The Glasgow Private Finance Accord: an Aviva proposal

What is the Glasgow Climate Private Finance Accord?

A Glasgow Climate Private Finance Accord would ask participating financial institutions (FIs) to collectively demonstrate their commitment to aligning their business models to Paris, and ask those companies they finance to do the same. By signing the Accord, FIs would commit to:

1. Align their business model to the aim of the Paris Agreement – doing what they can to help restrict climate change to below 1.5 degrees of warming;
2. Use their influence with other FIs, companies and governments to urge alignment to the Paris Agreement (including signing the Accord where appropriate);
3. Publish a Transition Plan [aka Institutionally Determined Commitment (IDC)] setting out how they will do 1 & 2 above, including short/ medium term objectives and a credible trajectory;
4. Analyse and annually disclose:
    - the impact of climate-related risks on their business (following TCFD approach)
    - their progress against their IDC and any increase in ambition
    - their investment appetite for blended finance pools, ie: what kind of investment instruments, which asset classes and currencies, whether insurance is required, minimum deal size, quantum available and a point of contact.
5. Revise, update and increase ambition for their IDC every three years.

FIs could sign up to the Accord without first providing the IDC; "ratification" of the Accord by each FI would then be by publication of their IDC within a defined timeframe. Target signatories include all the largest FIs along the investment chain, i.e.: all asset owners and asset managers with more than $50 bn in AUM; the three main credit rating agencies; the two main proxy voting agencies; the top twenty investment banks; the top ten stock exchanges and institutional investment consultants; and all other Systemically Important Financial Institutions not already in scope.

The Accord would be accompanied by guidance specifying how the IDCs may differ by institution, eg:

- For asset owners and managers, it could cover climate investment philosophy and appetite, commitments to embed climate risk into security selection, portfolio construction, portfolio risk management, governance oversight, board training, CPD for investment personnel and compensation structure
- For institutional investment consultants it could be the extent to which they proactively introduce climate risk within advice and recommend Paris aligned portfolios;
- For stock exchanges it could be training and listing rules (see also A4S Financing our Future)

What's the mechanism by which ambition is increased over time?

The Accord will remain permanently open for signatories. Those FIs pledging support at the outset would retain "Founder" status to motivate early uptake. The Accord will be open for signing at the World Bank Annual and Spring meetings as well as on the margins of the UN General Assembly and future COPs.

The various UN initiatives which apply to the FIs in scope of this Accord would be updated to reference the Glasgow Accord within their Principles. These initiatives include: the Principles for Responsible Investment, the Principles for Sustainable Insurance, the Principles for Responsible Banking, the Sustainable Stock Exchange Initiative and the Global Compact. (It is unlikely that the initiatives would decline an invitation from the UN Secretary General to update their Principles to require members to sign the Glasgow Private Finance Accord.)

The Accord will establish an International Climate Finance Platform. The IPCF will host Annual meetings of signatories at future COPs, where it will publish an annual Status Report. The IPCF will also administer the signatories to the Accord; maintain the IDC reporting guidance; monitor the commitments; and, act as a central on-line repository of the IDCs. Where IDCs are considered exceptional, the IPCF will issue an award. Where FIs neglect to publish their IDC, the IPCF will eject them. It will also maintain an on-line register highlighting which key FIs have not yet signed in order to facilitate and focus investor engagement. In due course, it is likely that free public league tables ranking FI transition performance will emerge. The World Benchmarking Alliance has indicated interest. However, this would be conducted independently of the IPCF proposition.

What's the ecosystem of climate finance actors that could help bring this together?

- To draft the Glasgow Private Finance Accord text, we would collaborate with the COP26 Private Finance Hub and the GISD;
- For the FI guidance on Transition Plans/IDCs, the TCFD could establish a sub-committee;
- For the IPCF ongoing monitoring platform, we would collaborate with The Marrakech Partnership with Climate Finance Champions and NAZCA.

The Glasgow Accord and the IPCF would also draw upon the wider ecosystem in three key ways:

1. **Bringing together and amplifying existing groups of FI actors who have committed to net zero/ Paris Alignment, and making their pledges more consistent, comparable and trackable where possible**. This group would include: Global Investors for Sustainable Development, Net-Zero Asset Owner Alliance, Insurance Development Forum, Institutional Investors Group on Climate Change, Principles for Responsible Investment, Principles for Sustainable Insurance, Principles for Responsible Banking and Science Based Targets Initiative.
2. **Using existing FS industry groups to bring on board further sectors/ actors where not already covered by (1) above**. This group would include: Corporation of London, Global Financial Markets Association, International Capital Markets Association, the Institute of International Finance, Geneva Association, Green Finance Institute, Institute of Chartered Accountants in England and Wales, International Cooperative and Mutual Insurance Federation, International Chamber of Commerce and the World Economic Forum, UN Global Compact, the UN supported Principles for Responsible Investment
3. **Drawing together expertise in climate finance to help develop and monitor IDCs and make connections between the IDCs and NDC capital needs**. This group would include relevant UN Agencies, the MDBs and the OECD, as well as key think tanks and civil society groups such as Climate Finance Leadership Initiative, Coalition for Climate Resilient Investment, Climate Policy Institute, Climate Investment Coalition, Climate Action in Financial Institutions Initiative, Carbon Tracker, Centre for Climate Aligned Finance, NDC Partnership, the Finance Tracking Group, and the World Benchmarking Alliance.

The IPCF will also collaborate with the other coalitions in this space and seek to bring them together in private finance events hosted at COP. Potential institutional homes for this initiative include, inter alia: the Marrakech Partnership High Level Champions, the PRI and/or the UN Foundation. The HLC could provide the UN mandate; the PRI or HLC could run the IPCF; the UNF could be the fiduciary and administer a strategic re-granter, helping to bring the existing players within climate finance system that are effective to scale. At the outset we would look to set up a join project advisory group involving all of these organisations in a *coalition of coalitions*.