

Principles for Financial Action towards a Sustainable Society
(Principles for Financial Action for the 21st Century)

Foreword

The unforgiving earthquake and tsunami hit eastern Japan on 11 March 2011 cruelly exposed the powerlessness of man in the face of natural disasters. But it also shocked those of us who saw in it evidence that the scientific technologies supporting our day-to-day activities can suddenly disappoint our society. Witnessing the fragility of our civilized society through this so-called “March 11th” incident, we were all asked to revisit the meaning of sustainability.

Turning to issues on a global scale, there is indeed concern that in the future climate change and the loss of biodiversity, amongst other issues, may cause incommensurable damage. These problems come in addition to, other daunting issues, such as poverty and the heightened risks of an increased spreading of diseases (especially in developing countries) that intensify existing threats to human security. We must therefore aggressively tackle these global issues as we reconstruct Japan from the earthquake.

By rising to the challenges facing both Japan and the world, we can reach a platform from which further progress can be built on. If the post-earthquake reconstruction can trigger the sustainable use of energy or encourage us to design communities that respect ecosystems, these experiences may present a model social system for the 21st century. Herein lies the key to how finance can continue to be reliable and be trusted by society. We see the new role of finance in the 21st century as taking action towards the formation of a sustainable society.

Preamble

We understand the basics of a sustainable society as being able to live today free from the fear of tomorrow. In order for this to occur, this generation must seek to solve the various issues faced by humans and our planet - not only for our own benefit but also for future generations - by pursuing an environmentally friendly lifestyle that coexists with nature.

A fundamental part of society is the economic activity which involves a monetary intermediary. In order to steer society towards sustainability, we need to change the flow of money to those activities which correspond to such sustainability goals. This would mean directing money where society most needs it, which subsequently is the fundamental role of finance as it contributes to the development of society. In other words, by offering diverse financial services, it is thought that “the sustainability of society increases as a result of the most appropriate distribution of various resources between economic agents, regions and generations”.

The financial services industry’s cooperative action to finding solutions for global problems originates from the formation of the United Nations Environment Programme’s Finance Initiative in 1992. Since then, UNEP FI’s activities have expanded from environmental issues to social and governance issues, the so called “ESG issues”. One of the Initiative's outputs has been the establishment of the Principles for Responsible Investment (PRI) in 2006. As a separate programme facilitated by the International Finance Cooperation (IFC), the Equator Principles were launched in 2003 to manage environmental and social risks in project finance. The impetus of society for the financial services sector is for these initiatives to be translated into concrete actions and to accelerate the overall pace of change. How then should the financial services sector in Japan respond to these global demands? This should be addressed bearing in mind the significant responsibility it carries as the finance arm of one of the largest economies.

The Japanese financial services sector has two main roles. The first is to contribute to transforming Japan into a sustainable society. This requires not only to secure the safety of vital infrastructure against natural disasters, but also to support local communities and national industries in improving their sustainability and strengthening their competitiveness. The second role is to contribute to increasing sustainability as a global citizen. For this we need to cooperate with international initiatives such as UNEP FI, which works towards solving global environmental and social issues.

In fulfilling these roles, it would be important to take a precautionary approach. Even where scientific findings include uncertainties, if there is a high risk of a significant negative impact on the environment or society, then it would be beneficial to be attentive and cautious in business. This

should be the basic risk response in the 21st century, where future forecasts are increasingly difficult. This risk management function will in turn lead to new business opportunities in financial services.

For its own interest, the financial services sector should also be proactive in the establishment of new markets which adds economic value to environmental and social activities.

This set of Principles was drawn up as guidelines for action by financial institutions concerned with the future of the planet and seeking to fulfil their roles and responsibilities in shaping a sustainable society. It is also intended as a starting point for like-minded financial institutions to cooperate without reference to their specific industry types, size and geography. Signatory financial institutions will implement activities based on the “Principles” below, to the extent possible in light of their business context.

The Principles

1. We will recognize our roles and responsibilities, taking into account the precautionary approach, and promote those actions that contribute towards shaping a sustainable society.
2. We will contribute to the formation of a sustainable global society through the development and provision of financial products and services leading to the development and increased competitiveness of “industries contributing to a sustainable society” as represented by the environmental technologies and services sector.
3. From the perspective of regional development and improvement in sustainability performance, we assist the environmental programmes of small and medium enterprises. We will also back activities that will raise environmental awareness amongst citizens and support disaster readiness and community activities.
4. In the formation of a sustainable society we will recognize the importance of cooperation with diverse stakeholders and will not only participate in its activities but will endeavor to take a proactive role.
5. We will not be limited to complying with environmental laws and regulations but will take active steps to reduce our own environmental footprint through resource and energy savings as well as encouraging our suppliers to do likewise.
6. We will recognize activities that will further profile sustainability as a business issue and will endeavor to disclose information on our activities.
7. In order to implement the above actions we will aim to raise the awareness of environmental and societal issues of our own board and support them to take an active role through their normal duties.

(Translated by the United Nations Environment Programme Finance Initiative)