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PRESS RELEASE

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"New Rules for New Horizons": AXA and the UNEP Inquiry call for better alignment between the financial system and a sustainable future

- AXA and the *United Nations Environment Program (UNEP) Inquiry into the Design of a Sustainable Financial System*[1] organized today in Paris at AXA's headquarters a high-level Symposium to discuss "New Rules for New Horizons: Reshaping Finance for Sustainability".
- Leading officials from international institutions, private sector representatives and leading academics convened to find solutions to the current five "warning signals" in the financial system, which are all impacting its capacity to support a sustainable and inclusive economic development model.

This high-level Symposium jointly organized by the UNEP Inquiry and AXA in Paris[2] gathered participants from various backgrounds, from across all 5 continents. The discussion acknowledged the numerous regulatory achievements since 2008 to then focus on a range of open issues regarding financial regulation and its efficient, impactful and necessary contribution to a sustainable development.

Achim Steiner, UNEP Executive Director and Under-Secretary-General of the United Nations, underlined: ***"****As we look towards the convening of the Climate Change Conference in Paris this December we are reminded that our ability to invest in new, resource efficient technologies and infrastructure will require enormous investments that go beyond public finance. That is why UNEP initiated an inquiry into the design of sustainable financial systems to examine how best to align financial systems to sustainable development needs.* ***"***
"*The AXA-UNEP high level symposium in Paris is, therefore, a milestone along the path of discovering where opportunities lie and where innovations are already making a difference towards the transition to an inclusive, resource-efficient global economy,* ***"*** he added.

Participants focused on five key "warning signals" that are all impacting the financial system's ability to support a sustainable and inclusive economic development model:

- **A sense of fragile financial stability**, stemming from the continuous creation of unchecked pockets of risks despite progress in regulation and supervision across markets and jurisdictions.
- **A perceived lack of control**, despite numerous new standards aimed at increasing reporting and transparency discipline across the finance industry.

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[1] http://www.unep.org/inquiry/
[2] http://www.axa.com/en/news/2015/symposium-finance-sustainability.aspx

- **Inefficient liquidity**, as ultra-abundant liquidity on all financial markets and extremely low interest rates are not boosting public and private long-term investment.
- **Cornered emerging economies**, with less access to global capital flows and attractive funding sources.
- **Time inconsistency**, with greater collective needs for long-term and very diverse investments, and yet financial regulations that favour liquid, short-term and homogeneous investments.
  As **Henri de Castries, Chairman and CEO of AXA,** declared: **"***We are convinced that the "systemic risk" of carbon has to be embedded into regulatory frameworks, through efficient "carbon pricing" mechanisms and more broadly a favorable treatment of longer-term investments that are necessary to limit climate risks. This would indeed increase the number of industry players contributing to the transition of a low carbon economy, and hence the necessary scale would be reached for a successful transition.***"**

The leadership role taken by some emerging economies in better aligning finance and sustainability requirements was also stressed during the event with **Luiz Avazu Pereira da Silva, Deputy Governor of the Central Bank of Brazil**, mentioning that **"***Brazil has focused its efforts on delivering better access to financial services, especially to those with a low level of income, by means of financial education in order to limit excess debt. The country also included environmental criteria in the distribution of loans in regions ecologically at risk. All these efforts aim at better linking credit supply and social responsibility as well as promoting financial stability***"**.

The discussion led to the preliminary conclusion that the notion of risk in finance should be widened to take into better account the new and expanding nature of the major challenges societies and economies face today, starting with climate change. This move would aim at incorporating social, environmental and long-term sustainability questions into regulatory and prudential frameworks and guiding the decision-making processes of large financial institutions through the use of revised risk pricing methods.

"*Potential long-term investors are increasingly constrained in their ability to provide long-term financing. Pension funds, sovereign wealth funds and insurance companies are ideal candidates to provide long-term financing. Policy makers need to address regulatory barriers and restrictions on portfolio allocations that currently limit the ability of these key long-term investors to provide the finance economies will need in the future***"**, said **Jean-Claude Trichet, Chairman, Group of Thirty, Former President, ECB, Honorary Governor, Banque de France.**

These five "warning signals" and their consequences show that much remains to be done. The next steps need not, however, be driven by the rush of short-term crises and a culture of blame.
Discussions steered around several imperatives, such as the necessity to drive the governance of rule-making so as to include more political vision and less institutional fragmentation.

As **John Lipsky, senior fellow, School of International Studies Johns Hopkins University & former First Deputy Managing Director of the IMF**, said: ***"****In the long run we will need a multilateral treaty-based financial regulation authority if we really want to efficiently tackle global sustainability challenges.****"***

Was also debated the fact that as many a sustainable issue is local, both cities and regions need to be brought into the debate - on climate and beyond. These are just examples, but they illustrate that policy makers and regulators, with financial institutions and broader interests and expertise, can work together internationally in designing and implementing a financial system fit to serve 21st century economies.

A video of the key highlights of the day will be available from the 6th of July on http://www.axa.com/en/responsibility/climate-change/

ABOUT THE AXA GROUP

The AXA Group is a worldwide leader in insurance and asset management, with 161,000 employees serving 103 million clients in 59 countries. In 2014, IFRS revenues amounted to Euro 92.0 billion and IFRS underlying earnings to Euro 5.1 billion. AXA had Euro 1,277 billion in assets under management as of December 31, 2014.

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The AXA Group is included in the main international SRI indexes, such as Dow Jones Sustainability Index (DJSI) and FTSE4GOOD.

It is a founding member of the UN Environment Programme's Finance Initiative (UNEP FI) Principles for Sustainable Insurance and a signatory of the UN Principles for Responsible Investment.

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