021 : A New Way to Invest for People and Planet.

Achieving SDGs will generate at least USD 12 trillion in opportunities¹

-  **Business Drivers:** E.g. emerging market trends
-  **Stakeholder Drivers:** E.g. responding to customers' demand
-  **Reputational Drivers:** E.g. protecting the organization's social license to operate and its reputation
-  **Regulatory Drivers:** E.g. responding to national and international requirements

Insurance & Investment

Utilise **USD 40 trillion of AUM** for SDG investments and pipelines

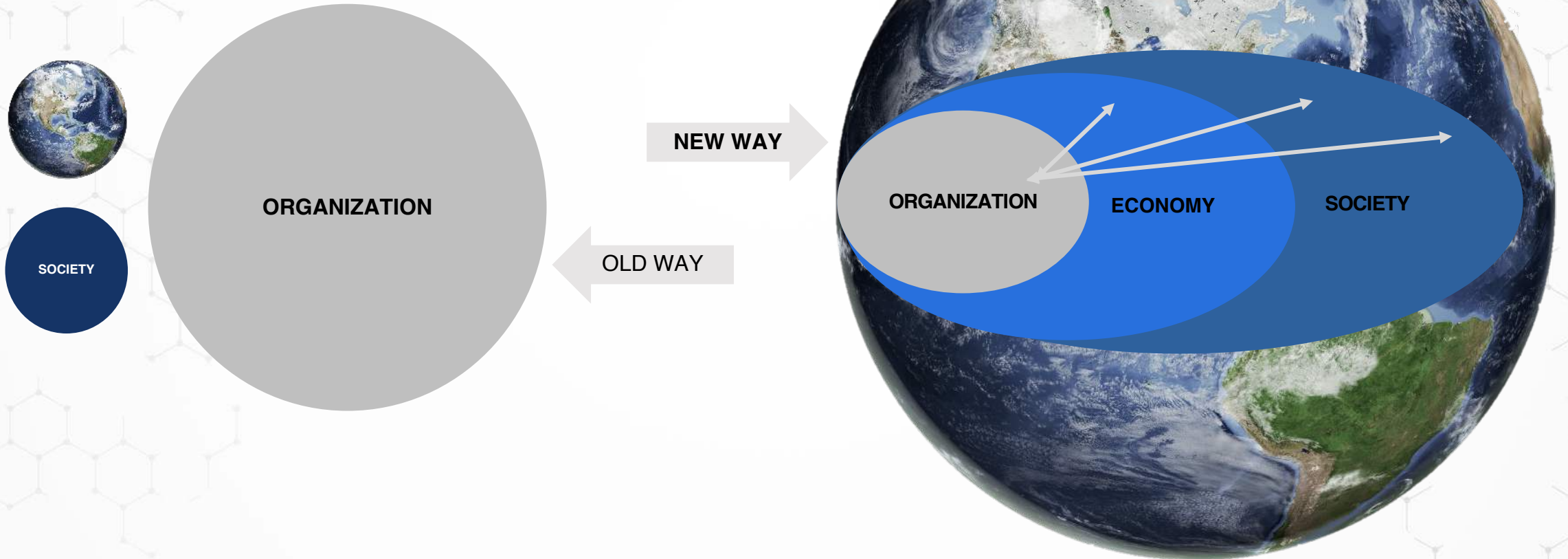
Deliver innovative financing tools that mix and match industry expertise across protection and investment, e.g. insurance-linked loan packages and resilience bonds

Enabling Environment

Policies and regulatory treatment of infrastructure investment



Change in Perspective: Placing Sustainability at the Core



Environmental, Social and Governance (ESG)



Risk management approach focused on enterprise / portfolio value.

What are the ESG factors that could affect the financial valuation of the enterprise or investment?

- **How the world impacts me** i.e., outside-in impacts and risks
- Goal of **creating enterprise or portfolio value**, regardless of whether this destroys system value
- **Incrementalist**
- Explicitly and consciously **ignores and rejects sustainability thresholds**
- Often **conflates itself with sustainability**; obstacle to achieving sustainability

Sustainability and Impact



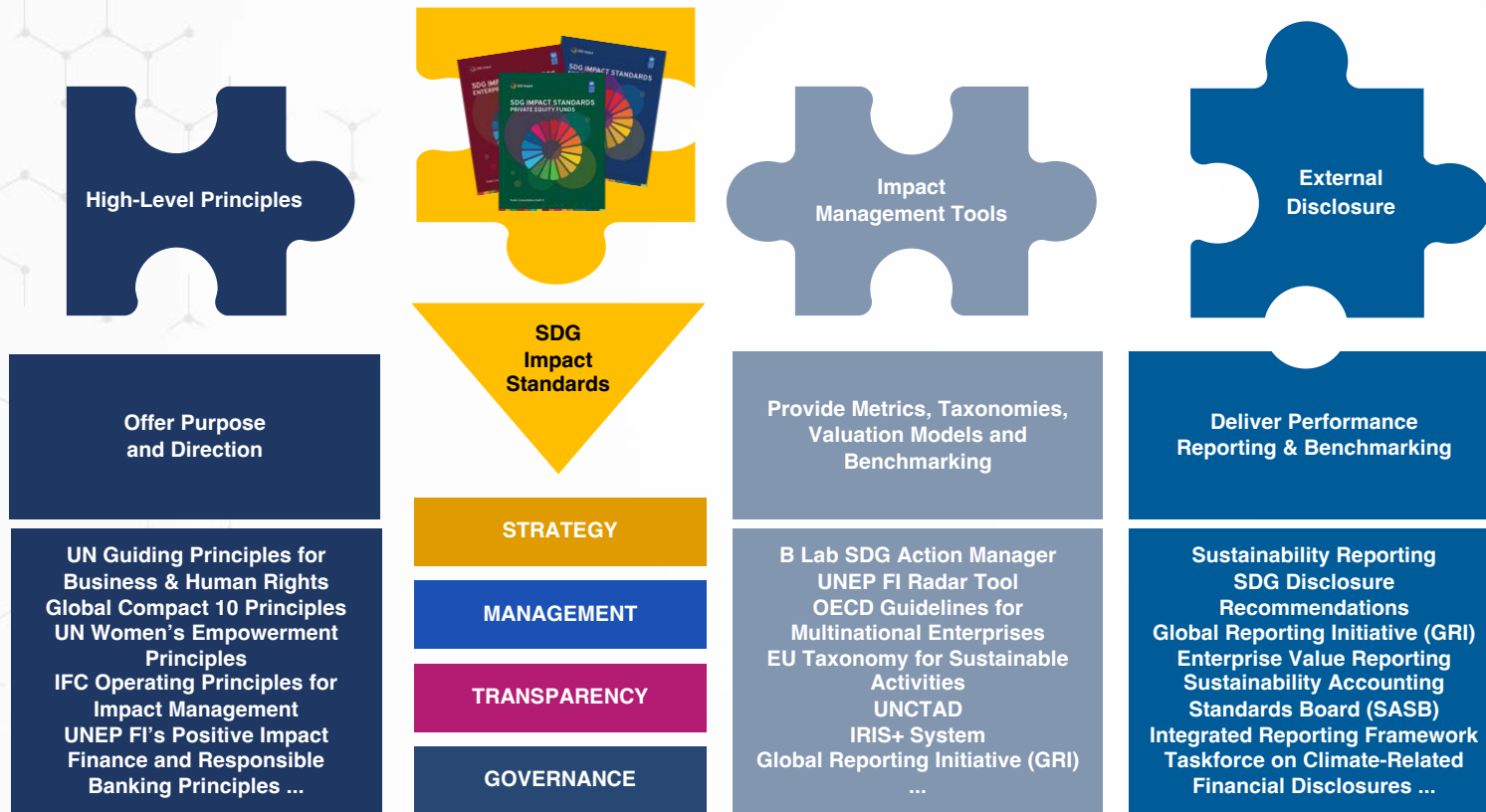
Meeting needs of present without compromising ability of future generations to meet their own needs.

What are the effects the enterprise / investment has on the world? Positive and negative? Intended and unintended? Direct and indirect?

- **How I impact the world** (which tells me about how the world impacts me), i.e., inside-out impacts & risks
- Goal of **creating system value**, whereby enterprise or portfolio value retains and builds the value and ongoing viability of ecological and social systems (**upon which ongoing enterprise or portfolio value depend**)
- Normative, and thus **transformational** compared with incrementalist perspectives
- **Respects ecological and social foundation thresholds** that define sustainability



Optimize Interrelated Economic, Social and Environmental Impacts through SDG Impact Standards



Voluntary management standards supporting good practice and internal decision-making.

Go beyond managing ESG risks affecting financial values in the short-term, to understanding current and potential impacts on people and planet.

Shift from reporting on selected SDG impacts to holistically managing for impact; considering negative and unintended impacts.

Resources publicly available: <https://sdgimpact.undp.org/practice-standards.html>
Training opportunities through national associations and regulatory offices
Advisory services through Accredited Trainers



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