

SWP Learning Event: The role of finance actors in the water sector

1 September 2020



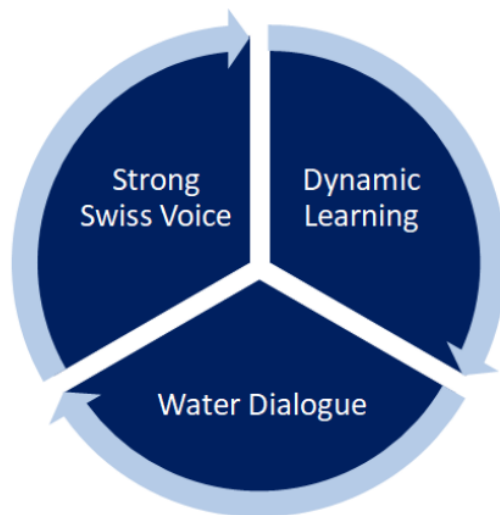
HOW YOU CAN BENEFIT

- Access to specific **solutions** on water-related issues
- Extend your thematic **network**
- Develop **partnerships** with donors, implementer and researchers
- A brand reflecting an **image** associated with sustainability, innovation and high quality solutions
- Launch **projects** to bridge research gaps
- Access international events in a **coordinated** manner
- Access new **markets** jointly
- Monitoring and implementation of the **Agenda 2030** in Switzerland and abroad

OUR VISION

TO BE A GLOBALLY RECOGNIZED BRAND OF HIGH QUALITY SOLUTIONS FOR WATER SECURITY. THE SWISS WATER PARTNERSHIP AIMS AT BECOMING:

- A GLOBAL LEADER ON SELECTED WATER-RELATED TOPICS
- A MODEL NETWORK WITH A DYNAMIC CORE GROUP & SECRETARIAT AND AN IMPACT NETWORK INFLUENCING THE SECTOR
- THE HUB FOR WATER-RELATED ISSUES IN SWITZERLAND



OUR 3 PILLARS

WHAT YOU CAN CONTRIBUTE

- **Transform your ideas** in concrete projects together with other members of the Swiss Water Partnership
- **Get visibility** by sharing your innovative solutions with an international audience
- Use your expertise and network to **move the global water sector** toward water security by taking influence on policy making
- Critically **discuss** your ideas and innovative solutions with an international audience

Objectives

- Introduce finance and insurance institutions to stakeholders of the Swiss water sector
- Share experiences and activities concerning water of the finance and insurance institutions
- Reflect on the possibilities and solutions of Swiss stakeholders to contribute to reach the Sustainable Development Goal 6 (SDG 6)
- Discuss the role which the finance sector intends to play to invest in sustainable practices and technologies to reduce water use and promote reuse;

Today's event

Introduction:

Johannes Heeb

cewas/ seecon

SWP Steering Board member

Christof Sonderegger

SECO

SWP Steering Board member

Presenters:

Basil Oberholzer

FOEN

economist

Isabella Pagotto

SDC

Senior Advisor Global Programme Water

Daniel Wild

Credit Suisse

Global Head of ESG Strategy

Michael Szönyi

Zurich Insurance Group

Flood Resilience Program Lead

Moderation:

Bernita Doornbos

Swiss Water Partnership

Coordination:

Marisa Ruoss

Swiss Water Partnership

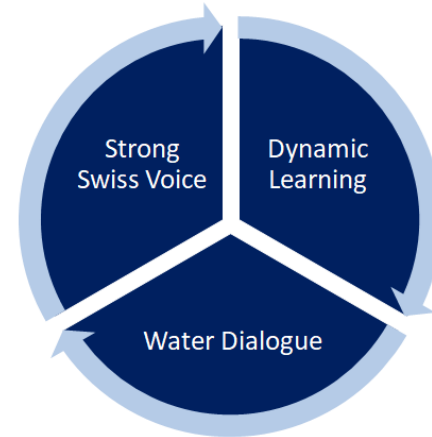
SWP in a Nutshell

Vision

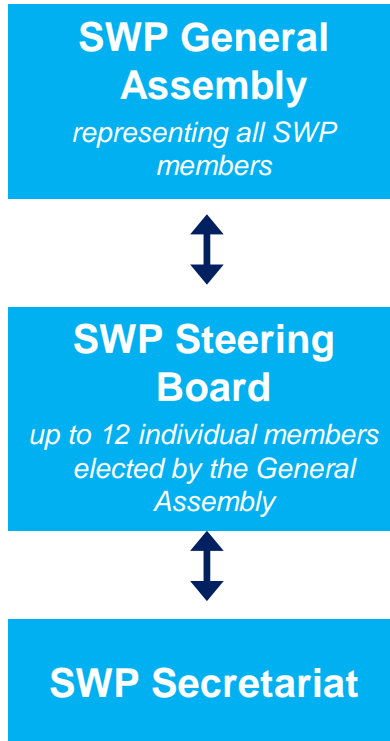
A globally recognized brand of high quality solutions for water security and the multi-stakeholder platform for water in Switzerland. The SWP is a knowledge hub, a knowledge setter and a cross-sector innovation carrier.

Why

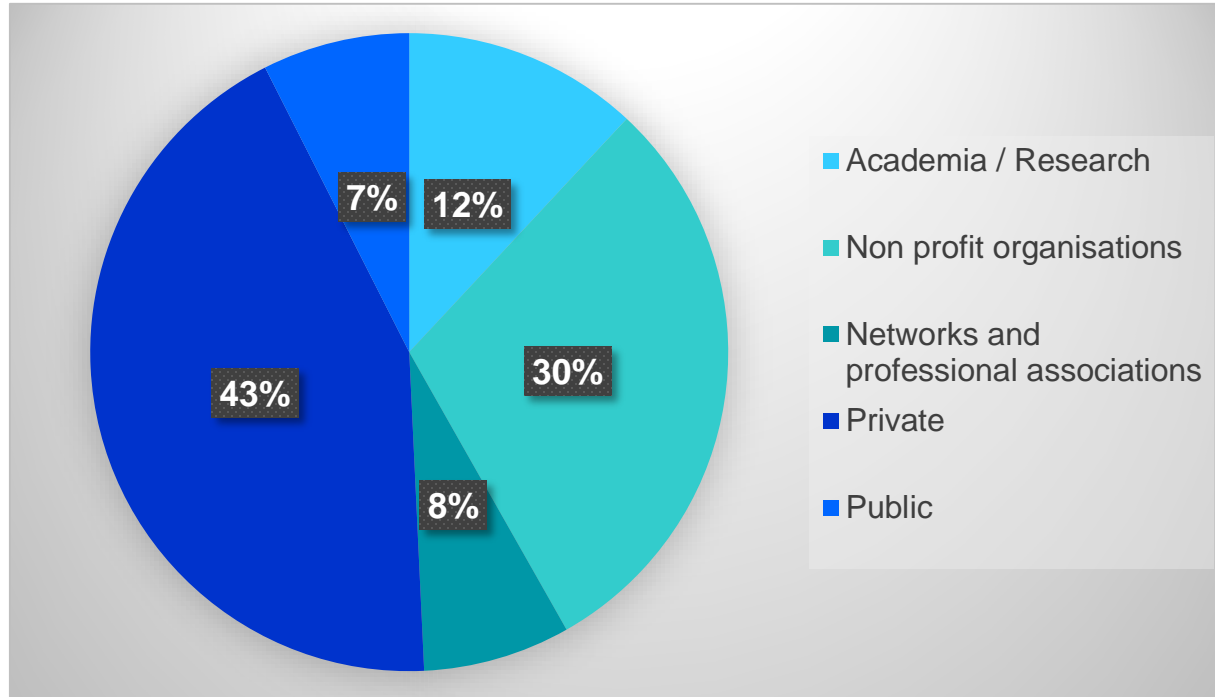
Contribute to work towards a **water secure world for all**.



Organizational Structure



SWP Member Repartition 2019





Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of the Environment, Transport,
Energy and Communications DETEC
Federal Office for the Environment FOEN
Economics and Innovation Division

Aligning with SDG 6: An Investor Guide on Basin Water Security Engagement

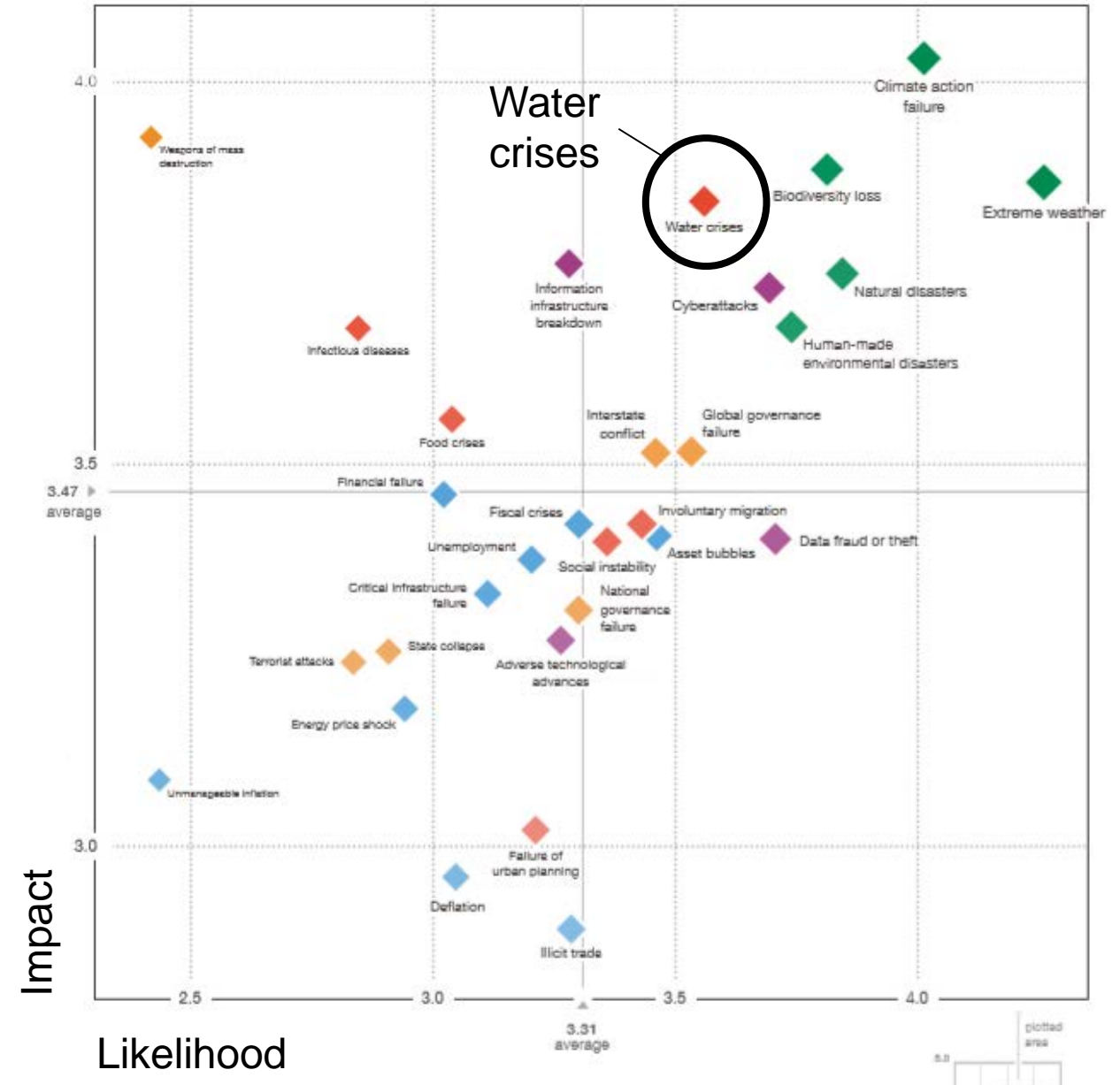
1st September 2020

Isabella Pagotto, Senior Advisor Global Programme Water, SDC
Basil Oberholzer, economist, FOEN



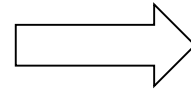
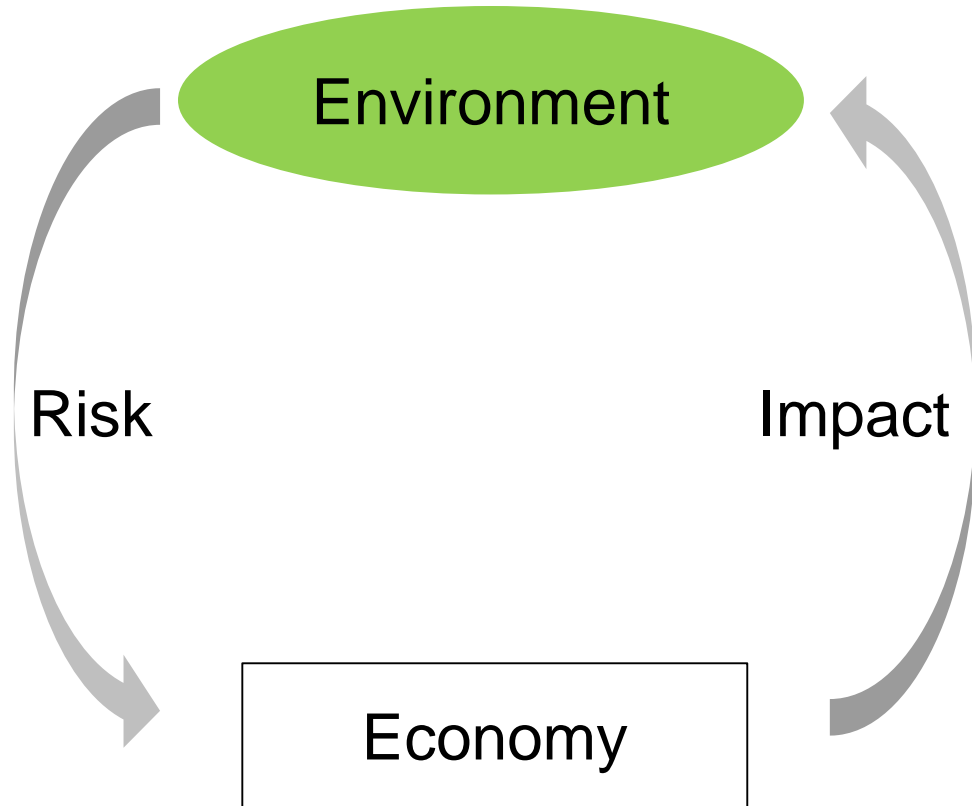
Water Crises as A Major Risk

- Global Risk Report 2020 (World Economic Forum): water crises among the top ten global risks
- Global Water Report 2019 (CDP):
 - 50% of rivers polluted in US
 - 1/3 of rivers polluted in Africa, Asia and Latin America
 - 60% of surface water polluted in Europe
 - USD 425 billion of assets exposed to water risks





Stepping to Action



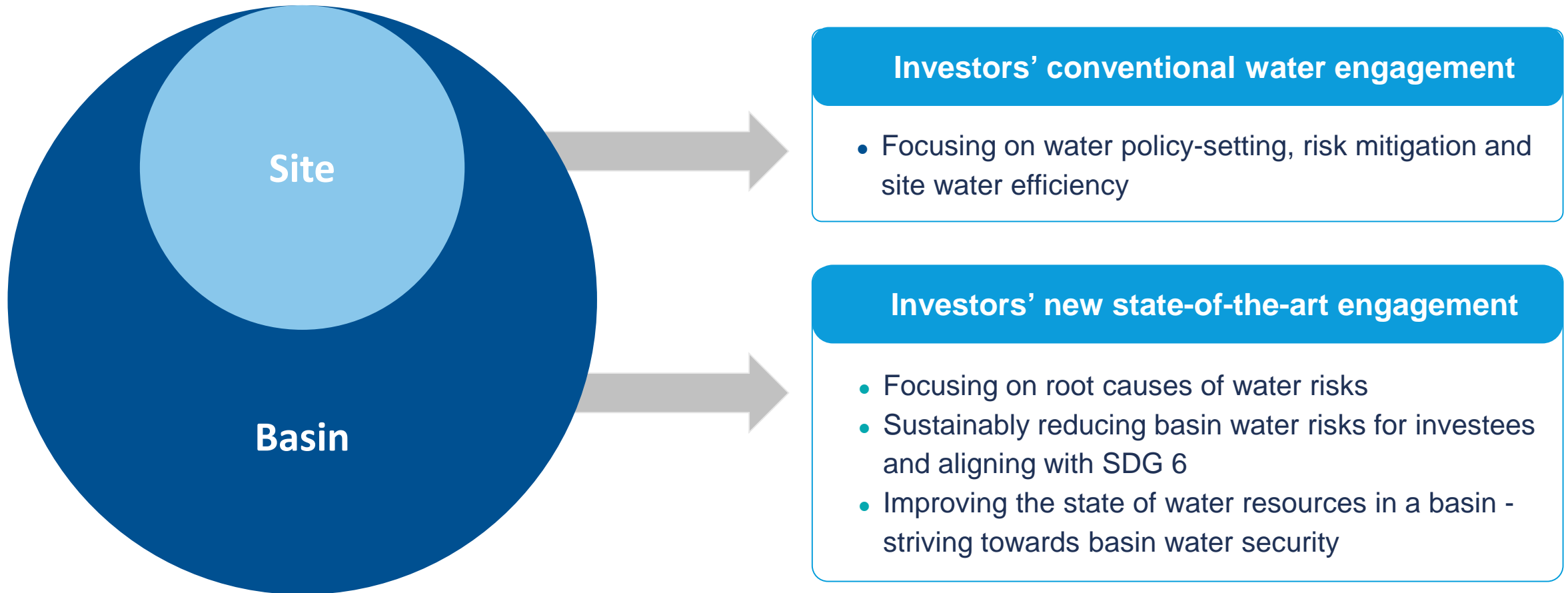
Avoid negative impact to avoid risk

Focus FOEN's work:

- Science-based approach
- Alignment with international environmental goals



What is novel in this approach?





Action Towards Global Water Security

The four concepts of basin water security:



Grounded in an analysis of local and forward-looking **water risks**



Meets the environmental, social and economic **needs of all users**



Aligned with **science-based basin level** thresholds

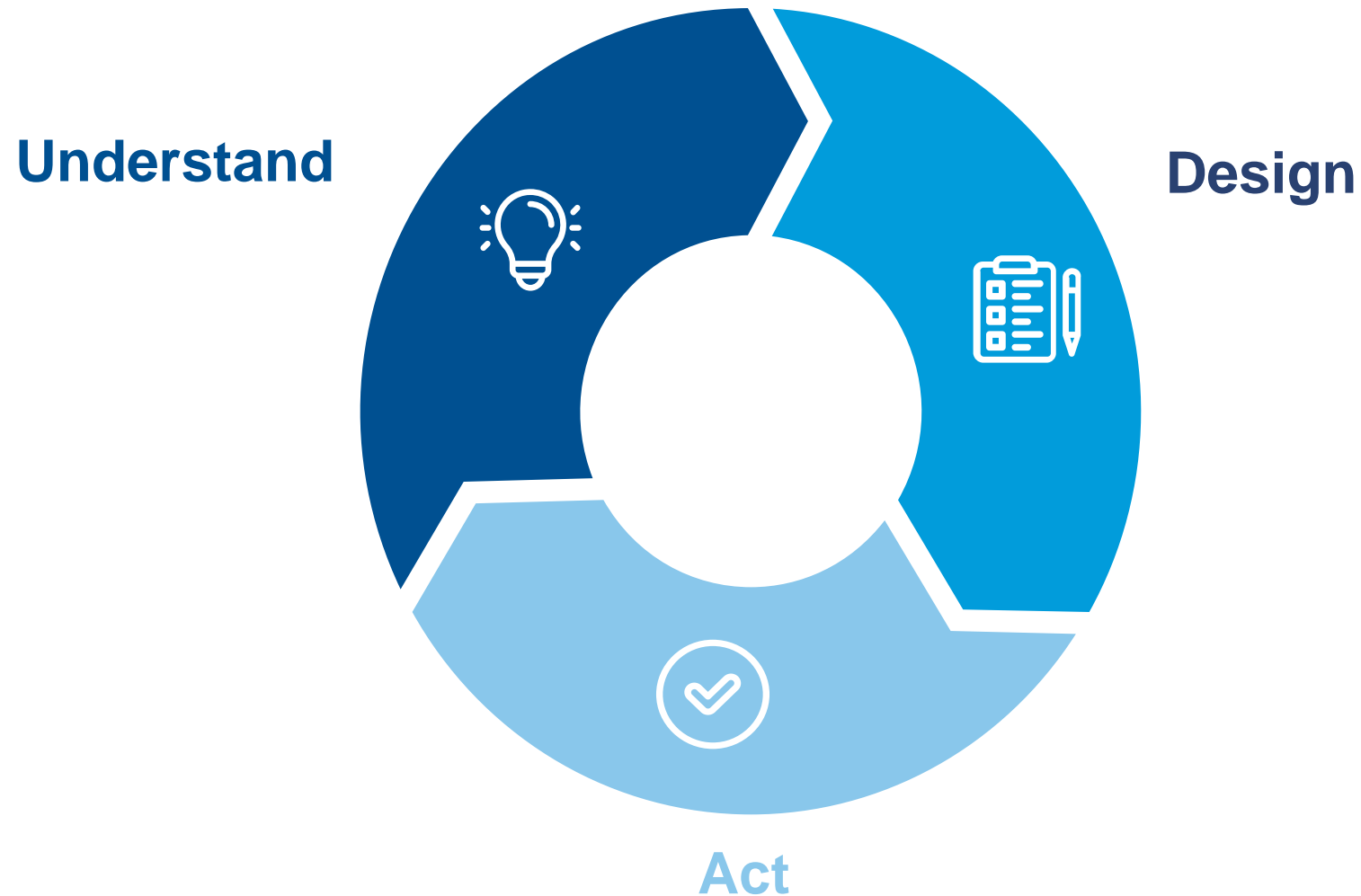


Involves all stakeholders and requires **collective action**

“Fostering sustainable water quantity and quality of freshwater resources for all users in a water basin in the long-term.”



A framework for water engagement





Understand



Identify high risk industries

Identify the high-risk industries that are exposed to material water risks by analysing

- Operational water risk
- Basin water risks

Identify low & medium performers

Identify low and moderate performers within those industries by analysing a companies' water management response

High-risk industries are...

Industries with agricultural supply chains (food & beverage, apparel), as well as the energy, mining, chemical & pharmaceutical sectors

Relevant tools



WORLD
RESOURCES
INSTITUTE



Ceres



CDP

DISCLOSURE INSIGHT ACTION



PRI



ALLIANCE FOR
WATER STEWARDSHIP



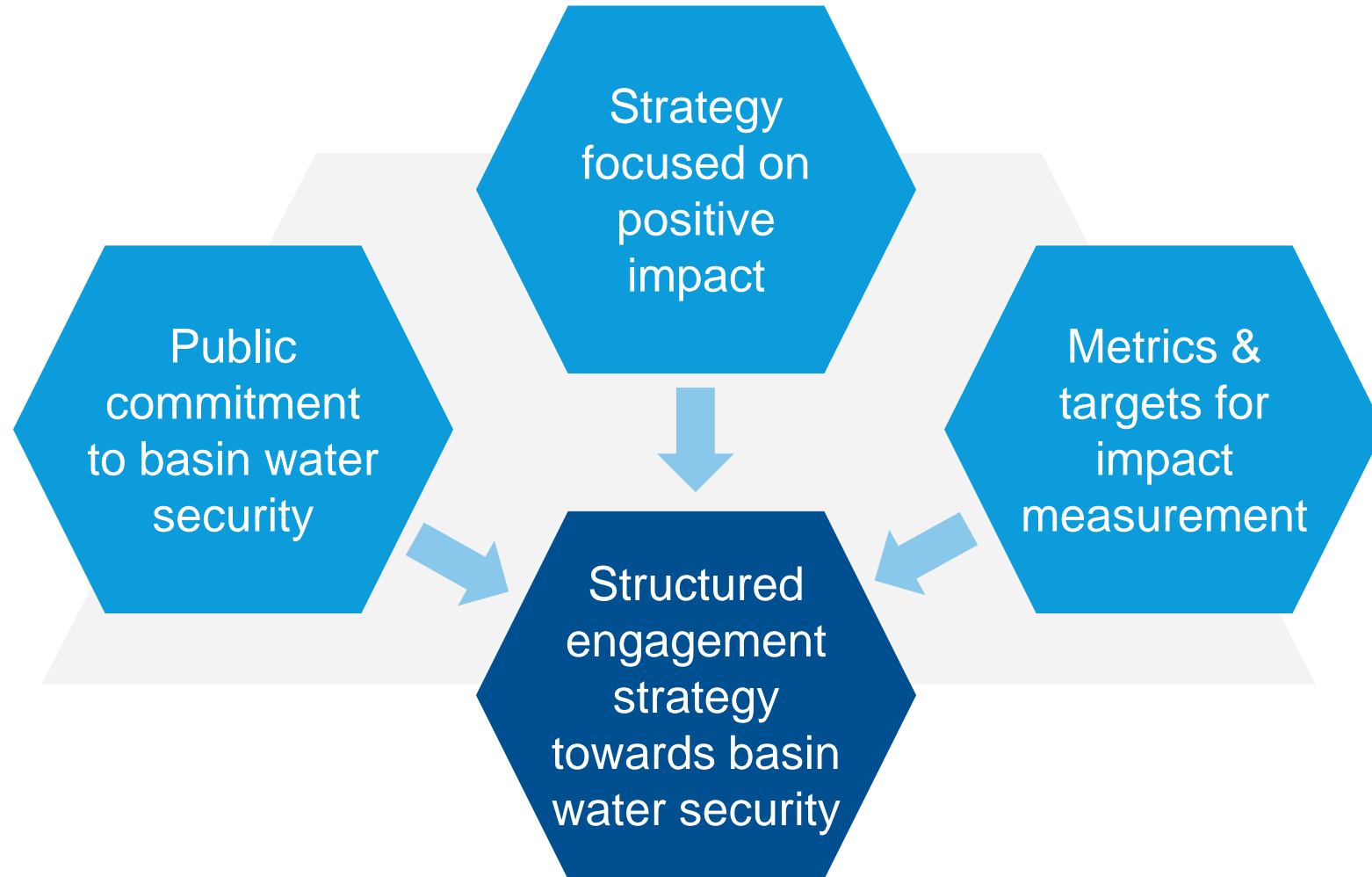
WWF



Design



The main ingredients of the engagement at investor level





Act



An iterative process based on the principle of continuous improvement

Engage with investees

**Define priority
basins**

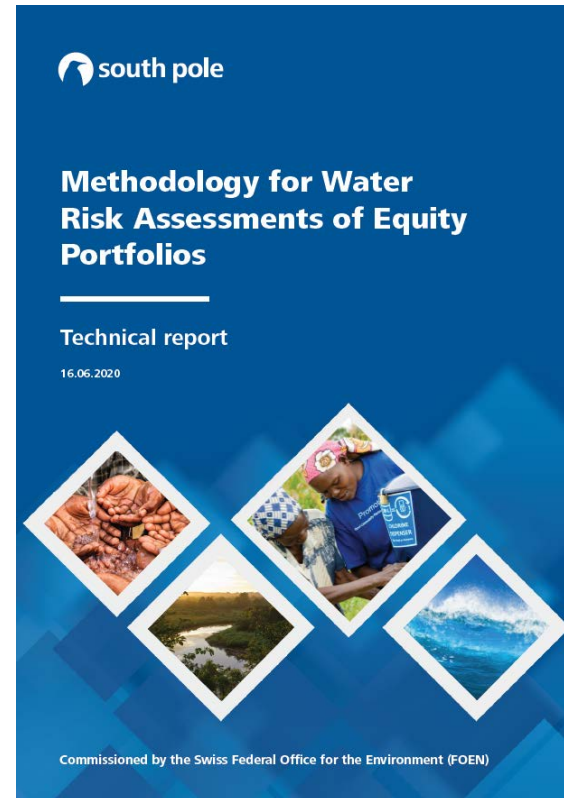
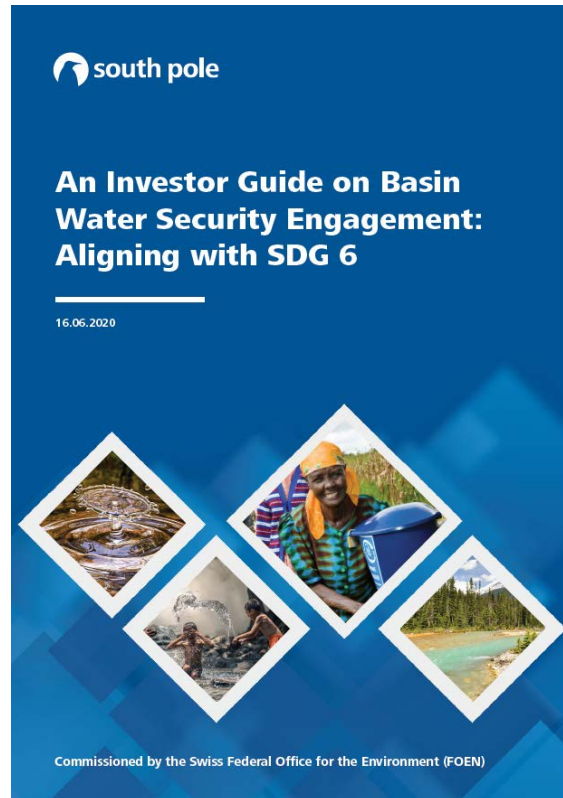
**Engage with
investor networks**

**Measure impact and
integrate lessons
learnt**





Aligning with SDG 6: An Investor Guide on Basin Water Security Engagement



<https://www.bafu.admin.ch/bafu/de/home/themen/wirtschaft-konsum/publikationen-studien/studien.html>



Action Towards Global Water Security



Avoid negative impact to avoid risk & catalyzing innovative solutions for sustainable development and peaceful societies

Focus of SDC Global Programme Water work:

- Policies & Knowledge
- Catalyst, Innovation & Partnerships
- Systemic Change globally and to support sustainable development in partner countries (in the developing world / emerging economies)



Zurich Flood Resilience Alliance

Swiss Water Partnership – Learning Event

01 September 2020

Michael Szönyi – Flood Resilience Program Lead – Zurich Insurance Group

In partnership
with:



Zurich Insurance Group

A global insurer

- A leading multi-line insurer serving its customers in global and local market
- Ca. 55,000 employees
- Range of property and casualty, and life insurance products and services in more than 215 countries and territories
- Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations

A Swiss history

- Founded in Zurich, Switzerland in 1872. Since then, we have been applying our expertise and experience so that our customers can have the very best protection for the things they value.
- Long track record working in the area of prevention and risk reduction

Photo: www.zurich.com



The Alliance in words

“The Zurich Flood Resilience Alliance (‘Alliance’) is a multi-sectoral partnership focusing on finding practical ways to help communities in developed and developing countries strengthen their resilience to flood risk.”

Funded by the Z Zurich Foundation

The Alliance definition of resilience

“The ability of a system, community, or society to pursue its social, ecological, and economic development and growth objectives, while managing its disaster risk over time in a mutually reinforcing way.”

Vision

Floods have no negative impact on people’s and businesses’ ability to thrive.

North Star

To increase social, political and financial investment in community-based flood resilience-building through public, private and third sector partnerships.



In partnership
with:



How do we define resilience?

“ The ability of a system, community, or society to pursue its social, ecological, and economic development and growth objectives, while managing its disaster risk over time in a mutually reinforcing way ”



Individual:
Get a degree



Household:
Buy a vehicle



Small business:
Expand production



Community:
Electrify the community

There's a
flood event

Are the community members going to be able to
achieve their goals in their planned timeframes?

Take away: Resilience is NOT just bouncing back. It is NOT the inverse of vulnerability

In partnership with...



Objective 1

Supporting the generation of USD 1 billion in additional funding for flood resilience

Objective 2

Policy at global, national and sub-national level is improved

Objective 3

Improve flood resilience practice, helping to make 2 million people more resilient to flooding (UNCAS commitment, 2019)

Justification we need to work in the pre-event flood resilience space



COMMUNITIES FEEL IMPACTS MOST IMMEDIATELY. THIS IS THE LEVEL WHERE WE CAN TAKE CONCRETE ACTION

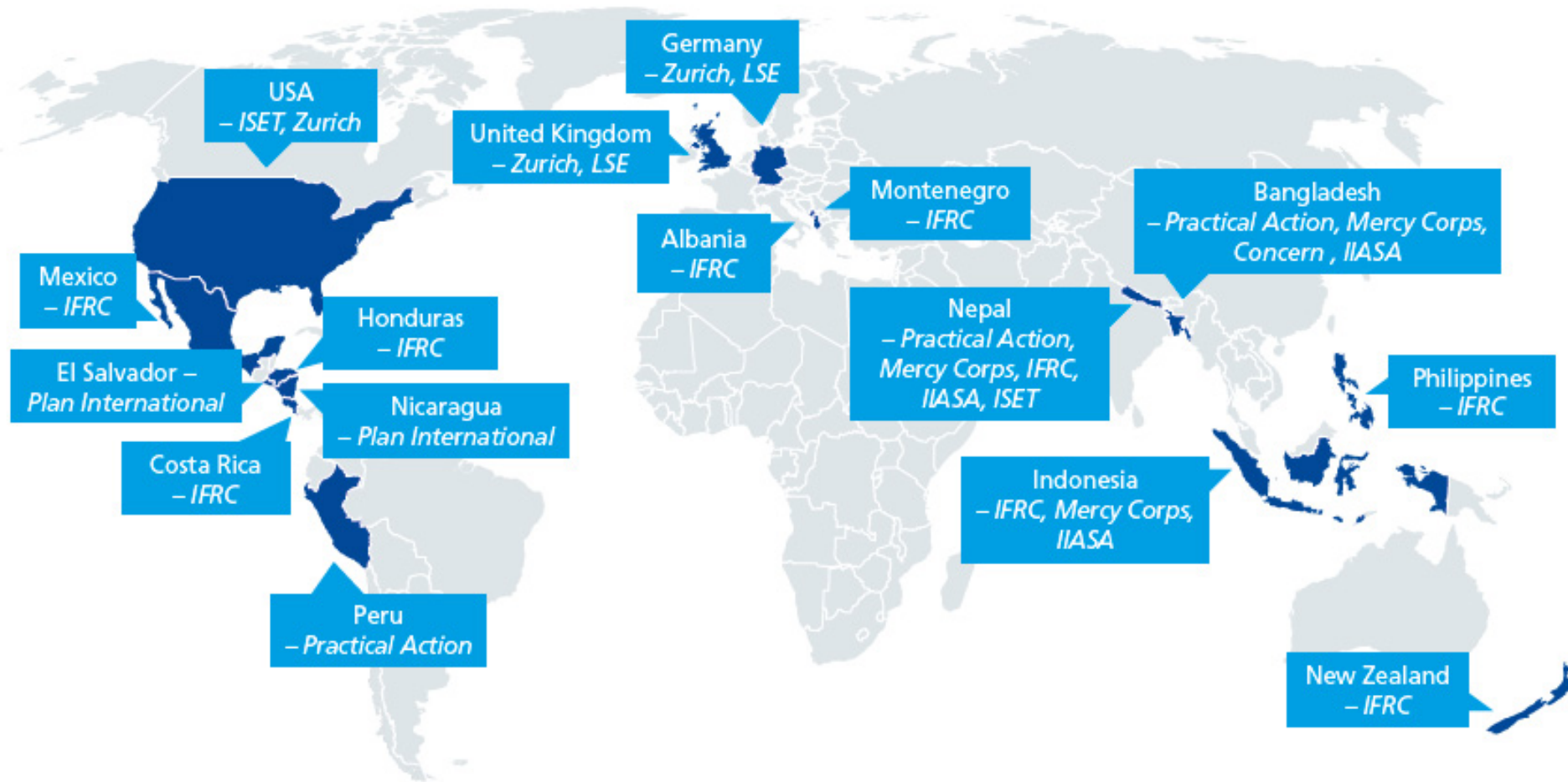
New Alliance learning report: **«At What Cost?»** - chronic gaps in adaptation finance. Unsurprising findings:

- insufficient investment in preparing for the impacts of climate change
- money is not going to the countries and people that need it most.

Our advocacy and investment priorities:

- Leave no one behind, support the most vulnerable
- Ensure more money goes to pre-event resilience building
- Money needs to be spent at the system-level (watershed), not the level of isolated interventions
- «Green», «nature-based solutions»

Program countries: we work in both developing and developed countries

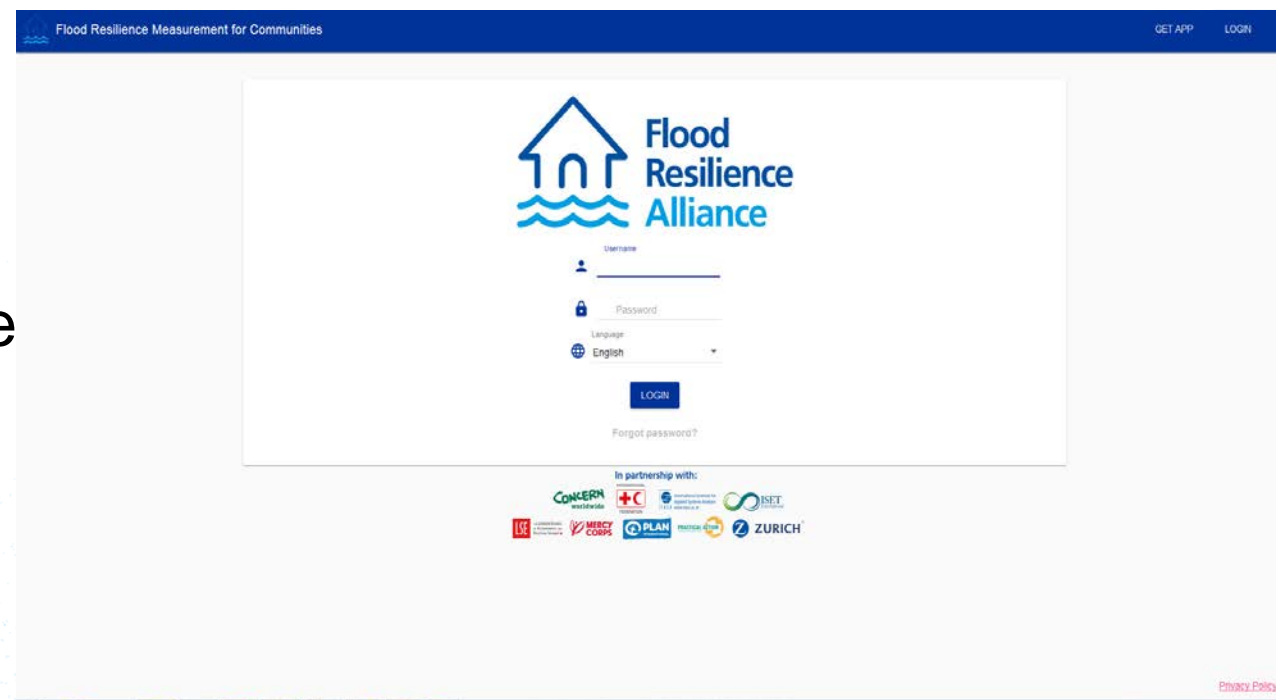


Map indicates community-based programs, post-event analysis (PERC), research studies and public policy advocacy.

Solutions the Alliance can offer

The first validated flood resilience measurement for communities (FRMC):

- ✓ A fully integrated (flood) resilience measurement framework
- ✓ Helps analyze problems first before solutions
- ✓ Supports impact measurement



*(Community, flood) **Resilience**: “The ability of a community to pursue its development and growth objectives, while managing its (flood) risk over time in a mutually reinforcing way.”*

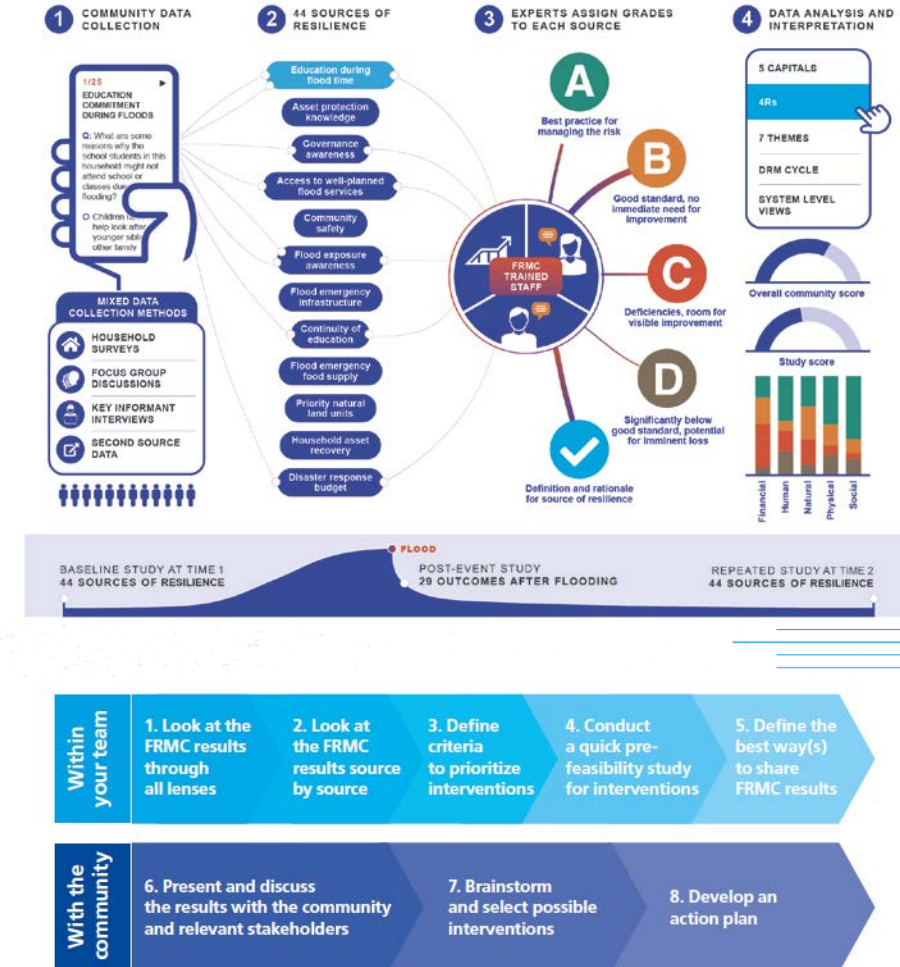
How do we implement solutions?

The FRMC measures 44 indicators

Based on interactive discussions of the measurement results with the communities and stakeholders, we establish a community action plan:

- ✓ Builds flood resilience where the community needs it most
- ✓ Enhanced cost-benefit / utility and feasibility analysis
- ✓ Principles of CSRID*, no regret, do-no-harm with priority of NBS and non-grey approaches and co-benefits (“triple resilience dividend”)
- ✓ Is based on Zurich’s Risk Assessment approach

*CSRID: climate-smart, risk-informed development



Source: Zurich Flood Resilience Alliance
FRMC training documents

1 COMMUNITY DATA COLLECTION

1/25

EDUCATION COMMITMENT DURING FLOODS

Q: What are some reasons why the school students in this household might not attend school or classes due to flooding?

- Children need help look after younger siblings or other family

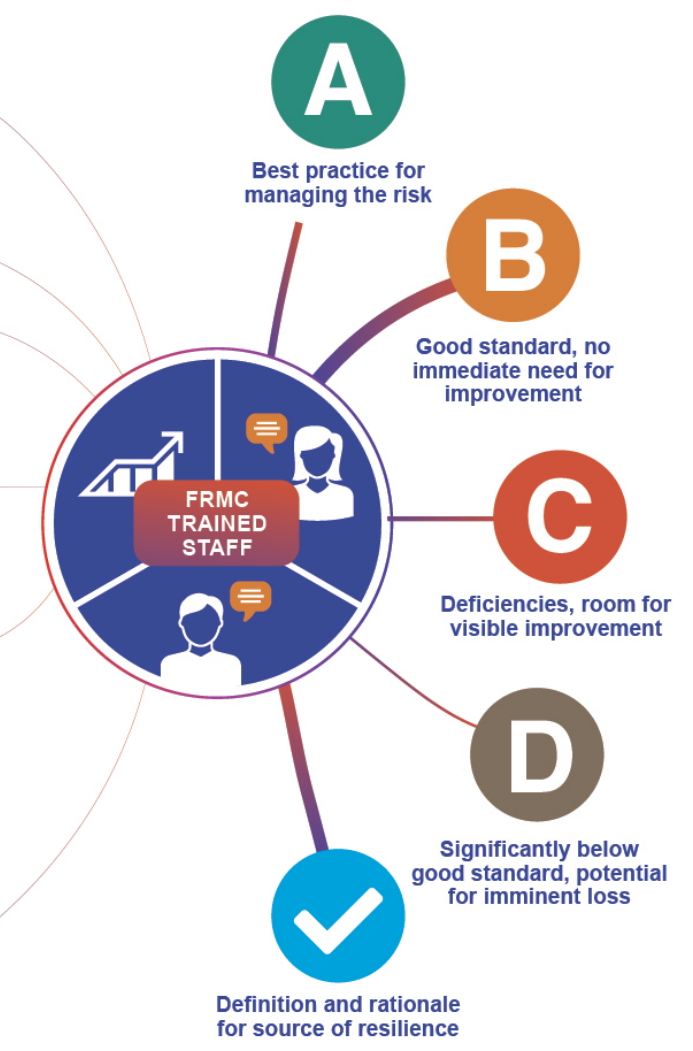
MIXED DATA COLLECTION METHODS

- HOUSEHOLD SURVEYS
- FOCUS GROUP DISCUSSIONS
- KEY INFORMANT INTERVIEWS
- SECOND SOURCE DATA

2 44 SOURCES OF RESILIENCE

- Education during flood time
- Asset protection knowledge
- Governance awareness
- Access to well-planned flood services
- Community safety
- Flood exposure awareness
- Flood emergency infrastructure
- Continuity of education
- Flood emergency food supply
- Priority natural land units
- Household asset recovery
- Disaster response budget

3 EXPERTS ASSIGN GRADES TO EACH SOURCE



4 DATA ANALYSIS AND INTERPRETATION

5 CAPITALS

4Rs

7 THEMES

DRM CYCLE

SYSTEM LEVEL VIEWS

Overall community score

Study score

Financial Human Natural Physical Social

BASELINE STUDY AT TIME 1
44 SOURCES OF RESILIENCE

FLOOD

POST-EVENT STUDY
29 OUTCOMES AFTER FLOODING

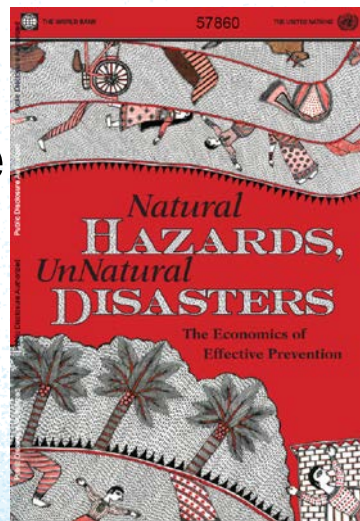
REPEATED STUDY AT TIME 2
44 SOURCES OF RESILIENCE

Solutions the Alliance can offer

Our Post Event Review Capability (PERC)

- ✓ A unique forensic methodology
- ✓ Unbiased event-level learning
- ✓ Understanding why events become disasters
- ✓ We provide practical recommendations for the future

<https://openknowledge.worldbank.org/handle/10986/2512>



Solutions the Alliance can offer

Flood Resilience Portals for cross-cutting knowledge sharing

Knowledge from the Alliance and beyond on how to build community resilience published on the Alliance's online portals:

Global

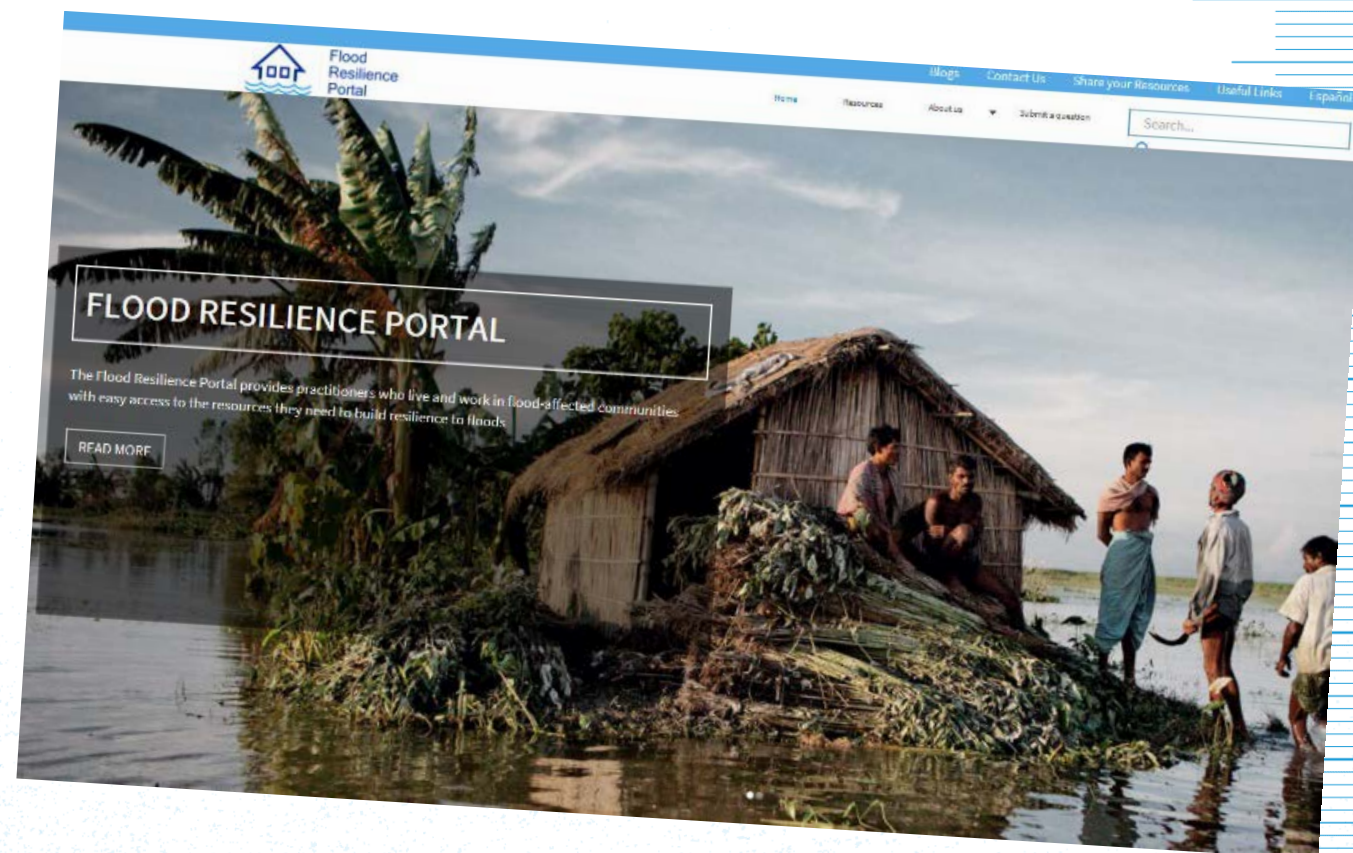
<http://floodresilience.net/>

Latin America

<https://infoinundaciones.com/>

Nepal

<http://floodresilience.net.np/>



Why is Zurich as private sector representative engaged in this endeavor?

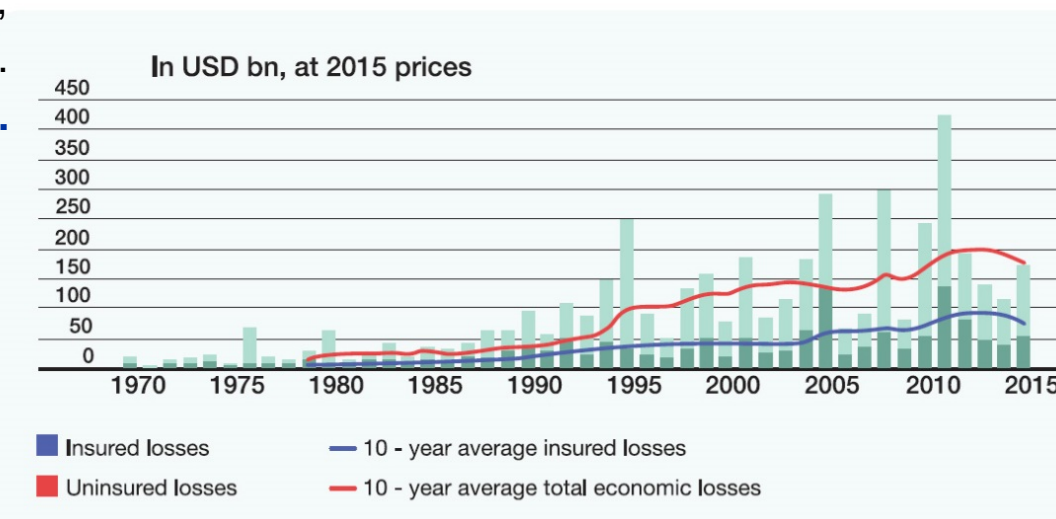
Flood risks are increasingly interconnected and interdependent. **Skills-based partnerships between humanitarian, academic and private sector.**

Every USD 1 invested in prevention saves on average USD 5 in future losses, but only 13% of aid spending goes into pre-event resilience and risk reduction. **We need to make the shift from ex-post to ex-ante using right incentives.**

Investments to risk reduction or climate-proofing should not be seen as a competition to development money. It is not either-or but AND. **We ask that any new development is climate-smart and risk-informed.**

There is a USD 125 billion NatHaz protection gap, due in part to lack of evidence of “what works” – and few incentives and regulations to encourage ex-ante investments at all levels of society. Selling insurance is the tail-end solution to the protection gap problem, not the front-end solution. **The Insurance Industry can support achieving risk reduction of total economic risks, not just the insured proportion.**

Economic versus insured catastrophe losses, 1970–2015



Source: Climatewise 2016

Role of the insurance industry – what Zurich is doing

As a donor / program supporter (Zurich Flood Resilience Alliance example):

- long-term, flexible, impact-oriented funding
- Active participation in a topic with skills and experience – provide systems-view for programming
- Advocate, work with other donors

As an investor (our Responsible Investment example):

- Resilience bonds – support development
- Increase participation as an impact investor and invest thematically, e.g. addressing water scarcity
- Divest from areas incompatible with SDGs

As an insurer (examples as part of our Sustainability Strategy):

- Committed to SDGs and 1.5° future
- Principles of ESG underwriting incl. water-relevant aspects (dam construction, mining) – working actively with our customers
- Support society to reduce total economic cost of risk beyond insurance transaction; knowledge-sharing



Any Questions?

In partnership
with:



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