



Terms of Reference

G20 Sustainable Finance Working Group

June 2021

BACKGROUND

Launched in 2016 during China's G20 presidency, the **Green Finance Study Group** was mandated to identify institutional and market barriers to green finance and options to enhance mobilization of private capital for green investment. In 2018, under the Argentinian Presidency, its remit was expanded to consider additional aspects of sustainable development and the group was renamed **Sustainable Finance Study Group** (SFSG).

While the share of assets contributing to sustainability has considerably increased, barriers remain to scaling up sustainable finance. The multiplication of sustainable finance initiatives and different approaches and tools has created a fragmented landscape, which hinders progress in mobilizing sustainable financing for the global climate agenda and the Sustainable Development Goals. The COVID-19 crisis has also highlighted the urgent need to better address sustainability risks, including those related to climate, environment, biodiversity, economic and social issues. Public sector engagement and policies, including climate finance mobilized from public and private sources by developed countries, have the potential to help foster orderly and just transitions and catalyse sustainable private finance.

In order to provide a forum for G20 leadership on the mobilization and alignment of finance to support achieving the goals of Paris Agreement and 2030 Agenda, while taking into account countries circumstances, the Italian G20 Presidency proposed to re-establish the SFSG.

On 25 February 2021, G20 Finance Ministers and Central Bank Governors (FMCBGs) welcomed the reestablishment of the SFSG. On 7 April 2021, on the occasion of their second official meeting of 2021, FMCBGs agreed to upgrade it into the **Sustainable Finance Working Group** (SFWG), in full recognition of the increased G20 ambition to promote sustainable finance.

The Italian G20 Presidency invited China and the United States of America to co-chair the Group and the United Nations Development Programme to serve as its Secretariat.



OBJECTIVES AND FOCUS

On 7 April, G20 FMCBGs concurred that *“tackling climate change and promoting environmental protection are increasingly urgent for our economies and societies”*¹. They also acknowledged that *“mobilizing sustainable finance is essential for global growth and stability and for promoting the transitions towards greener, more resilient and inclusive societies and economies”*.

With these priorities in mind, FMCBGs *“welcome the re-establishment of the Sustainable Finance Study Group, which we are upgrading to a working group, and we look forward to its work, for 2021, on developing, in a collaborative manner, an initial evidence-based and climate-focused G20 sustainable finance roadmap, improving sustainability reporting, identifying sustainable investments, and aligning International Financial Institutions’ efforts with the Paris Agreement”*.

The SFWG will identify barriers to sustainable finance and develop voluntary and inclusive options for aligning financing and policies to the goals of the Paris Agreement and Agenda 2030. The SFWG acknowledges that countries are at various points in their growth trajectories and avoids one-size-fits-all approaches. The SFWG recognizes the importance of analysing the impact of climate change and de-carbonization measures on growth and employment. Although focusing initially on climate in 2021, the SFWG will remain open to address other sustainability risks, such as nature, biodiversity, water and social-related ones.

The SFWG will collaborate with other G20 groups, relevant international organizations², knowledge partners³ and external initiatives. The design of the SFWG work programme will aim to avoid duplication of work with other G20 work streams and other international work related to sustainable finance. The SFWG will also engage with the private financial community to benefit from its expertise and experience.

The Co-Chairs are responsible for leading the work program and activities, in coordination with the G20 Presidency, and with the support of the Secretariat.

¹ Ministers and Governors also agreed that *“shaping the recovery provides a unique opportunity to develop forward-looking strategies investing in innovative technologies and promoting just transitions toward more sustainable economies and societies, with particular attention to the most affected segments of the population and in line with the Paris Agreement. We look forward to discussing how to better coordinate and deliver such strategies to achieve our shared agenda. We encourage international organizations to monitor recovery strategies and provide further analysis on the impact of climate change and de-carbonization measures on growth and employment, in line with their respective mandates”*.

² For 2021, the following International Organizations are invited to the SFWG: IMF, WB, OECD, FSB, UN, BIS, IOSCO, IFC, GIH, FAFT, G24, AIIB, EBRD.

³ Since the first establishment of the Sustainable Finance Study Group in 2016, the work of the Group has benefitted from the expertise and received inputs from a selected number of knowledge partners. In 2021, knowledge partners include IOSCO, IPSF, UN DESA, OECD, IFRS, ADB, FC4S, UNEP among others, and a range of additional international and private sector organizations that will be consulted on the roadmap.



Key deliverables:

In 2021, the key deliverables of the SFWG will be a Roadmap for Sustainable Finance and a Synthesis Report (see Annex for 2021 deliverables and timeline).

The Roadmap

The SFWG will develop, in a collaborative manner, an evidence-based multi-year G20 Roadmap for Sustainable Finance, with an initial focus on climate in 2021. The roadmap will articulate current and planned international work that helps promote sustainable finance. It will consider relevant challenges, gaps and barriers hampering the ability of the financial system, including the transition costs faced by different countries and population groups, as well as concrete global partnership to support sustainability goals. The roadmap will also consider key actions to address the challenges identified. The roadmap will not include binding policy guidance and will consider country-specific circumstances and available financial and technological resources. The roadmap will allow for flexibility, as priorities will evolve over time. The roadmap will be developed by the SFWG members through an inclusive drafting process.

Starting from 2022, the SFWG will annually report progress against the roadmap in the Synthesis Report. It will also further elaborate the roadmap, adapting it to cover sustainability topics beyond climate change. The roadmap will be updated in line with international priorities and as defined by the G20 Presidency, the Co-Chairs and the G20 Members.

Starting from 2022, an annual workplan will be discussed and finalised at the first meeting of the year.

The SFWG will solicit input papers and contributions from knowledge partners. The SFWG will provide feedback on the draft papers before their finalization. The input papers and contributions received by SFWG will feed into the Synthesis Report, which the SFWG will draft with the support of the Secretariat. The Synthesis Report will be finalized ahead of the October meeting of G20 FMCBGs.



ANNEX: KEY DELIVERABLES AND TENTATIVE AGENDA FOR 2021

KEY DELIVERABLES FOR 2021

1. Roadmap for Sustainable Finance, starting with climate in 2021 – October 2021.
2. SFWG Synthesis Report – October 2021, covering three priority areas for focused work in 2021:
 - i. Overcoming informational challenges by improving sustainability disclosure and reporting.
 - ii. Improving compatibility of approaches to identify, verify and align investments to sustainability goals.
 - iii. Role of International Financial Institutions in supporting the goals of the Paris Agreement.

TENTATIVE AGENDA FOR 2021

Event	Meeting Agenda	Date
1st SFWG meeting	Discussion and agreement on the SFWG Agenda priorities	March 26
G20 Sustainable Finance Private Sector Roundtable	Private sector technical event on SFWG Agenda priorities	May 17 and 18
2nd SFWG meeting	Discussion of interim roadmap report, and draft input papers	June 18
3rd SFWG meeting	Discussion of full draft roadmap and draft synthesis report	July 27
4th SFWG meeting	Final negotiation of the synthesis report (executive summary) and roadmap	September 17