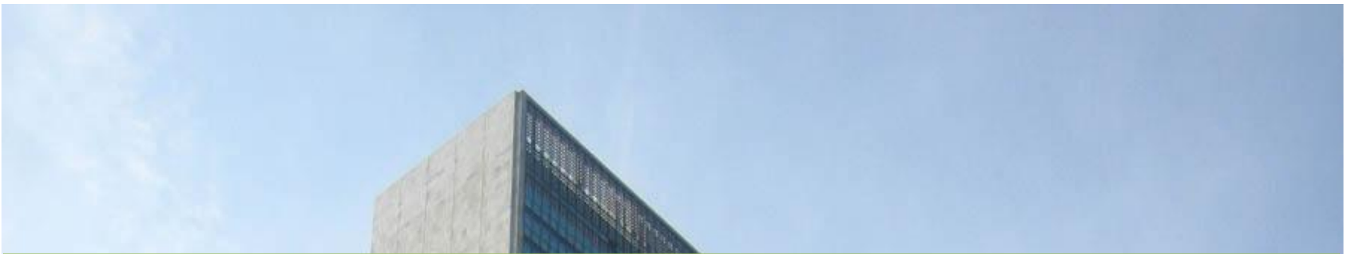

ECOSOC Forum
Financing for Development follow-up 2018

The Insurance Industry: Sustainable Investment to Achieve the SDGs

Side-event report
23 April 2018
United Nations Headquarters, New York

The side event took place on 23 April 2018 at the United Nations Headquarters in New York.

It has been organized by the World Bank Group.

The written transcription of presentations, discussions and debate is here offered by BJD Re.

BJD Reinsurance Consulting is an advisory company focusing on global risks financing and strategy management. It is the main and leading active firm of the insurance and risk management sector at the United Nations and as a non-governmental organization benefiting of the Consultative Status with the Economic and Social Council.

Information about the Financing for Development follow-up process:
http://www.un.org/esa/ffd/ffdforum/

Full access to the video of the side-event on the UN Web TV:
http://webtv.un.org/search/ffdf-the-insurance-industry-the-world-bank/5775263229001/?term=&lan=english&page=17

ECOSOC Forum on Financing for Development
Side Event Proposal

"The Insurance Industry: Sustainable Investment to Achieve the SDGs"

23 April 2018
8:00am – 9:30am

United Nations Headquarters, New York City, Conference Room 11

Organizers

World Bank Group (WBG) – Managing Director and CFO Office and Financing for Development Team in partnership with the Senior Vice President Office for the 2030 Development Agenda, UN Relations, and Partnerships (SVPMM) and in collaboration with Finance, Competitiveness and Innovation (FCI) Global Practice.

Abstract

The concept of insurance for development has traditionally focused on risk mitigation solutions that enhance socio-economic resilience, helping countries be better prepared to prevent and/or mitigate the economic impact of natural disasters.

However, the role of the insurance industry has substantially widened in recent years. An increasing number of insurance companies recognize the importance of sustainable investment strategies and are informing policyholders on potential benefits and risks, consistent with their long-term obligations.

This event will bring together policymakers, regulators and the insurance industry for a strategic dialogue to raise awareness of current progress and discuss opportunities for insurance companies as investors supporting the Sustainable Development Goals (SDGs).

Full Description

The insurance sector plays a critical role – as investor and underwriter – in supporting resilience, sustainable development and enabling other investments.

As investor, the insurance industry has significant assets that can be invested in projects supporting the SDGs.

As underwriter, it finances rapid response to disasters but also can incentivize investments that support sustainability (such as in climate smart infrastructure, food security, and resilience), de-risk investments, pool risks, and provide risk pricing to creditors.

This event focuses on the role of the insurance industry as an investor and enabler of other investments in support of financing the SDGs.

It will bring together policymakers, regulators and the insurance industry to discuss the following challenges:

(i)Align interests for the SDGs through sustainable underwriting, coordinated approaches, and optimizing supervision and regulations to build confidence, markets and enable investments;

(ii) Develop and adopt ESG standards for investments in line with the UNEP Finance Initiative Principles for Sustainable Insurance and private-sector-led Task Force on Climate-related Financial Disclosures (TCFD);

(iii) Enhance financial and socio-economic resilience to disaster risk and climate change in Emerging Market and Developing Economies (EMDEs);

(iv) Scale-up the use of instruments and approaches that mobilize insurance industry capital for development (e.g., IFC's Managed Co-Lending Portfolio Program (MCPP), WBG's Disaster Risk Financing and Insurance (DRFI) Program), Pandemic Emergency Financing Facility (PEF)).

Format

Panel discussion (90 mins.), comprising representatives from the World Bank Group, government agencies, and insurance industry representatives (including investors and regulators)

Attendees

International organizations, government representatives, UN agencies, private sector, academia, technical experts, civil society, financial regulators, and financial sector, including representatives of specific organizations/initiatives (e.g., Sustainable Insurance Forum (SIF), Munich Climate Insurance Initiative, Caribbean Catastrophe Risk Insurance Facility (CCRIF SPC), African Risk Capacity (ARC) Ltd., Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), The Access to Insurance Initiative, ILO Impact Insurance Facility, Disaster Risk Financing and Insurance (DRFI) Program).

Agenda

7:30am – 8:00am Registration

8:00am – 8:15am Opening Remarks

- H.E. Ambassador Mohamed Fathi Ahmed Edrees, Permanent Representative of Egypt to the United Nations, Chair of G77 and China Group

- Mr. Mahmoud Mohieldin, Senior Vice President (2030 Development Agenda, UN Relations, and Partnerships), World Bank Group

- Mr. Joaquim Levy, Managing Director and Chief Financial, Officer World Bank Group

8:15am – 9:00am Panel discussion

Moderator:

Mr. Samuel Munzele Maimbo, Head, Finance for Development Unit (CFOFD) & Senior Adviser, MDCFO

Incorporating Environmental, Social and Governance (ESG) Factors into Fixed Income Investment

Mrs. Fiona Stewart, Lead Financial Sector Specialist, Finance, Competitiveness and Innovation (FCI) Global Practice, World Bank Group

Panelists:

- Mr. Jean-Paul Conoscente, President and Chief Executive Officer, SCOR Reinsurance

- Mr. Rowan Douglas, Chief Executive Officer, Capital Science & Policy Practice, Willis Towers Watson

- Mr. Ed Toy, Capital Markets Bureau, National Association of Insurance Commissioners

- Ms. Laura Nishikawa, Executive Director, ESG Research MSCI

- Ms. Laline Carvalho, Director (Sustainable Finance), Corporate and Infrastructure Ratings, S&P Global Ratings

9:00am – 9:25am Q&A from the Audience

9:25am – 9:30am Summary and Closing Remarks

Mr. Samuel Munzele Maimbo

Good morning, good morning, I think we are almost ready to start.

Let me start by welcoming all of you to this early morning session. You have started off on a high and I'm sure you'll continue this throughout the rest of the morning.

I have the great honor and privilege to introduce HE Ambassador Mohamed Edrees who is the Permanent Representative of Egypt to the United Nations and also Chair of the G77 and the China Group to kick us off with his welcoming remarks.

Ambassador...

HE Ambassador Mohamed Fathi Ahmed Edrees

Good morning everyone, thank you very much, dear brothers, distinguished moderator, distinguished panelists, I have the great pleasure and honor to be with you this morning, the start of this very important week for all of us. As distinguished moderator mentioned, I have the honor now to be the Chair of the G77 and China, and to participate in this important event to discuss the role of insurance industry in achieving Sustainable Development Goals.

I am delighted to inform you that the UN Member States have been able to reach a consensus on the agreed conclusions and recommendations to be adopted by the ongoing ECOSOC Finance for Development Forum. This has not been the case in every year. This year we're able to stir this process to successful conclusion. It was not an easy process, but I think it reflects the common wish and will of Member States to address this important issue in an agreeable manner.

Those agreed conclusions and recommendations encompass all action areas of Addis Ababa action agenda including domestic and international private business and finance, which is the very relevant to this side-event today. At the beginning, allow me to present some elements from those agreed recommendations which may be relevant to our debate today. Maybe two important paragraphs!

One, paragraph 14, which states: "We will explore ways to incentivize institutional investors to take a long term approach taking into account the public interest. We will promote sustainable corporate practices including the integration of environmental, social and governance factors into company reporting as appropriate with countries deciding on the appropriate balance of voluntary and mandatory rules. We emphasize that the UN should continue to bring together relevant stakeholders to discuss and disseminate the benefits of SDGs investing".

Another para, which is para 26, states that: "We recognize that the international systems overall financial response to disasters is insufficient. And that better ex-ante disaster reduction and resilience building mechanisms and quick dispersing ex-post instruments are required. We take note of a growing number of successful regional sovereign risk insurance facilities, while underscoring that global risks management would offer more efficient risk diversification, sustainability and efficiency. We call on development cooperation providers to support countries that are not able to afford participation in these mechanisms".

Having presented those elements from the agreed conclusions let me quickly add few remarks.

First, in addition to its traditional role in providing risk and mitigation solutions to enhance socio-economic resilience, insurance industry is among the major institutional investors that could contribute to achieving the SDGs. It is important that the investment by the institutional investors, including insurance companies shift from being short term oriented and directed towards liquid assets, rather than illiquid investments, such as infrastructures. Thus incentivizing the institutional investors to adopt a long term investment approach in alignment with public interests is significant to achieving SDGs. There is no disagreement on this goal; however, there are several approaches that could be applied.

Other, as principal incentivizing investors, particularly multinational corporations should not end up providing subsidies under the label of investing in SDGs. This is important worry and concern among the members of the group of G77 and China. The public sector, especially in developing countries is struggling to mobilize resources to finance development and must focus its efforts in channeling those resources for achieving the SDGs.

Finally, development of any disaster risk instruments or mechanisms particularly for insurance schemes against disasters raise several questions.

Firstly, who will bear the financial burden for such schemes and brand of the risk? Is it governments or development banks? In this regard, the governments and the multilateral regional and development banks have limited resources which should be channeled towards long term quality investment in concrete projects aiming at achieving SDGs.

Secondly, do insurance industries against disaster risks take into consideration involvement of national actors, particularly domestic insurance companies from the developing countries? In this connection involvement of domestic insurance companies from developing countries in any insurance, instruments or mechanisms against disasters is a key in that regard. This will help definitely diversifying actors and enhance competition in the insurance industry.

I have to stop here and to thank the organizers and looking forward for the fruitful session and discussion.

Thank you very much.

Mr. Samuel Munzele Maimbo

Thank you very much Excellency for setting out what the ambition is, the challenges that are out there for us to face and I think really quite clearly outlining the significant roles for everyone to play. I am thankful for the specific questions you’ve asked for the insurance industry because this is the forum to address some of those questions. Thank you.

May I call on Mr. Mahmoud Mohieldin who is Senior Vice President at the World Bank and he’s made among his many responsibilities these include the 2030 development agenda, UN relationships and partnerships and I’m grateful for the venue that we have today.

Mr. Mahmoud Mohieldin

Right! Thank you so much, I am very pleased to be here and very pleased to have this good attention to this event, very early in the day. I am very pleased myself to manage to come that early for two reasons: as many of you may know, we spend the week end at the World Bank Spring Meetings, as extensive and engaged they are they had some good outcome that I will be sharing with you and then there is something very personal that I have arrived yesterday late from 9pm to go directly to Queens and then to Brooklyn to celebrate the PFA Player of the Year, Mohamed Salah of Egypt. So, I finish like three o'clock in the morning and then I got another reminder in the email that Joaquim, our CFO, is waiting for me at 7:30, so I came at 7:31.

Anyway, insurance gests us together today!

I am very pleased that we are getting more and more specific in talking about finance for development. I remember coming here since 2011-2012 talking about importance of finance, the role of the private sector, but the discussions then were very, very generic and then of course the FfD as His Excellency the Permanent Ambassador of Egypt, Ambassador Edrees, the discussions which led to the FfD documents and the Addis agenda got us all in some sort of conversions of the role of how to finance development through public finance, through private finance, through domestic resources and external resources.

But now we are talking more about the role of the insurance sector referring to the President of the World Bank Group, Dr. Jim Kim, when we are trying to achieve the sustainable development goals and indeed our twin goals of the World Bank to end poverty and achieve the higher share prosperity for all. He's talking about three areas of investment: investment in human capital, which is taking today a prominent priority in the World Bank engagement under a new project for human capital; the second is investment in inclusive growth and infrastructure and the third is investment in resilience.

And in the three aspects I see the importance role of the insurance sector.

When it comes to investment and human capital there is an element related to health and universal health coverage and the role of the private sector in providing insurance and cannot really be undermined or ignored. Most of even about the supporting children and kids to school many countries around the world are asking us for help for insurance for schools and for pupils and students. And there of course the investments in infrastructure and inclusive growth the role of insurance companies as measured institutional investors and it comes with more than that when it is related to investment resilience, because insurance gets us more than money and more than the compensation at the time of disasters or the time of getting the compensation by putting the discipline through good partnerships with governments and the rest of the main stakeholders and players in the FfD work.

So, I mentioned very quickly that the spring meetings were successful, they were busy as do were we have many good initiatives but one of them of great relevance many thanks to the leadership of the World Bank group, this year to have an instrumental role to play and of course, but we managed after a marathon of more than three years to convince the shareholders of our institution to provide the needed capital increase. And today when multilateralism is questioned, with the role of development agencies is being sometimes put to scrutiny, I am very pleased that our shareholders agreed on a package of measures that include a 13 billion paid in capital increase that will greatly strengthen the institution financial ability to support the sustainable development goals and the 2030 agenda.

Taken together this package is expected to support a combined financing of the World Bank Group at large to reach an average annual capacity of nearly 100 billion dollars a year between the fiscal year

2019 to the fiscal year 2030. Benefitting all our clients and definitely supporting as well our shareholders in their mission in involving a good work in the global public goods. Including fighting poverty, climate change, more work on gender and, that was one of what I would say the soft conditions to get the package, more participation and more partnership with the private sector. It was put explicitly there I refer you to good reference to our website which had the statements of our shareholders that put these three areas: more work on gender, more work on fragile and post conflict and more partnerships with the private sector.

So this is becoming more and more, not just personal priority or love of work with more private sector, but we are mandated to do more. And for the reasons that are outlined in the FfD document in Addis! That despite our hope and working hard to get more ODA actually our capital increase is part of the Official Development Assistance increase or the official development assistance despite our effort to do more through domestic resources mobilization which is essential for more public finance for development, but without the private sector participation, including the insurance sector, we cannot reach the ambitious sustainable development goals that are been many analysis related to the funding gaps at the global level which I have almost great deal of doubt about the accuracy especially with this great discrepancy, is it a gap of 3.5 trillion dollars a year or 5 or 6, but at each country level, you will see the gaps of funding as huge as they get multiples of what the budget support can come, so the participation of the private sector, perhaps is a common sense approach to the matter.

And it’s not just Addis building, as an MDB or multilateral development bank we are guided by the good work in Hamburg, the Hamburg principles, which is basically after increasing private sector mobilization by 25% to 35%. To achieve this, we are working hard with the world largest institutions investors, including the insurance sector to explore meaningful and impactful ways to improve the SDGs.

I am coming from a country that suffers and I supervised the insurance sector for more than 6 years back home in Egypt and I know that the issues related to low savings is one of the main areas of concern. The contribution of the insurance sector may really deals with the suffering of low savings which is today ranging between 5% to 6% for a country keen to grow by 6% to 7% when we need multiples of that! Otherwise you need to borrow abroad if the FDI would not really fill the gap. So there are many good contributions of the insurance sector as institutional investors for long term engagement and development to enhance savings and for our programs as well for financial inclusion we are putting the services of the insurance sector as part of the bigger package today to help countries achieve their goals.

This is a very good start of another marathon here at the UN with the FfD program. And I am very pleased that we are starting with very important, very specific topic reflecting the priority of the World Bank Group going forward.

Thank you so much.

Mr. Samuel Munzele Maimbo

Thank you very much. That was a very helpful transition from the aspirations and goals and asking the specific questions.

Well, after all the advocacy and campaigns it's time to get to specifics and narrowing down on the insurance sector it's something that we need to do. To help clarify how we can make very specific and meaningful contributions to the SDGs.

And so with that, let me invite Mr. Joaquim Levy to give us his opening remarks and I point as even further down the trajectories of how the insurance sector can help with sustainable investments towards the SDGs.

Mr. Joaquim Levy

Thank you.

Ambassador Edrees, distinguished guests, ladies and gentlemen, good morning.

On behalf of the World Bank Group I would like to welcome you all to this event which is as Mahmoud mentioned an important step forward. It's a pleasure to see so many of you here so early in the morning even those who have not commemorated Egypt fantastic achievement yesterday – Mahmoud Mohieldin: "The Brazilians very much appreciated" Joaquim Levy: "Absolutely! They are all together in the G77".

Insurance plays critical role investors and underwriting resiliencies sustainable development and enabling other investments.

The concept of investment for insurance development has traditionally focused on risk mitigation and risk transfer. This helps countries to better prepare to reduce the economic impact of natural disasters and this is important since the low inequality and socio economic resiliency are mutually reinforcing, disasters risk mitigation and transfer to insurance plays a key role in raising shared the prosperity. These in turn can help economic degradation cause by natural hazard and climate change. Insurance can also sustain other policy agenda such as food security, agriculture protection or private sector development by enhancing both financial and social economic resiliency. Actually I have to mention this is exactly what the IDF which is represented here by Rowan Douglas today, which is initiative of the private and public sector on insurance focused on prevention of the consequences of natural disasters. Which I have the honor to co-chair together with Mr. Catlin from the private sector and Achim Steiner, Head of UNDP. Here also (Mike Morrissey). I think this part of insurance is moving and we have important objectives and with the help of IIS we are going to continue to mainstreams.

But at this event we would like to discuss more the role of insurance as an investor and enabler of other investments for financing the sustainable development goals. And we'll do so, focusing in particularly in emerging markets and development economy.

We know that the industry is very large, represents about 24 trillion for assets, that's quite more than the US GDP I think it's probably US plus Japan and few other European countries. This about one third of all global assets under management by institutional investors!

So it's a critical investor and the way they allocate investments can make an impact on how we achieve the SDGs. So, we have to have some common understandings of what define sustainability and which actions could facilitate the implementations.

One of the first actions is setting standards. By adopting sustainability standards the industry can facilitate the transition to allow carbon, resilient and sustainable global economy and I am very pleased to see several initiatives in this area, important efforts that the World Bank Group strongly support. For example, the UN Sustainable insurance forum, part of the UNEP inquiry desire into the design of sustainable financial systems that promote the adherence to the principles for sustainable insurance, so called PSI. This means that all activities in the insurance value chain will be conducted in a responsible and forward-looking manner. And that's extremely important for this implementation.

We are also, including in our case the World Bank developing environment social and governance (ESG) standards for fixed income instruments which typically form a very large part of insurance investments. We know that evidence suggests that incorporating ESG is not something that necessarily implies lower returns. And we of course understand that incorporating in fixed incomes should be part of the overall credit analysis conducted by any investors and really actually can contribute to more and stable financial returns.

We are going to have Fiona Stewart which is a Lead Financial Sector Specialist at the World Bank who led a very interesting study with the Government Pension Investment Fund of Japan, exactly on how incorporating in fixing come space and she will share her findings and recommendations.

So we have standards and particularly standards with ESG.

The second point is implementation and we are working very closely in developing instruments that will enable sustainable investments. For instance the IFC, our arm for the private sector, has created so called Managed Co-lending Portfolio Program (MCPP) which mobilizes the insurance industry capital to participate in IFC lending which is consistent with SDGs standards and focused and will be even more focused on developing countries and in particular low income countries and including fragile countries.

This MCPP has already raised a significant amount of money about 1,5 billion (USD) from three insurance companies and it's a problem that aims to get about 5 billion dollars in resources from the private sector and the idea is that IFC will form the portfolios as co-lending. So this reduces the challenges of insurance companies selecting these investments and this is a fund dedicated to infrastructure.

Now, going forward, insurance will play an increasingly important role in the long term financing of infrastructure. Especially climate smart infrastructure! One clear aspect of infrastructure is its positive externalities. When well-planned it not only boosts private investment, but also helps reduce the carbon footprint of economic growth. And this is very important because more than half of all emissions are directly or indirectly related to infrastructures. And of course also if you have well designed investments with clearly identified demands they create meaningful income stream that is particularly important for advanced economies in a time in which demand for capital is relatively low. As you know several industries today, the most successful industries are light in capital, in contrast with the past and as reflected actually in low interest rates. So creating meaningful investment opportunities for capital is very important including intergenerational terms and it's a possibility to diversify the holdings in advanced economies.

In this sense, we are looking carefully to see if there are hurdles, is particularly regulatory hurdles that make these possibilities of expending investment universe difficult for investors. And we want to see if regulatory capital is calibrated in a way that incentivizes infrastructure investment. One of the studies that we have undertaken, actually shows that infrastructure debt in emerging markets has a lower default and higher recover rate. Which are the two main parameters to insurers; because these give the expected loss over the life time of an investment. They have lower default and higher recover rates than most people would think, and actually, I believe lower than insurance regulators think or at least is reflected in current regulations.

We applied this exercise with the data for more than 6000 loans to Solvency II and to the forthcoming insurance capital standard (ICS) that will be applied to internationally active insurance groups. And we found that indeed there is scope for lower capital charges. If you use just this same methodology but plug the data that comes out from a very large and actually also long, sample. The importance of this is because of course if you reduce the capital charge this frees the capital for institutional investors, facilitating the mobilization of resources to finance infrastructure.

And it responds to a very important point and actually I am sure ambassador you will be sensible to that, which is often people say “well, investing using public resources is much less expensive than using private resources or going to a PPP”. Even if at the ultimate case you use private resource to invest in public bonds and then the government invests. Indeed if for regulatory reasons you have to put a lot capital if you invest directly into say a road or whatever and if you just buy public bonds you don’t have to put much capital. It makes very difficult to have the private sector investing in private run operated or build infrastructure.

So to conclude, even of course regulatory disincentives are just one part of the whole puzzle and we are working in all the elements talking with governments, improving regulations, hosting countries etc. But I think addressing these will certainly help institutional investors, particularly insurers who are here, to rebalance their assets in a way that help to crowd in or high-quality projects in emerging markets. And through this actually also have a potential positive impact on insurers! I remember about a year and half ago in one of the meetings of the association of international supervisors; I mentioned that when you look for instance at the health industry, many cases insurers also buy hospitals and invest on the providers so that they reduces the risk of continuous increase in the costs of providing this. I think that insurers’ long-term liability that invests in smart infrastructure reduces the risk of major disruption because of climate change. Actually it strengthens their own balance sheet and reduces the risk of their assets loosing value or so called strengthen asset risks.

So I think this is very important to help in all means to do what insurers and many institutional investors want to do more and more which is to invest in climate smart, climate friendly infrastructures in jurisdictions where you can have most impact to increase development and stabilize the global economy.

So thank you again, very much. And I think I stop here and pass it to Fiona so that she explains us about introducing ESG into the fixed income space.

Thank you very much.

Mrs. Fiona Stewart

Thank you very much. Good morning everybody.

So I'll run through this quickly. A report that came out last week, looking at the environmental social governance specifically in fixed income space and we were asked to work on this with our colleagues from the government pension investment fund of Japan which is the largest pension fund in the world with 1.4 trillion (USD) in assets on its own. So, quite a large elephant in the space! And they started to move some of their equity portfolio into ESG induces last year, but the vast bulk of their assets, like many of you on the insurance side, is in fixed income. And so they were asking us to help them where is the leading hedge on the fixed income space? Who's leading in terms of integrating ESG in fixed income? So we had an extensive literature review and also we conducted a series of interviews with some of you in the room. Which were very kindly provided your time and input: asset managers, asset owners, insurance companies and pension funds and some of the main data providers.

So, in terms of the very broad results that we can see coming through from this analysis it's certainly increasingly evident that the ESG factors are our material to credit risks. That seems to be coming through very strongly from the research and also from the experience within the industry. And incorporating ESG doesn't mean you have to sacrifice returns. Whether they are on the upside, it's more difficult to prove, but you don't have to sacrifice returns. Which was this sort of view in the past, and the idea in some people's heads, still impact to ESG means low returns, but does not have to be the case!

There is an increasingly large body of research even in the last few years, increasingly large number of studies being done in this area, linking ESG and financial indicators. Most is still in the equity space. The ESG world started with equities, largely because of the governments and engagement side, so a lot of the research is still with the equity space, but there are more studies, particularly in the last two years I would say, on the fixed income side. So there was one freedom study from 2015 that look at 2000 plus of the studies that are out there and put a nice summary together. 90% of finding a non-negative relationship between ESG and financial performance! Less bond studies, less on the fixed income, but again the evidence is coming through that the ESG actually has a positive impact on the bond and the fixed income side as well.

UN Colleagues, UN principals' responsible investment, PRI colleagues they had a good summery out last year which again finds that academic market research is supporting this link between ESG and credit risk. Most of the papers really it's looking at credit ratings is still a large part of the research. Very few as yet are looking at credit default swaps or others measures of risks, it's still so very much credit rating based. Evidence is coming through as many of you in this field the GE, the governance is still dominant it's still the dominant factor. The E&S is a little bit harder to pin down, but there is evidence coming through that E&S also have an impact. And then the sovereign space, as opposed to corporate that on the sovereign side, less well supported research you can see the ESG has impact on macroeconomic variables, macroeconomic growth so, sort of by second factor is impacting on sovereigns. But there is some evidence coming through the sovereign ratings and linking that to ESG factors.

I think we need a little bit of qualification. I think still to the research base. Obviously this is past research investors like yourselves need future, data, but when on hold obviously for the past there's maybe some methodological research by say on some of the papers yes that's possible but I think there's a broad enough body of research coming together it's broad enough to support these conclusions even though you may question the exact methodology of one paper versus another. The breath of the research coming through I think is important. There's still very little research at the moment other risks inflation, liquidity, others factors. And definitely sort of more encourage and we would like to support more sort of academic research and robust methodologies going forward. But, the broad overall messages are starting to come through from the studies that have been done.

And that's leading to some very interesting trends that we were finding talking to some of the investors and the players, the leading hedge players in the space. So just a couple of trends I think I would highlight.

One that ESG is increasingly being incorporated into the mainstream. So when you talk to investors even a few years ago, there was the ESG team here and then you have the credit team, and the equity and the research team, and they were quite separate. Now, the ESG is being more and more incorporated into the credit rating analysis, the investment analysis taking this own this part mainstream teams; our colleagues at Blackrock, for example, you know the biggest asset manager; PGGM one of the big Dutch pension funds mentioned this is a trend that we are finding across of lot of the large investors.

And then I think we can also say that the fixed income is catching up fast with the equity space particularly the corporate. And even, for example as I mentioned the engagement the fixed income investors they say actually as debt providers we have a voice too! We actually have a powerful voice companies are coming to issue. So more and more you are seeing some of the leading hedge starting to engage across the asset class. Not just with equities, but also with fixed income. So the corporate bonds are catching up quite fast with the equity space. Sovereigns are a bit behind and the other assets whether it's securitization, way behind. There's not much incorporation in there yet. So there is still a gap across the fixed income asset class, but overall some catching up with equity.

And the other big trend which I hope our UN colleagues will be pleased to hear. You can see this sort of melting going on between ESG and impact investing. They are starting sort of blend together. So, when previously ESG was very much looking at risk, it was a risk factor or upside potential, upside opportunity. Now, investors are also starting to say "yes, but what is the impact of my investments"? "What are my investments doing?" "What impacts are they having in the world?" And so you are seeing this mix in between the ESG world and the impact investing world is starting to come through. Driven by the SDGs that have been hugely influential, it's - I would say - slightly awkward in a way from investors, because this was never meant as a tool for investors, so there is a lot of back fitting going on, slightly square pigs around holes work out how do we make this as a tool that investors can use is still a working progress but it's certainly driving a lot of interest.

And then, millennials! A very much the new investors coming through say the other one through demanding "what is my portfolio doing" not just "what is the risk" but "what's the actual impact of my portfolio".

So this is a very interesting sort of leading hedge trend that we are seeing. Across ESG, and also in the fixed income space, largely driven by green bonds and labeled bonds and use of proceeds is driving this conversation as well.

So in terms of how are investors incorporating ESG into that fixed income. Range of tools some are still using the labeled bond markets (green bonds, social bonds) as the first toehold in step in. Others are using an index, some like MSCI colleagues, Laura and colleagues have many indexes, ESG index on the fixed income side. There is still less choice than in the equity, but they are growing and some investors are buying the index in using that as a tool to incorporate ESG.

There's also growing host of active managers who provide an ESG portfolio based on their analysis, their methodologies that they can use. And then some as I mentioned larger investors are incorporating right across the asset classes, trying to incorporate in house.

Just to give you one example, this from the pension world but easily could been an insurance side. PGGM is one of the largest pension funds in managers in the Netherlands. They were very clear, their approach is threefold. So they are having an impact target, they want to reduce the carbon footprint of their portfolio by half. So they are starting with the equities. The equity side has more information, but they want to roll out asset classes. They are having some challenges with data but, that's the goal.

And they also have a slice of that portfolio which by 2020 they want to have 20 billion (EUR) and they have very specific areas health, carbon, water, so thematic investments and some of the green bonds, labeled bonds are coming into that section of the portfolio.

And then third, very much integrated the ESG right across their analysis, embedding in the analysis of all their analysts!

And I think that sort of lead trend I would say which is very interesting; it's this sort of almost tension between standardization and customization. Laura and I talked about this. So, on the one hand investors we want more standardization, we want more standards, we want principles. But on the other hand, particularly as you move into like the "S" there is no one definition, people have different views on what this would involve or what this means. So they are also incorporating their own philosophy, their own goals at the same time, so it's a bit of interesting tension between the two. So, just to take some examples, CalPERS one of obviously the largest pension funds in the US and the largest funds in the world, very big investor, they buy the green bond market basically. More or less; they say we are buying, we are investing in the green bond market.

TIAA, one of the other big US asset managers, they have a more of an index class approach. So, they buy index funds and they tweak with their own philosophy, own goals, own screenings into those index.

And then AIM is a very specialist ESG manager and they only buy 10%-15% to the green market. The green bonds. They say we have our philosophy, we have our methodology, our definitions is quite different so there's very much it depends on the size, the nature of the investor where people will fall on that spectrum. But it's a very interesting debate on the leading edge at the moment.

So just to run up going forward, there's a lot of evidence is growing, that ESG is impacting for material for credit. There's a lot of will and drive out there to incorporate, but there are still challenges to implement further. Certainly, on the definition there's a lot of ESG definitions particularly assess is leading to very different implementation strategies and methodologies and some still confusion about what investors thinking what is mean, how do I do this. There are still a lot of questions out there. Even are the wills there!

The data. Data is improving fast on the corporate side as Joaquim mentioned there're a very good initiatives on the corporate reporting of ESG; TCFD and a lot of others. Lots of innovations! Very interesting! New data coming from sort of satellite data. Big data that can give you more proxies in real time information on ESG is starting to come in.

But, particularly it runs off a cliff quite quickly. So particularly in emerging markets and smaller companies, there is lack of it runs off quite quickly. So, there's a lot more needs to be done in terms of improving the data this very robust foundation, this all based on. And then although colleagues, World Bank, and other colleagues are producing innovative instruments there's still more needs to be done. The bland out there for the green bond market, a lack of supply in term of what peoples are asking for.

So, I think those are the three areas we like to work on going forward. We have initiatives around data particularly on the sovereign space; I think we can add more information and data from investors. Some frameworks. We have some methodologies take in the IFC principles and see if we can adapt them from corporate and other capital market instruments. And it's - Joakim mentioned - the pull out development side is too very much on going.

So there's a very quick run through where we are and very happy to continue the conversation!

Thank you, all who fed into the report, it was most appreciated.

Mr. Samuel Munzele Maimbo

Thank you very much Fiona.

Listening to the three opening remarks and Fiona's presentations, I am reminded of an old African proverb my grandfather shared with me and he says: "when you show a child the moon, they can only see your finger". I say that because often times in this space where there's a lot of interests, there's one initiative that's out there that's really exciting, that you really want to hear more about.

The question that we want to answer today is "are we getting to the moon"? People bought into the agenda significantly and how do we get there? And so I have the great privilege to moderate a session of people from different segments of the industry of regulators who are going to give us their prospective. And I have to confess that my moderating skills come from the fact that I am the middle child in a family of five and so I come with everything, with a pinch of skepticism. And so forgive me if I ask very pointed questions to all our panelists.

We have five people who help us navigate this space.

I am very pleased to have Laline Carvalho, who is Director of Sustainable Finance with S&P Global Ratings. And so, she will kick us off with her remarks. And I am really curious to know whether from a rating agency prospective ESG is a "must have" or a "nice to have".

We also have Jean-Paul Conoscente who is President and CEO of SCOR Reinsurance. You have heard from our speakers the reference to the investment gap and the fact that the industry is sitting on trillions. Is there scope for some of those trillions to flow in the direction of the sustainable investment or is this a wishful thinking?

For my good friend Rowan Douglas who is CEO at Willis Towers and who sits on more committees than I can remember, I am very curious to hear from him whether when he meets with politicians industry and other actors, weather there is a shared view in the space.

We are also privileged to have Laura Nishikawa who is Executive Director at MSCI. You heard Fiona, Fiona's long wish list for fixed income. How much of that will translate to dollars?

And ultimately and so finally but certainly not the least we also have Ed Toy who is a kinder spirit coming from National Association of Insurance Commissioners.

Whenever I open up a conversation about regulators, I am reminded of the time I spend at the Bank of Zambia. I had an old school regulator who said to me "if you see any proposal sent to you, just say no". It's always results in better proposals". So your view will always be very… Perhaps to kick us off two minutes each.

Laline…

Mrs. Laline Carvalho

Hi everyone!

My name is Laline Carvalho, I am pleased to be here with you. I am a Director in the Corporate Infrastructure Team at S&P Global Ratings and I have actually 20 years background at S&P and 18 of which I have been Credit Analyst, analyzing insurance companies and a sacrum-specialist for the North America and Bermuda markets.

But in the last two years I have transitioned towards working sustainable finance I am one of the senior analysts looking at the ESG factors in our analysis. And the reason for that is because sustainable finance and ESG has become really a key point of discussion within our corporation and with our investors. Investors are asking a lot of questions about ESG. They are very interested in understating a number of emerging risks not just what might be in the medium term but also in the next few decades especially pension funds and other long term investments.

And we have gathered that team coming from the different practices at S&P Global of analysts from different sectors that are essentially helping on as part of the sustainable finance team in this area. We are doing a number of things we have launched a green evaluation product which is a separate product from the credit ratings. They look to understand how green certain infrastructure projects may be in the future. We also are improving the way we analyze ESG and trying to understand what the trends are not only in the short term as I mentioned, but what is it that is emerging in the next few decades and how do we think it needs to be better incorporated to our ratings.

And I will leave it at that for now.

Mr. Samuel Munzele Maimbo

Thank you very much.

Rowan: is this a shared view?

Mr. Rowan Douglas

I think so Sam!

Thank you very much.

I remember I was lucky enough to attend Addis Ababa, the Financing for Development Conference insurance was very, very much on the margins, but we were there. And it's really quite remarkable to sit here, three years later and see insurance being seen absolutely central to that. Joaquim, thank you for your help in getting insurance into the mainstream of the international public policy process with help of Sam and others!

I am going to speak investment in 1m 30 seconds, but do want to touch on two issues raise around, the underwriting side of climate natural disasters risks.

So the first point is we do have a significant growing protection gap, but it's not a lack of underwriting capital. It's really uninsurance and all about the PPP we want strip into the private sector. It's going to be insurance or governments through sovereign programs or cities which is probably going to be the driver of much protection and in successful programs around the world, whether it's been in Turkey or in New Zealand or even in my home country the UK through Flood Re it's being where governments have worked with the local industry and then that local industry is reinsured internationally that has been the key. An I am sitting next to Mike Morrissey who has provided the platform for the IDF which has members in 100 countries, so we absolute do see this is something can bridge the G77, as much as the G7 and the G20 in between.

Turning to investments just perhaps, two or three clear views!

On the underwriting side the real progress is been made when this momentum has been crystallized in a gear box, institutional gear box, that helps the industry international institutions and the governments come together to actually operate and try achieve transactions. This has happened through the recent announcement of a disaster protection which has brought the industry, the World Bank, and donors together, similarly some work in Germany. We've in the IDF have a very promising insurance investment group looking at this area, but I really think the idea of a similar sort of organizations that we have done through the IDF on the investment side working with the World Bank and others to now operationalize the queue we look for our projects, but also countries which really want to engage and then the risks investments can be shared with hopefully the insurance sector on the underwriting side the World Bank and others to begin to move money.

If I have 30 seconds left just to highlight two related things. If we try to move investments, that's great. I would say the critical thing related is how do we get climate and natural disasters risks encoded into the mainstream financial system? That is going to be the way that ESG fact is ultimately embedded not into the small, relatively small component of green finance but the major element to finance. And I am so thrilled not just that S&P are here and have been leading way but some of your reinsurance side has coming to the wider scope, because reinsurer credit ratings had to do this for twenty years and it's those techniques that could be so powerful in the wider system.

So, to answer your question Sam, in 2015, at the FFD summit, 3 or 4 insurers in Addis Ababa! The same month, Mike Morrissey brought the Insurance sector here at UN headquarters, you may remember Sam, and with Ban Ki-moon, the UNSG at the time, we have five hundred insurers here. There are probably one thousand people in the industry together with their public sector partners who are now actively working together again particularly areas of underwriting. This was inconceivable. Just three years ago.

Relationships, trust, mutual understandings. I think we can take that journey forward with the momentum in the investment side, but who critically require our credit rating partners and our regulatory partners and it comes together just recently in the network for the greening of the financial system which I think is very exciting and for which this important report you may have seen on the way out from the IAIS is going to feed into.

So, absolute yes, but we are going to have to press the accelerator now we have the community.

Mr. Samuel Munzele Maimbo

Thank you, thank you very much Rowan.

Certainly I too was amazed the level of interest of the insurance industry as a whole seeing them in the body of the United Nations few years ago was quite incredible. The question is, are they still as ambitious, are they still drinking the good coup lately?

Jean-Paul…

Mr. Jean-Paul Conoscente

I thank you.

I think, as one said, the insurance industry is being very active in promoting PPPs on the underwriting side. Insurance and reinsurance is a great way to put together a framework for private investors to invest in public infrastructure programs but it has been more on the underwriting side.

I think on the investment side, I am part of a large organization, based in France; it has been very active around COP 21, trying to implement ESG principles into the investment mainstream. We have about 80%-83% of our portfolio takes into account ESG factors. But as you were saying, there are no standards. Everybody tries to do their own thing and our investments into infrastructure, green infrastructure we have about 20 billion Euros assets portfolio, but only about 225 millions of it is invested into let’s say green infrastructure.

So it’s a relatively small subset and I think the reason is that was mentioned here, we have an interest to make it easier for us to invest in it. I think if we can tie the underwriting side and the investment side together that would become even more powerful partners and that’s why we are interested in this.

Mr. Samuel Munzele Maimbo

Now, I know that Joaquim has to leave us very shortly. If you have to put one thing on his table for Monday morning, for Tuesday morning, what would it be?

Mr. Jean-Paul Conoscente

I think the development of tools, as it was mentioned before, where the World Bank put together tools and bring together the World Bank and private sector to invest into fixed income instruments. That would be very powerful. If we could develop that more!

Mr. Samuel Munzele Maimbo

Thank you very much.

Laura, on the fixed income side, do you hear Fiona's very detailed presentation, you see that wish list on that screen. Does that resonate with you at all?

Mrs. Laura Nishikawa

Yes, absolutely and I think we are going to be very, very busy if we start to tackle this. So, just a bit of background on myself and the organization!

So I joined the sustainable investment world about ten years ago, which is kind of young from an industry perspective. But ten years ago, the conversation was drastically different than it is now. And it's a little bit outstanding to me, how it's evolved during the last five years and over the last two years, in particular.

I started with a small start up doing extra financial research called Inovestors - actually on 42nd street, over here. Who was acquired by MSCI and now we are talking about ESG investing as part of every single conversation MSCI has with large institutional investors, whether we're talking about indexes whether we're talking about risk, whether we're talking about markets, ESG comes into the conversation every time.

It's the fastest growing part of our business, it's providing data and tools, and it's how to keep up with that growth. We have about 300 people now dedicated exclusively to ESG research in the group. We provide ESG ratings of over 6000 companies, tools, indexes, data, and investments research. And as I mentioned things have really changed among the institutional investors that we work with. I think what we are starting to see is tipping point where the dragging of feet and they asking why we should do this are we going to sacrifice returns is a little bit over hopefully. I think there is still a little bit of hangover of that feeling among the investment industry that this is still something kind of "nice to have". But in general what we are seeing is industry moving towards acknowledging that ESG factors are important, that we need to invest in a more resilient world and by doing so we can make more resilient investments.

I think right now the crocks of it and it's a little bit of what I take away from Fiona's comments is that we are stuck on the "how". How do we actually do this and how we do it at scale? On one hand, we do see a lot of investments interested in appetite investments in themed portfolios, in green bonds and specifically kind of green or development oriented investment tools. However that's a quite small the benchmark size green bond index is about 200 billion, a little under 200 billion outstanding. We are talking about trillions of dollars in capital that need to be mobilized in action. And if we actually believe that research has been sighted that these factors are important from an investment prospective and not just a broader social or economic prospective, you can't just have a very tiny allocation to something green that looks nice in the press while ignoring the other major portion of your investments.

So secondly we are seeing, as Fiona mentioned a lot of investors taking this information into account in every investment decision. Now that's very slow to look at the ESG impact of each credit, each stock, that's something that needs to happen and that's something that is happening in the investment industry but it's challenging and it's going to take a very long time to get there.

So thirdly, I think what's really very important is we are starting to see much more top down systematic approach to looking at ESG or looking at sustainability issues in general in finance. We saw some of the commitments in Fiona slides about reducing carbon emissions, allocating targeting significant portions of the portfolios for investments. We are also seeing some of the leading insurers writing in these criteria into their investment policies. I think that's critical. Rather than living it up to every single analyst to understand what does this mean to me, what this mean to you, might be different to me it mean to me what is to you different to me. I am actually setting a standard, choosing a standard and benchmarking the portfolio against that.

And, finally we are seeing more and more investors using actual indexes, benchmarks, other types of tools to help them to communicate that standard across the organization. So yes there is a lot of room to do this a lot of more research to do there a lot more academic research needed data needs to get better, than tools need to get better, than instruments need to get better. But we are very far right now from where we were say two years ago and there is definitely enough out there to start doing something.

Mr. Samuel Munzele Maimbo

Thank you very much. I think the call for standards and systematic approach is quite clear. And perhaps Ed can help us navigate the terrain for standards and clarity in this space.

Mr. Ed Toy

Well I am not sure I can do that, but I do want to start with referring to your earlier comments Sam that if your initial instructions to proposals I was to say no, and then certainly the regulatory action to a lot of things to say absolutely positively no.

I think to start of certainly with one very important concept, that the regulators, at least here in the United States, the NAIC, your focus on is that the primary charge in the primary responsibility is on Solvency of the insurers and making sure that the insurers are in a position to satisfy claims and deal with all their policyholders in an appropriate way. So the regulators, generally speaking, are reluctant to get into a situation where being asked to incentivize or encourage their regulated entities to do things, because there is certain a moral hazard that comes with that. There are often times, unintended consequences.

That being said, however, regulators also recognize that their regulated entities, the industry as a whole, plays a very important part in the economy, to the extent there is a robust and strong economy that actually benefits insurance companies and to the extent that their benefit insurance companies lead to be more able to satisfy claims and work with their policyholders. I think what the regulators struggle with is on one hand not one into incentivize and certainly not in an appropriate way of looking at the regulations and the guides that they have and not running the risk of getting insurance companies to do thinks they are not smart from an investment spend point or not financially prune.

I think the approach of regulators is to focus more on making sure everything works properly into extend of the data suggest that kind of investments we are talking about here are in fact not only as good but perhaps better than that go into the system not trying to go outside of that analytical process but doing the best we can to work with the analytical process and making sure that there are no unintended impediments at the same time. And so one of the things, one example that we give is don't try and put a green energy investment into the credit metrics for utility. I mean those are very different things and they should be treated differently. I think that's the primary approach of regulators.

I do want to make one final comment referring back to comments that Fiona made. I am very, very happy to hear what you said about Teachers Insurance. I actually was a portfolio manager for Teachers Insurance back into eighties, nineties and early two thousands. And in those days it was barely, barely these efforts that we were talking here even discussion. I was part of a small group that tried to get to the chief executive officer at that time to move the ball just a little bit and we got him to move the ball just a little bit and to the extent that ball is now rolling down the hill. I am very happy to hear that. That my Alma matter is doing much better that back in those days!

Mr. Samuel Munzele Maimbo

Thank you very much Ed.

I am looking at the time as well and I realize that we have only fifteen minutes left. Although I always tells my nine years old son "I don't have time, he says it's not time dad, it's priorities".

So what I would like to do is to prioritize first of all in any initial reaction from the panelists who have spoken to each other. None of you have really spoken to the emerging markets question which is where my heart is. How this apply to emerging markets, if I invite anyone of you for your initial reaction to that. How do we translate this before opening it up to questions? I have a ten of my own, but I am trying very hard not to be selfish here.

So, any reactions?

Mrs. Laline Carvalho

…(off line)… In the sense that I think that the insurance industry has a key role as an enabler for other segments of the society and the economy to actually be able to understand some of the environmental and governmental risks stay under. I mean, for example when we look at issues such as climate change and possible sea level rise into coming decades speaking with many companies from many actors there is very little date available today very poor quality data. Companies don't know exactly how to even get about understanding what the risks might be. It's the same things with municipalities, when we start speak with municipalities their early stage of even understanding these issues much or less what data to use. To common set of data point to understand what its risks are.

But the insurance industries they are modelers. We do modeling on and on and on about climate disasters and looking at potential acute and chronic events that may happen into the future. And I find that bringing the segments together and bringing the knowledge that insurance industry has to help corporations and municipalities and sovereigns in the future in bringing that knowledge together would be very relevant and trying to figure out what common set of data point we should be working of off.

And just want to mention one more thing data transparency we at S&P are support data transparency very strongly we are members of a the TCFD Task Force for Climate related Disclosures from the financial stability board and I think that reflects our view that the transparency into the future will be very important, because you also understand our analysis being able to capture those risks effectively across sectors.

Mrs. Laura Nishikawa

I would just echo that, not just for corporations, not just for municipalities, but for investors. I would say we have a number of investors who are using our risk management tools to calculate their VaR, calculate their various ratios. Are looking to understand the resilience of their portfolio to some of these risks and lot of this type of modeling, a lot of this type of data is very needed to that world so I would definitely cross sector collaboration would be important.

Mr. Rowan Douglas

Well I certainly prepare to be attendant to your course. But to Sam, to your point, I just want to highlight two particular challenges when it comes to emerging developed markets that we have seen in the discussions with IDF investment group.

One, regretfully, leading insurers around the world who do have some money purring to invest have been challenged enough bringing their money to OECD typing investment. It's been quite a battle but it's moving forward. We've had the most challenging debates with our friends UNDP who co-chair the investment group of the IDF with Blackrock. And because of course UNDP like many in this room want to be driving working into the most needed investments in the least developed countries. And that creates all sorts of political risk challenges and frankly just a level of "allergy" by mainstream investors. So we may have to do this in a period of moving down in emerging markets. I think we are going to see this is a process and that's a clear tension. But the World Bank and institutions around this table will play a key role helping to "de-risk" some of these political or wider issues.

The other brutal truth is particularly if we have to encode proper risks now, is this is the least developed countries which regretfully have the greatest risk and vulnerability. They have to take the bitterest pills in terms of the investment requirements to ensure resilience. And I think it's in that area of supporting the sweetening of that bitter pill for the additional investment requirements which would be needed to ensure the investments are sustainable and resilient and ultimately to protect basic rights of life living in shelter. So I think if we can be quite open about maybe having some early successes in the more emerging economies and focus our resources where they can be supported in developing markets because we got to help the mainstream insurance sector even in the domestic economies get over this allergy, but it's going to take time. But that's why we are all here.

Mr. Jean-Paul Conoscente

If I may add, as a reinsurer two objectives in investment as Mr. Toy was saying is Solvency and is capital management. So types of investment require more capital than others which is why we tend to invest a lot in fixed income and then the rating of that x also dry some of the capital charges.

So, in developing countries the rates stand to be lower, driving more capital, the risk is higher, so leading to more risk of solvency and I think as we were saying this is where we need to come up with instruments that help us achieve our objectives as a company and help the countries where we are investing in.

Mr. Ed Toy

If I could make, without repeating from what everybody else has said I think I generally agree with the other speakers but, if I could take my hat and maybe not change hats, but just turn it sideways, one of the other roles I have is I chair one of the IAIS committees, I chair what used to be called the Macro Prudential Policy and Surveillance working group – we have to change our name and I am not sure we are going to change I have suggested the Macro Risks Surveillance working group, because then I could say "we come from Mars"!

But we have a number of members in my working group that are from emerging insurance markets and as I've been chair for now four or five years I think one of my major goals has been to get more involvement from the members that are on the working group anyway but to get them to speak up, get them to participate in the process and the discussions and I think we are getting some very good successes in the last few years, we have expanded one of our responsibilities is what we call the key insurance risk and trend survey and that's the curt. And two years ago or three years ago over the objections of certain members of the IAIS we actually expended the survey to go out to all members. Not just members of the executive committees and Financial Stability Committee or Technical committee. So now we are getting or slowly getting more and more information from emerging insurance markets and I think that's going to help us understand some of the risks because the reality and the risks are different and the concerns are different and the issues are different.

The other thing that we have some success with is expansion of what we call "The global Insurance Markets Report". That comes out every year. And you know it's a bit of a struggle sometimes getting all the work done, but we've gotten a couple of pieces written by members, again representative from emerging insurance markets in the latest issue and I hope to do a lot more of that turning the conversation so it's not always focus on "oh what's happening in OECD countries", because the issues and concerns and the risks are different and therefore the needs are different.

Mr. Samuel Munzele Maimbo

Thank you very much. That's very helpful.

Perhaps I can open up for questions and take a quick round of three questions at most, before getting a reaction.

Mike…

Mr. Mike Morrissey

Thank you Sam!

I just want to mention one promising development that directly addresses the needed prioritization in the emerging markets in this sustainable finance issue.

I am part of a group and Ken Lay is another important part of a group that's convened by the UN and the World Bank and includes public and private sector participants, that works on getting ready for market investment proposals by emerging market countries.

We are working currently with a group that includes Ethiopia, Bangladesh, Chile, Vietnam and Jamaica. Each of them has gathered for our meetings, a series of meetings. Development bank people, finance ministry people and some diplomats, and we help them get their raw project ideas into a standardization that institutional investors can actually say yes or no to. Because often what they have to start with is a lot of data and a lot of ideas! And having been an institutional investor myself for a longtime, I know investors are basically lazy and they like to see things in a standardized format that compares roughly to other kinds of investment opportunities and we are helping them to do that. This is a very focused effort that we hope to expand to other emerging markets countries through the series and I think it addresses exactly what you are talking about.

Mr. Samuel Munzele Maimbo

Thank you very much. I have one question over there.

Mr. Idsert Boersma from Dutch Development Bank

Yes thank you. I'm Idsert from the Netherlands. The Dutch Development Bank! I am very happy to see the study even my pension fund refers to. Today is an historical day. Why? Because it's my first time in this building, something I always wanted to do. Secondly, today is also, we signed a DEP funds with some of the pension funds today. So it shows that the discussion here is quite relevant. Last week another insurer was in our office. They wanted to hand up one billion to us and not there yet to invest in fixed income through the SDGs. So it is moving. It's moving extremely fast, but we are all here believers and I refer a bit that to Galileo, and "yet it moves!" So this is religion, this is a change and we are not there yet, it's not get fast enough. So I really like the World Bank and the UN, all participants here, that we have to get together to move it faster because we have to save a lot of lives.

Maybe two points on also the interesting study that was showed.

Firstly, when I talk to the big Dutch pension funds and ask them "why are you not investing more?", they say, one regulations as it was mentioned before, but also we have an asset allocation model with tiny, tiny bits for this type of investments. So I think what we refer to earlier, how can we make sure that all the SDGs and ESG is mainstream in their investment, and not only in the do good pocket and I have a good communications outside. So really mainstream! That's one.

Second one on ESG, I see three phases.

First phase in the history was "I don't care". Well, that phase I think this face is past in the most countries.

The second phase is the risk based phase. And it's also something I see in here linked between ESG factors and the credit risk and that's very useful.

The third phase is the phase when I talk to our private investors, the private equity funds it's the value creation, it's the opportunity phase. And we all know private equity does something very low. If they feel that they can make money, they run. And they run so fast, you cannot catch them. So the moment you show at least a private equity, well they can make money you are there.

And I think also for further studies I would be very much interested beside the risk component can we do something to show the fixed income people to opportunity side of this? Because, then, the world will move.

With that I thank you and great to be here.

Mr. Samuel Munzele Maimbo

Thank you very much. Anybody else? Please!

Mr. Mahmoud Mohieldin

Right! Thank you so much. Very useful and informative intervention! Just like to bring to your attention given the issue to operations and high risk fragile least developed or, in our language, low income countries has been brought up.

We are working as at been announced for like six months now, to develop a new instrument for risks associated with drought. The teams including the fragile and post conflict team, along with the finance group are working hard in order to develop a product that would involve many potential participants from the insurance industry. We are already in talks with Swiss Re and others on how to price risk in this area.

I would like to refer you to what was announced about this new product. We saw the imminent need for it especially after the call for help from the Secretary General few months ago in areas affected by drought and all of them are either in conflict or post conflict or fragile countries like Somalia, South Soudan, North East Nigeria and Yemen. But the threats of drought are not limited to these examples of countries and that brought the idea for the attention of the leadership of the Bank to start working with the insurance sector and OCHA which is the body in the UN responsible for humanitarian relief and emergency and I think the talks are being advanced now and I encourage you to have a look on what we are working on, on full transparency. The team has been encouraged to update the interested community of insurance to participate in. So we are not just adding to the low income group, but higher risk segments of it and some specific areas that would mix of risks on certainty that is normally hard to price.

So that can give you an indication to the boldness of our institution in this sector and of course we know the problems associated with the pricing of risk in this area so we are bringing some funding and some grounds to make the insurance in this area more feasible.

I don’t know if Fiona would like to add anything on that or just leave it to your interest and the reference to the relevant part of our website.

Thank you.

Mr. Samuel Munzele Maimbo

Thank you very much Mahmoud.

I think that's an excellent point upon which to wrap this up. I think what is said is evident is that the increasing the complexity of the challenges we are facing and the demand for tools.

At this point I would like to ask if the Ambassador has any last words on behalf of his many constituencies that he represents here today.

HE Ambassador Mohamed Fathi Ahmed Edrees

Thank you very much Sam. It has been really very stimulating and rich discussion and very briefly for the sake of time I want just to refer to the real evolving of the mindset. It's really the beginning of what we have not conceived years ago. And it's true that the evolution of the line of thinking is very interesting.

One thing I think we are also at juncture at either change or shift in the Mind set. Because the SDGs is a roadmap to the future! And with the diversity of the SDGs it gives also different mind of set and part of different actors whether the Governments or the private sector. And this also should be anchored to the interlinkages between what's happening now between different components the development on one side, the peace and security on another side, the migration on lots of issues now and those charges are so much linked and it affects everything including reaching to what we talk about having stronger resilient societies, having stronger governments, having standardization and having better legislations all these are interlinked together and compromising one is going to affect others.

The better integration of ESG I think it's very important to find the formula which is not perceived by the private sector as compromising profit and at the same time is not perceived by governments as compromising policy space. This bridge is very important to do and also the fact that the most investment is needed, it's where the most risk is. Need to be addressed because the more risk it's true that there is more risk in some countries but also not addressing these lead to more risk again. Because this risk now is spilling over to other spots and with global interlinkage what happens in one part of the world is so much having direct impacts. So what we see now is most of the development funds are shifting to humanitarian addressing humanitarian issues at the end it's a vicious circle development undermined and humanitarian is a bet and needs to shift from negative into more positive dynamics.

Lastly, I think it's very important to make this link between what Joaquim mentioned about twenty four trillions assets in insurance industry amounting to one third of the global assets under management. Another thing is what Fiona mentioned about the impact investing. This is very important investing in what Mr. Mahmoud mentioned the three important aspects human capital, inclusive growth and infrastructure and resilience. I think if we link these together then we'll be embarked on the process which Douglas mentioned and reaching the Moon as Samuel hope for.

Thank you.

Mr. Samuel Munzele Maimbo

Excellency, I cannot beat that summary! Thank you very much!

Please join me in thanking all the presenters this morning.

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