भारत 2023 INDIA

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Second G20 Sustainable Finance Working Group Meeting
Udaipur, 21-23 March 2023

G20 Workshop on Enabling Finance for Sustainable Development Goals

The G20 Sustainable Finance Working Group under India's Presidency organized **G20 workshop on enabling finance for the Sustainable Development Goals**. The workshop was welcomed by all members. It presented a unique opportunity for delegates to gain deeper insights and engage in practical conversations regarding financing for SDGs with a wide range of stakeholders, including the public sector, private sector, IOs and academia. Speakers shared a wide range of views on and priorities for social impact investing and nature-related financial information.

The workshop was organised in the following 3 sessions, preceded by a keynote:

- Session I: Developing an Analytical Framework for Enabling Finance of Select SDGs
- Session II: Social impact financial instruments
- Session III: Reporting and data on nature-related financial information

This note captures key messages voiced by speakers and summarizes the workshop's main outcomes. The workshop's agenda, including further details on speakers, is provided in an annex.

Keynote Address

The keynote speech was delivered by Marcos Neto, Director for the Sustainable Finance Hub, United Nations Development Programme (UNDP). Speaking in his address in his capacity as a Director of the UNDP and not on behalf of the SFWG Secretariat, Neto highlighted key global challenges - the ongoing COVID-19 pandemic and climate change, all underscoring the pressing need for SDG financing. The presentation drew attention to the UN Secretary-General's SDG Stimulus Plan's key elements, including leveraging Multilateral Development Banks, reforming the international financial architecture, and aligning lending policies with the SDGs and climate goals. Neto commended the G20 SFWG on their efforts to develop an analytical framework to support the implementation of the G20 Sustainable Finance Roadmap which encompasses all SDGs. In addition, Neto mentioned that this framework could serve as a significant catalyst for the success of the SDG Stimulus Plan and also inform the implementation of Integrated National Financing Frameworks (INFFs[1]), which support governments' efforts to finance their SDG action.

Session I: Developing an Analytical Framework for Enabling Finance of Select SDGs

Dr. Ma Jun, as the moderator, introduced the session and emphasised that there is general consensus that financing for non-climate SDGs is falling behind. Dr. Ma Jun asserted that Green, and Sustainability bonds, have been largely allocated for climate related projects. Sustainable bonds, including Green, Social, Sustainability, Sustainability-Linked and Transition themed bonds, annual issuances have reached more than $1 trillion in 2021[2], demonstrating that substantial progress has been made in developing an ecosystem for financing climate positive activities. However, private financing has flowed less into non-climate SDGs than other categories. In this context, Dr. Ma Jun welcomed the SFWG's development of an analytical framework to support the implementation of the G20 Sustainable Finance Roadmap, which encompasses all SDGs.

The speaker from the Global Alliance for Banking on Values (GABV) emphasised three main opinions about impact investment:

- Impact investment cannot be considered only in the short-term. Taking long-term considerations into account is important. Investors should seek out initiatives that are transformative and that can scale.
- Investors have insufficiently invested in some SDGs, sectors, and regions which are not attracting enough funding to reach the 2030 Agenda goals.
- Impact investors could work with MSME finance banks or MDBs that can provide a comprehensive assessment of relevant investment opportunities. Reporting is also key to support investors' selection, but MSMEs may struggle to provide data. Hence the importance of clarity in the definition of metrics, which look beyond just the impact desired but also consider other potential positive or negative impacts on society.

The speaker from Pensions for Purpose stated that, in relation to social impact disclosure, there is a need for capacity building and streamlining. One speaker noted that increased awareness, capacity building and public private collaboration with elements of innovation is also needed.

Acumen's India Country Director stated that the global estimation of the impact investment market reached around $1 trillion[3] in 2022, $11 billion of which has been invested in India. The speaker also emphasized that there should be a shift in narrative around social impact investment, and that it is crucial to treat end-consumers of social impact investments as consumers rather than as beneficiaries. The primary tool that has been used for such investment is the venture capital model, but it is not necessarily the best model in all circumstance or for all enterprises. The speaker highlighted that there is also a need

[1] INFF is a tool to implement the Addis Ababa Action Agenda at the country level. It lays out the full range of financing sources – domestic and international sources of both public and private finance – and allows countries to develop a strategy to increase investment, manage risks and achieve sustainable development priorities, as identified in a country's national sustainable development strategy.

[2] Sustainable Debt Tops $1 Trillion in Record Breaking 2021, with Green Growth at 75%: New Report, CBI, https://www.climatebonds.net/2022/04/sustainable-debt-tops-1-trillion-record-breaking-2021-green-growth-75-new-report

[3] GIINsight: Sizing the Impact Investing Market 2022

for “humble honesty” within the community of impact investors as returns on early-stage social impact investments are often lower than market returns.

Speakers also emphasized the need for governments to create an enabling environment in which social impact investors are appropriately protected and incentivized. One speaker noted the need to “monetize social impacts,” so that positive impacts may be counted in return calculations, and incentivize social impact investments, including through vehicles and tools that can attract more private capital. One speaker emphasized that there is still a need to shift typical thinking about socially-aligned investments, which are usually seen as charity or philanthropy; rather, there is a need to integrate social impact into mainstream investment, and to acknowledge that investments may not necessarily have lower returns when positive social impacts are factored into return calculations.

A representative from Aviva Investors Sustainable Finance Centre for Excellence highlighted that impact investing cannot solve social issues overnight. A gradual transition of investments is required to simultaneously deliver investors financial expectations and generate positive social outcomes. To do so, several obstacles were cited, including the dearth of data and standardized metrics, the risk of compartmentalizing SDGs, and systems design challenges involving both market practice and targeted regulations. The speaker opined that there is a need to design a system that promotes social outcomes and also recognizes that there are social elements to all of the SDGs. This systems design could help to create an enabling environment to incentivize greater social impact investing alongside other forms of SDG aligned investing.

Representative of The S Factor advocated for a global framework for social impact investing that takes a double materiality approach, considering both risk and impact. One speaker suggested that “impact washing” should be addressed through greater transparency and accountability on risk and impact. To aid investors in financing SDGs, another speaker called for a framework for data and reporting.

Speakers noted that there is a lack of shared understanding of proper and credible definitions of socially- and nature-positive activities. There is also limited shared understanding of standards for social or nature-related impact and risks or a set of financial products that can channel large-scale private sector financing to social impact and nature-related areas. One speaker noted that there is a need for more clarity on the recyclability of social or nature-related funding and investment alignment.

Session II: Social impact financial instruments

Speakers highlighted the importance of acknowledging that government budgets alone cannot address social challenges due to the scale of the financing gap, which varies depending on region and market infrastructure. Speakers emphasized the important role of governments, as well as the importance of data and reporting. They also expressed that it is critical to consider social impact as part of every investment decision.

Social impact investments have grown substantially in the past years. However, speakers noted that there is still a need for better understanding of existing financial instruments for social impact investment and standards, as well as metrics and methodologies for impact management and reporting.

- Some speakers suggested that a social taxonomy could be a useful tool. According to speakers sharing this view, it is important for social impact investment taxonomies to include not just a list of eligible sectors but to have granularity and clear criteria to understand what makes significant impact and then measuring and monitoring that impact.

- The representative of the Global Impact Investing Network also discussed building an infrastructure for investors to assist in their decision-making processes; if an investor can track social impact outcomes, they can make business decisions accordingly. It is also critical for investors to understand how to measure impact performance using, for example, readily available and comparable metrics or benchmarks.
- The representative from Impact Investment Exchange noted that it is important to take a data-driven approach to impact assessment and foster transparency to maximize impact. Standardised data is an enabler and must be robust enough, balancing accessibility and simplicity.

According to a representative of Global Steering Group for Impact Investment, government budgets and philanthropic efforts alone cannot meet the significant SDG financing gap. There is a need to transform the way in which investment and capital is allocated across all assets in all countries to address environmental challenges. Further, this speaker noted that there is a need for integrating impact into risk-return financial models and to foster transparency and accountability through global standards for both climate and social outcomes that are relevant to developed and developing economies.

One speaker noted that most impact investments remain in private markets. Institutional investors, including pension funds, hold significant pools of capital around the world, including in geographies where social and environmental challenges are more profound. However, such institutions are inherently risk averse, and often conservative to take up new and unfamiliar instruments. There is also a growing use of impact investing instruments in public markets. Here, governments have a crucial role to play to create and facilitate an enabling environment to support social impact investing. Governments in particular can play a critical role, when appropriate, to take on an appropriate level of risk in blended finance mechanisms, including through guarantees, to leverage and encourage private markets and investors.

According to the representative of Aavishkaar Group, blended finance as a tool has emerged to support the creation of unique instruments to attract private capital in more complex and challenging areas as well as to support entrepreneurship. Blended finance can help mainstream socially-aligned investments, and in this, public, philanthropic, and private capital all can play key roles.

The representative from Impact Investment Exchange highlighted the importance of using a gender lens for impact investing, as women may have an edge due to their proximity to social issues and are well positioned to solve them. The representative emphasized that this makes a strong case for investing in gender equality more broadly. For instance, in countries like India, women are at the forefront climate adaptation efforts. Therefore, social impact investing can act as a powerful tool for democratizing the conventional financial markets and channelling finance to social SDGs.

Session III: Reporting and data on nature-related financial information

Nature and biodiversity are integrated with other SDGs such as climate actions, poverty, and gender equality. Speakers advocated for integrating nature considerations into core investment decision making processes, which could help to close the financing gap for nature and biodiversity. Data and reporting forms a key step towards this goal, and while there are currently data gaps in nature and biodiversity reporting, multi-stakeholder engagement could help improve data and reporting and potentially help address biodiversity loss.

According to the representative from TNFD, nature-related reporting is an opportunity to incorporate nature into financial system operations. In addition to transparent reporting, TNFD advocated for embedding nature along with climate and other issues into the core decision-making processes for businesses and financial institutions.

TNFD highlighted that with regard to the issue of data gaps for nature and biodiversity, it is essential to improve data coverage, and the interoperability of datasets. Moreover, current debates are more focused on the benefits and trade-offs of various reporting approaches, while not enough importance is given to the training and capacity development needed to implement these frameworks.

The IFRS Foundation representative highlighted that its role is to develop sustainability-related standards to meet the needs of global investors. IFRS aims to equip global investors with high-quality information about the sustainability risks and opportunities of companies. Moreover, IFRS aims to enable companies to efficiently and effectively describe to global capital markets how they produce or obtain sustainability information and how they determine its materiality.

The IFRS representative noted that nature is covered in IFRS's draft general sustainability standards, IFRS S1, and, to some degree already in IFRS S2, its climate-specific standard. S1 requires companies to consider nature-related risks and opportunities and disclose them if material. The draft climate-related standard requires companies to consider nature-related variables when preparing disclosures on climate resilience and targets, if material.

The IFRS representative previewed that nature would be covered in two future IFRS workstreams: first, foundational work on the nature-climate nexus, by researching incremental enhancements to the S2 disclosure standard, and second, on transition planning. The IFRS is also looking at possible new research projects on biodiversity, ecosystems, and ecosystem services.

The representative from IUCN noted that biodiversity is particularly complex and the understanding of it is still evolving. The speaker noted that while gaps remain in the primary levels of biodiversity measurement and data, actions should not stop. Understanding the impacts of how economic and financial activities increase or decrease the threats to biodiversity is one way to assess how biodiversity is affected and is also a way to overcome data gaps at the primary level.

The IUCN representative also noted that there are already tools and datasets available that allow stakeholders to better assess their impacts and dependencies on biodiversity and nature. The speaker noted that dependencies and impacts are very much related.

The speaker shared that as stakeholders start using these tools and datasets, a better understanding of these risks, impacts, and dependencies can help accelerate action towards halting biodiversity loss and improving transparency.

The representative from the central bank of Netherlands (DNB) concurred that there is already a lot of available data on nature and biodiversity, and that the real challenge is to unlock it and manage its complexity and interpretation. Also, he noted that there is a need to improve the data, but in doing so, the focus should remain on the need to translate it into action. The speaker also noted that the DNB has conducted initial stress testing on nature-related risks.

The representative from the Securities and Exchange Board of India (SEBI) highlighted that in India, listed companies are reporting on climate as well as nature, including information related to forests and water security in their annual reports. The Business Responsibility and Sustainability Report (BRSR) framework of SEBI was introduced in 2021, replacing the existing Business Responsibility Report (BRR) in place since 2012. The BRSR has more than 400 data points that companies must report and is outcome oriented.

Many speakers noted that climate issues cannot be solved without addressing nature. Based on learning from climate action, speakers noted that delayed action for nature only makes them more costly and difficult. Thus, the real scarcity is not necessarily data but time. By starting early, setting clear targets, and showing how actors could act towards a common goal, climate, nature, and biodiversity targets can be achieved in time.

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Annnex

Date and Time: Wednesday 22 March 2023, 8.30-15.05 (UTC+5.30 IST)

Venue and Format: Radisson Blu, Udaipur, India (in-person), closed-door, moderated discussion

<table>
<tr><th>Time
(UTC+5:30 IST)</th><th>Topic</th><th>Duration</th></tr>
<tr><td>8.30 - 8.45</td><td>Welcome and Introduction by G20 Presidency and SFWG co-chairs</td><td>15 Minutes</td></tr>
<tr><td>8.45 - 8.50</td><td>Briefing on the organization of the meeting by the SFWG Secretariat (as moderator)</td><td>5 Minutes</td></tr>
<tr><td>8.50 - 9.05</td><td>Keynote: "Global Cooperation and Partnership for Financing the 2030 Agenda": Missing Links and Pathways Forward</td><td>15 Minutes</td></tr>
<tr><td>9.05 - 10.30</td><td>Panel I: Developing an Analytical Framework for Enabling Finance of Select SDGs

<u>Moderator</u>: Dr. Ma Jun, Founder and President, Institute of Finance and Sustainability

<u>Panellists</u>:
Adriana Kocornik, Senior Manager, Metrics and Research, Global Alliance for Banking on Values (GABV)
Mahesh Yagnaraman, India Country Director, Acumen
Bonnie Lyn de Bartok, Founder & CEO, The S Factor Co
Charlotte O'Leary, Pensions for Purpose
Thomas Tayler, Head of Climate Finance, Aviva Investors Sustainable Finance Centre for Excellence</td><td>1 Hour 25 Minutes</td></tr>
<tr><td>10.30 - 11.00</td><td colspan="2">Coffee/Tea Break</td></tr>
<tr><td>11.00 - 12.25</td><td>Panel II: Social impact financial instruments

<u>Moderator</u>: Eila Kreivi, Chief Sustainable Finance Advisor, European Investment Bank

<u>Panellists</u>:
Sebastian Welisiejko, Chief Policy Officer, Global Steering Group for Impact Investment (GSG)
Dean Hand, Chief Research Officer, Global Impact Investing Network (GIIN)
Natasha Garcha, Senior Director, Innovative Finance and Gender-lens Investing Specialist, Impact Investment Exchange (IIX)
Vineet Rai, Founder & Chairman, Aavishkaar Group</td><td>1 Hour 25 Minutes</td></tr>
</table>

12.25 - 13.25	**Lunch**	
13.25 - 14.50	**Panel III: Reporting and data on nature-related financial information** Moderator: **Annabelle Trinidad**, Senior Technical Advisor, Biodiversity Finance Initiative (BIOFIN) Panellists: • **Mardi McBrien,** Director Strategic Affairs, IFRS Foundation • **Sjoerd van der Zwaag,** Senior Sustainable Finance Officer, Dutch Central Bank • **David Craig**, Co-chair, Taskforce on Nature-related Financial Disclosures (TNFD) • **LI Zhigang**, General Manager, Credit & Investment Management Department, Industrial and Commercial Bank of China (ICBC) • **Delfina Lopez Freijido**, Co-lead of the Finance for Nature at the International Union for the Conservation of Nature (IUCN) • **Amarjeet Singh,** Executive Director, Securities and Exchange Board of India (SEBI)	1 Hour 25 Minutes
14.50 - 15.05	Concluding remarks by Co-chairs Concluding remark by G20 Presidency	15 Minutes

This brief has been prepared by the G20 presidency as a contribution to the SFWG it does not represent the official views or position of the Group nor of any of its members.