



Fourth G20 Sustainable Finance Working Group Meeting Varanasi, 13-14 September 2023 Co-Chairs' and Presidency Summary¹

Introduction

The fourth G20 Sustainable Finance Working Group (SFWG) meeting was held on 13th and 14th September 2023 in Varanasi, Uttar Pradesh. The G20 Presidency, led by Ms. Geetu Joshi, and SFWG Co-Chairs, Mr. Adam Wang-Levine and Mr. Wang Xin, welcomed the delegates from G20 countries, guest countries and International Organisations (IOs).

The meeting started with an introductory session for various jurisdictions to present highlights of their progress in implementing the G20 Sustainable Finance Roadmap (Roadmap). In the next five sessions, various member countries, IOs and invitees presented the progress made on five Focus Areas (FAs) of the Roadmap. The last session was dedicated to finalise the 2023 G20 Sustainable Finance Report and the Report was put up for adoption.

Introductory Session:

The Presidency began the meeting with opening remarks, followed by the Co-Chairs' opening remarks. The Presidency and Co-Chairs commented that G20 Leaders have endorsed SFWG deliverables in the New Delhi Leaders' Declaration, and among other things highlighted that SFWG has kept its priorities and recommendations consistent with the Roadmap.

The head of the SFWG Secretariat initiated the session by presenting on the G20 SFWG's progress tracking. He outlined the scope of progress tracking, which includes the implementation measures taken by member countries and IOs, both independently and collectively, as well as by non-member countries.

In the first part of his presentation, he displayed how current and previous SFWG recommendations align with various FAs of the Roadmap, highlighting the FAs where the least progress has been made. In the second part, he moved on to the data from the SFWG dashboard that showcases the progress made by jurisdictions under various FAs. He emphasised that the metrics used in this initial study reflect

¹ This summary does not seek to present a consensus view, but reflects diverse feedbacks expressed by members during the meeting.

the number of measures that align with the Roadmap but do not necessarily capture the quality of content delivered or the impacts stemming from these measures.

This presentation was followed by a tour-de-table to garner an initial set of reflections from all the meeting participants on the various documents such as the progress report or the questions to be discussed over the meeting. Members, invitees, and IOs shared their efforts to enhance sustainable finance in line with the Roadmap in their jurisdictions. It included sharing a wide variety of views on subjects such as strategies to mobilise green finance, views toward the adoption of the ISSB standards, capacity building efforts, methodologies for comparing ESG ratings, and climate indicators for economy-wide stress tests, among others.

In response to the Secretariat's presentation, several members suggested that further work to examine the content of the measures taken in alignment with the Roadmap may be helpful. One member noted that the Roadmap is a living document and tracking efforts against it is crucial, yet there are data constraints, and that the SFWG should decide collectively on how to best address these gaps. Other members proposed a sub-group, to be convened by the Secretariat, to collate all these measures and identify what data should be collected to understand the impact of these measures, as well as to further standardise progress tracking and reporting to gauge how governments find the reports useful in guiding their efforts. Members also suggested that the gap analysis presented by the SFWG Secretariat should be incorporated into the progress report, and also urged that the report should extend beyond tracking measures taken by the IOs and include progress submitted by jurisdictions.

Session 1 - Presentations and discussion on the progress on Focus Area I: Market Development and Approaches to Align Investments to Sustainability Goals

The Secretariat initiated the session with opening remarks regarding the total number of activities reported by IOs under FA 1, noting that this area has been reported more comprehensively compared to other FAs.

The Government of Japan presented on "Transition Finance Frameworks and Initiatives in Japan" and underscored the importance of financing high-emitting industries in ways that assist their transition towards lower emissions. The presenter noted that Japan's strategy uses an entity-based approach and leverages key tools such as disclosure, taxonomy, and financial development to align financial flows with the climate transition, especially in hard-to-abate sectors.

Mexico's Ministry of Finance presented its "Sustainable Taxonomy" to mobilise resources for sustainable activities, which, in addition to environmental goals, seeks to address social issues like economic and gender inequalities. This framework was developed over 2.5 years with input from 100+ stakeholders.

The International Platform on Sustainable Finance (IPSF) presentation on "Activities in 2023 related to the Roadmap" detailed its efforts to compare and enhance interoperability of Sustainable Finance taxonomies globally through the Common Ground Taxonomy initiative. IPSF also presented on their multi-year transition finance work program to support implementation of IPSF 2022 Transition Finance principles and G20 Transition Finance Framework, which overall aims to provide a solid foundation for Transition Finance strategies and cross-border impacts.

The Institute of International Finance presentation on “Triangulating the Transition: Planning, Policy and Priorities for Financial Institutions” emphasised the challenges faced by private financial institutions in planning for the transition to a net-zero economy. Highlighting the risk of global fragmentation and greenwashing, the presentation stressed the importance of creating robust pro-growth policy frameworks and setting clear science-based climate goals to support the transition and overcome decarbonisation barriers.

Member Comments: Some members highlighted the challenges in translating government-level climate transition plans into firm-level plans across different jurisdictions, especially for Micro and Small Enterprises (MSEs). Members also showcased their capacity-building initiatives like e-learning courses, online tools, and translation devices to help financial agents and SMEs understand evolving taxonomies, sectoral pathways, and other alignment approaches, aiding in navigating short and medium-term transitions.

Fragmentation of alignment approaches was identified as a significant issue, with a suggestion to promote interoperability among approaches to mitigate this. The inadequacy of financed emissions as a metric for appropriately describing transition-related efforts was highlighted.

Emphasising the significance of sectoral pathways for transition planning and finance, the discussion reflected a need for more region-specific considerations in these pathways for effective client engagement and on-ground implementation. This emphasis on local adaptability alongside global coordination underlined the multi-faceted approach needed for effective transition finance across different regions and sectors, which underscored the importance of G20 as a conducive forum for globally credible transition planning while ensuring local usability and actionable plans. One member proposed using future side events to delve deeper into taxonomies and other alignment approaches at the local level to understand and overcome region- or sector-specific challenges.

Session 2: Presentations and discussion on the progress on Focus Area 2 of the Roadmap – Consistent, comparable, and decision-useful information on sustainability risks, opportunities and impacts

The Secretariat initiated the session with introductory remarks on the developments of disclosure frameworks, particularly, the release of final general sustainability and climate standards of the International Sustainability Standards Board (ISSB) and the forthcoming framework of the Task Force on Nature-Related Financial Disclosures (TNFD).

The Beijing Institute of Finance and Sustainability presented on “Mobilizing Financial Support for Nature and Biodiversity” The speaker discussed the tools and databases utilised for decision-making to mitigate negative impacts. The focus was on accounting for biodiversity risk and fostering positive support for financing through taxonomy and innovative financial products.

The European Commission presented on “The European Single Access Point (ESAP): a centralised digital access to EU sustainability-related information”. ESAP is a platform which serves as a data repository for the information that companies are mandated to disclose under EU laws, including the EU’s mandated sustainability-related reporting. The speaker elaborated on the use of ESAP as a centralised search engine, facilitating digital use and re-use of information.

The FSB presented on “Update on Climate-Related Disclosures and further progress on the FSB Climate Roadmap” reporting on the advancements around the four blocks of the FSB’s Roadmap for Addressing Financial Risks from Climate Change: data, disclosure, vulnerabilities analysis, and supervisory and regulatory practices. The core message conveyed was the necessity for consistent and

comparable data to inform risk management strategies, and to monitor climate-related risks to financial stability on a global scale.

IOSCO presented on “IOSCO’s endorsement of the ISSB Standards - methodology, objectives and next steps”. The presentation covered the rationale behind IOSCO’s involvement with the ISSB, the meaning of their endorsement, and the methodology used to evaluate the standards.

The speaker from the CDP presented on “High-Quality Mandatory Disclosure Across the G20: Taking Stock and Emerging Best Practice”. This presentation elucidated the state of environment-related financial disclosure across the G20 and identified the gaps in the data disclosure landscape.

Member Comments: A member expressed appreciation for the release of the ISSB standards, work of the TNFD and the merit in linking TNFD’s work with that of ISSB’s to prevent fragmentation. Another member noted the importance of analysing the methodology of developing such disclosure frameworks to ensure that frameworks consider country specific circumstances and do not rely solely on the established best practices of any single country or company. One member shared their experience with implementing the TCFD, noting the embedded proportionality and recognising that there are learning curves to implement such frameworks, and that regulation is only valuable if it is implementable.

Session 3: Presentations and discussion on the progress on Focus Area 3 of the Roadmap – Assessment and management of climate and other sustainability risks

The Secretariat commenced the session by emphasising the importance of the tools used in assessing and analysing climate-related financial risks and their impact on the financial system.

The speaker from the Official Monetary and Financial Institutions Forum (OMFIF) presented on "G20 progress on climate risk assessment and supervision". He introduced the OMFIF’s Sustainable Finance Policy Tracker, which examines work from 25 jurisdictions on 13 sustainable policy themes, including climate stress testing and disclosure requirements. He presented the key considerations surrounding these themes for the jurisdictions.

The speaker from the South African Reserve Bank (SARB) delved into "The SARB's Climate Change agenda and the management of climate-related financial risks". She outlined the climate change risks faced by South Africa, categorising them into physical and transition risks. These risks, she explained, have a direct bearing on the central bank's mandate. She also detailed the steps taken to identify the financial risks to monetary stability emanating from climate change.

The speaker from the Reserve Bank of India shared insights on the "Regulatory Initiatives on Climate Risk and Sustainable Finance". He explained the central bank's regulatory efforts aimed at increasing awareness and encouraging banks towards adopting climate-sensitive policies.

The representative from the Basel Committee on Banking Supervision presented their "Current work to assess and manage climate-related financial risks". She explained how the traditional risk categories within the Basel framework, such as credit, market, and liquidity risks, can be employed to capture climate-related financial risks.

The speaker from the Banca d'Italia presented on their "Sustainable Investment Strategy", explaining how the central bank has integrated ESG (Environmental, Social, Governance) metrics into its portfolio, all while accounting for the risk-return factor.

Lastly, the speaker from the Network for Greening the Financial System (NGFS) presented on “Capturing climate and nature related risks: The NGFS forward looking perspective”, focusing on three key activities of NGFS that provide the necessary forward-looking perspectives for conducting climate-risk exercises.

Session 4: Presentations and discussion on the progress on Focus Area 4 of the Roadmap – The role of IFIs, public finance and incentives

The Secretariat commenced the session with introductory remarks, emphasising the crucial role played by the IFIs in incentivising and unlocking private finance to facilitate an economy-wide transition.

The speaker from the Council on Energy, Environment, and Water, India, presented on "Financing the SDG for a just social, development, and climate transition," discussing the unlocking of private capital as catalytic finance to bridge the SDG finance gap. He emphasised on using policy to nudge markets towards innovative financial mechanisms.

The speaker from the United Arab Emirates delved into the "COP28 Presidency efforts on IFI Reform for effective climate action to meet the goals of the Paris Agreement." He stressed that reforming the climate financial architecture is a key priority for COP, and highlighted several initiatives undertaken to bolster the role of IFIs in meeting the goals of the Paris Agreement.

The speaker from the Asian Development Bank discussed "ADB's role in transition finance in the Asia-Pacific," focusing on the ADB's Energy Transition Mechanism as a replicable and scalable market-based model to help accelerate the transition from coal to clean power.

The speaker from the New Development Bank, in her presentation on "Joint-MDB Presentation on the Implementation Progress of the G20 Sustainable Finance Roadmap Focus Area 4," highlighted the Joint Methodological Principles. These principles provide technical guidance on how MDB's new financing operations can be structured to align with the Paris objectives.

Lastly, the speaker from the OECD presented on "Private climate finance mobilization," underscoring the need for rapid scaling of finance from all sources. She also emphasised reorienting public finance to more effectively crowd in and mobilise private finance, while supporting the enabling conditions for investment and developing project pipelines.

Session 5: Presentations and discussion on the progress on Focus Area 5 of the Roadmap - cross-cutting issues

The Secretariat commenced the session with introductory remarks, noting that financial innovation and digital technology have increased the efficiency of the financial system. However, there is further scope to leverage such technology to garner granular data to enhance financial decision-making as this Focus Area has seen the least amount of activity.

The speaker from the Bank of Indonesia presented on "Digital Solutions, Climate Financing, and Capacity Building." He explained a new law that expands the mandate of the central bank to supervise and develop the sustainable finance ecosystem. He mentioned various digital solutions being used by the central bank for reporting on green mortgages, carbon emissions data collection, and climate finance data collection.

The speaker from the World Bank Group presented on "Capacity Building & Technical Assistance," explaining the identification of capacity-building needs through their lending operations. World Bank

has addressed these gaps through training programs and online tools. However, she emphasised the need for better coordination between capacity-building efforts at various levels, such as the corporate and portfolio levels.

The speaker from the Monetary Authority of Singapore presented on “Enabling Sustainability Data & Disclosures through Green FinTech: Project Greenprint.” He explained the data value chain for sustainability data and disclosures, and innovative technology solutions for financial institutions and corporate transitioning to greener operations. He also discussed an interoperable digital utility for the origination, access, and orchestration of verifiable sustainability data.

The speaker from the BIS Innovation Hub presented on “Projects Viridis and Gaia.” Project Viridis integrates regulatory exposures and available climate data to assist supervisors with information on areas such as exposures to corporates, their carbon sinks, and transition risks. Project Gaia allows central banks to measure climate exposure and risk through a platform that facilitates working with publicly available climate-related reports.

Lastly, the speaker from the UNDP presented on “G20 Transition Finance Framework: A Preliminary Gap Analysis.” The analysis aimed to understand how different approaches are supporting a whole-of-economy climate transition, identify opportunities and gaps, draw general lessons on best practices, and support the design of policies and instruments. This analysis aims to enhance the applicability of the G20 Transition Finance Framework.

Session 6: Adoption of 2023 G20 Sustainable Finance Report and discussion on the implementation of the 2023 deliverables

In the final session, the 2023 G20 Sustainable Finance Report was presented for adoption. Members requested one more round of comments on the final report before it is circulated among them. Overall, the members agreed on the importance of Roadmap progress tracking exercise. Additionally, they suggested that the progress tracking report should also document actions by the jurisdictions. To increase effectiveness of the exercise, one member proposed that each jurisdiction report on the effectiveness of their efforts among members. To avoid duplication and unlock synergies, a member proposed sharing deliverables with other G20 working groups.

One member recommended creating a user guide for the dashboard to help understand its use case and navigation, and also to include a timestamp on the data entry by the jurisdiction to reflect the recency of the information, alongside facilitating offline access and download of the information. A member pointed out that for the Roadmap to be effective, additional support needs to be extended to developing countries. The idea of adding progress updates by member countries was supported by the members overall. However, one member emphasised that this should be done while adhering to the principle of volunteerism and accountability.

Members also suggested that the full progress report should be published, and compendia should be annexed to the report.

The final meeting under the Indian Presidency concluded with a presentation by the incoming Brazilian Presidency on their agenda priorities for the year, as given below:

- Optimisation of International Sustainable Financing Architecture: enhancing accessibility to multilateral climate funds and mobilising private capital.
- Acceleration of Financing for a just transition in the agriculture sector.
- Discussing the challenges and benefits of sustainability reporting.

The Presidency along with the Co-Chairs thanked the delegates for their attendance and active participation in the final SFWG meeting held under India's Presidency. They appreciated the collective efforts made by the delegates towards achieving consensus on the deliverables for the identified priorities and advancing the shared vision of the SFWG throughout the year. Their commitment and engagement were acknowledged as instrumental in pushing forward the agenda of sustainable finance and helping in fostering a collaborative environment within the SFWG.