



SESSION NOTE

Innovative tools for promoting responsible finance

30 June 2017, 14:30-16:00

Auditorium - OECD Conference Centre

Financial service providers play an important role in promoting responsible business conduct (RBC) amongst the companies they provide financing to. Responsible finance is not only an ethical consideration but also relevant to managing risks as often environmental and social risks will also represent commercial risks.

Increasingly financial service providers and other organisations are exploring innovative approaches through which to promote RBC amongst their clients. For example, in a recent €1 billion loan deal concluded between a consortium of banks, including ING, and Philips, a large electronics company, interest rates were linked to annual sustainability performance. Green bonds (bonds which finance projects that meet certain environmental criteria) represent another innovative tool for promoting responsible finance. The green bond market is growing exponentially, from approximately \$2.6 billion in 2012 to \$93.4 billion in 2016. Recently, efforts have begun to build on the success of green bonds to create bonds with social or development objectives. For example, this year the World Bank in partnership with BNP Paribas launched bonds directly linked to the Sustainable Development Goals (SDGs). These bonds finance projects which support the SDGs including those that contribute to poverty alleviation, equality, and combatting climate change.

International organisations have also been active in identifying innovative approaches to promote responsible finance. The International Finance Corporation (IFC) Environmental and Social Performance Standards represent one of the first tools introduced in this regard. The Performance Standards define IFC clients' responsibilities for managing their environmental and social risks, including specific risks associated with labor, local communities, resettlement, biodiversity and indigenous peoples. Today the Performance Standards are used by various banks and financing institutions beyond the IFC. On a multilateral level the United Nations Environment Programme – Finance Initiative (UNEP FI), was developed specifically to bring together finance practitioners, supervisors, regulators and policy-makers to identify approaches to promoting sustainable finance.

The OECD is currently undertaking work to support enterprises in the financial sector by describing practical and relevant approaches for different types of financial service providers to carry out due diligence as recommended by the OECD Guidelines for Multinational Enterprises (the Guidelines). The due diligence approach of the Guidelines focuses on how financial institutions themselves can organise their internal policies and management systems to promote RBC in the context of their own activities and across business relationships.

OECD has also been working with governments, investors, industries and civil society to help mobilising green finance, through extensive work over the past years. In 2016, the OECD has established a Centre on Green Finance and Investment, to catalyse support the transition to a green, low-emissions and climate-resilient global economy, through the development of effective policies, institutions and instruments for green finance and investment. The Centre will leverage the OECD's convening power and unique, systematic reach across government to share knowledge and address key policy and market challenges in close collaboration with industry and other stakeholders.

This panel will discuss some innovative approaches to promoting sustainable finance and will also aim to identify the challenges and limits of these approaches and potential ways for further scaling up responsible finance.

Resources

- [OECD work on RBC in the financial sector](#)
- [OECD Centre on Green Finance and Investment, and OECD work on green finance and investment](#)
- [OECD Green Investment Financing Forum](#)
- [IFC performance standards](#)
- [UNEP FI](#)