



Third G20 Sustainable Finance Working Group (SFWG) Meeting

27 July 2021

Co-Chairs' Summary¹

1. Introduction

The third G20 SFWG meeting was held on 27 July 2021 in a virtual format. The Italian G20 Presidency opened the meeting with a brief overview on G20 recent events and progress on the green agenda and on sustainable finance.

On 23 June, the G20 Finance Deputies' meeting, dedicated to the green transition, discussed the best policy mix to promote sustainable economies and the key role of the private financial sector. In that occasion, G20 Deputies recognized the pivotal role of the SFWG in developing a credible strategy at the G20 level. On 10 July, on the occasion of their third official meeting, held in Venice, the G20 Finance Ministers and Central Bank Governors (FMCBGs) were updated on the progress made on sustainable finance. They welcomed the SFWG's work and encouraged efforts to develop a comprehensive Synthesis Report and an ambitious Roadmap by the end of the year. In the margins of the FMCBGs' meeting, the Italian G20 Presidency hosted two successful events - the G20 High-Level Tax Symposium on tax policy and climate change on July 9th, and the International Conference on Climate Change on July 11th. Both events supported the G20 to continue promoting international coordination in sustainable finance, including through the work of the SFWG. Environment and development ministers also recently supported the SFWG work on aligning financial flows.

Concluding its welcoming remarks, the G20 Presidency recapped that SFWG work has been conducted in close cooperation with other G20 Working Groups as well as relevant external stakeholders, and that two workshops had been convened for that purpose prior to the 3rd SFWG meeting, of which one with the private sector, and one with G20 engagement groups. The Presidency also indicated that all efforts were being made to explore synergies with the Sherpa Track.

Following the introduction by the Presidency, the SFWG co-chairs from China and the US dived into the group's work and recalled the steps undertaken since the last meeting, that is, transitioning from information gathering to drafting deliverables and developing policy recommendations.

The co-chairs summarized the results of extensive stakeholder outreach that was conducted with the private sector, international organizations, networks, coalitions/groups, knowledge partners and G20 engagement groups, as well as from detailed Member feedback and comments to the Roadmap's notional structure presented at the 2nd SFWG meeting. Consultations have highlighted the amount of on-going work both by private and public stakeholders, and emphasized that the priority for the SFWG should be on the issues where the G20 can highlight, accelerate and further add value in terms of cross border cooperation and international coordination. Such emerging issues beyond those highlighted in the G20 Private Sector Roundtable include: the work to support market development and improve the interoperability of approaches to support the alignment to sustainability goals, the scaling up of private finance to support climate transition, the need to incorporate transition consideration into the various tools and approaches, the importance of international coordination on discussing the range of policy levers to price carbon, and the critical role of Multilateral Development Banks (MDBs) especially to leverage private finance. It has also been requested that the SFWG include broader sustainability issues in its future work, including biodiversity and nature.

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



In terms of the structure of SFWG deliverables, the co-chairs stressed the efforts exerted to take onboard the call for ambitious action-orientation in the Roadmap, and explained how the Roadmap and Synthesis Report related to each other. They specified that the Roadmap annex will map the work international organizations are doing to the action items in the Roadmap agreed upon by Members. The Co-chairs also mentioned that the goal is for G20 FMCBGs to endorse the Synthesis Report recommendations at the upcoming Ministerial in October. The recommendations from the Synthesis Report are reflected in the Roadmap, to help promote their implementation in the future. The co-chairs also stressed the need for capacity building to drive the agenda forward.

The meeting comprised of two sessions to present and discuss each SFWG deliverable for 2021, commencing with the Synthesis Report and followed by the G20 Sustainable Finance Roadmap.

2. *Synthesis Report*

The Co-chairs presented the draft Synthesis Report divided in three chapters, each one focused on one of the SFWG 2021 priorities: a/ Improving comparability, compatibility and interoperability of approaches to align investments to sustainability goals, b/ Overcoming Information Challenges by Improving Sustainability Reporting and Disclosure, and c/ Role of International Financial Institutions (IFI) in supporting the goals of the Paris Agreement and Agenda 2030. All chapters share the same structure, starting by a review of existing approaches, followed by the identification of current challenges, gaps and some of the best practices, and ending by proposing recommendations. The Synthesis Report will comprise these chapters plus an executive summary referencing the main recommendations, which will be finalized once Members provide feedback on the three draft chapters.

During the ensuing discussion, all members agreed on the overall good progress and relevance of the report. Some asked for flexibility in recommendations, recognizing that countries are at different starting points. Several members mentioned their support for a climate first but not climate only approach, and for the Synthesis Report to also cover biodiversity and social elements of sustainability.

In terms of structure, multiple members called for a more detailed description of the links between the Synthesis Report and the Roadmap, as well as for a clear ownership of recommendations, more precise and more concrete steps and milestones for the implementation and monitoring processes.

2.1 Improving comparability, compatibility and interoperability of approaches to align investments to sustainability goals

There has been a broad consensus on the recommendation to integrate transition finance into sustainable finance approaches, and a proposal to further elaborate on the challenges to incorporating transition considerations into tools like taxonomies and developing metrics, reporting and disclosures, and to feature transition finance prominently in the executive summary.

To enhance interoperability of alignment approaches (taxonomies, standards, labels, benchmarks, interim and transition targets, etc.), some members suggested to better articulate their roles and complementarities. Also raised was the need to monitor that alignment approaches do not represent a new barrier to access financing for emerging market economies and low-income countries. While there was an overall support to the proposed five principles for alignment approaches development, it has been suggested that further work could focus on establishing minimum standards and designing tools to allow for comparability instead of creating complex regional systems leading to operational difficulties. Some members also underlined the relevance of ESG ratings and the related need to focus on transparency and quality of data for the benefit of investors' choices

The topic of taxonomies had been widely discussed with an overall agreement on working towards using the same language across taxonomies for those jurisdictions that may choose to use them (e.g., using the same or easily comparable industrial codes). Several members suggested to better acknowledge on-going initiatives aiming at building a common ground of activities across taxonomies, including the work done by the IPSF.

2.2 Overcoming Information Challenges by Improving Sustainability Reporting and Disclosure



The building block approach was welcomed by nearly all members, some of which also called for building international standards with TCFD as a baseline.

The IFRS work was repeatedly stressed as essential for establishing a global baseline on disclosure, but several members argued for adopting the G20 FMCBGs July communiqué language and conditioned their support to clearer commitment of IFRS on its public oversight, accountability, and governance. Concerns were also raised on the overly strong focus of this chapter on private sector reporting initiatives and the work of the IFRS Foundations, and for more focus to highlight the role of public authorities with years of sustainability reporting experience.

While the relevance of an initial focus on climate was re-emphasized, many members encouraged tackling biodiversity, nature, and social issues quickly.

Members have different views on recommendation 5 regarding the voluntary nature of disclosure requirements. Several members expressed their support for this recommendation to be more ambitious, and some would like the SFWG to play a role in facilitating the transition to mandatory disclosures. Some members called for flexibility for jurisdictions to consider a gradual transition on reporting requirements, while others supported mandatory disclosure in the short-term by large companies while developing tailored strategies for SMEs in the medium term. There was common agreement on the need to explore benefits and challenges of sustainability reporting for SMEs and to consider ways to address them.

Members jointly recognized having high quality, consistent, and comparable data across jurisdictions and across sectors is critical to better understanding of sustainability risk and their linkages. It was raised that the challenge regarding ESG reporting and evaluation lies both in being able to understand the underlying information and methodologies and being able to compare across them.

2.3 Role of IFI's in supporting the goals of the Paris Agreement and Agenda 2030

Members broadly supported the challenges and recommendations identified in the Synthesis Report, especially on strengthening MDBs' role in mobilizing private finance to support the goals of the Paris Agreement. Members encouraged MDBs to enhance transparency in their alignment methodologies and accelerate the implementation of the joint MDB Paris alignment methodology. Some would like to see all MDBs set out their plans for increasing mobilization ahead of COP26, and called on the G20 to support this initiative.

Some members stressed the need to include, both in the scope of this chapter as well as in the G20 Sustainable Finance Roadmap, development finance institutions and development credit authorities beyond IFIs and MDBs. A too narrow climate focus was noted, hence a suggestion was made to expand the scope of the document so to embrace broader sustainability issues such as biodiversity, nature-based solutions, and the SDGs.

This session was closed by co-chairs who expressed their appreciation for the general support of the Synthesis Report and thanked members for their valuable comments. They cleared some structural and substantive remarks, including by committing to further elaborate on the linkages between the Roadmap and the Synthesis Report, consideration of experts groups to address priority issues such as transition finance and implicit and explicit carbon pricing discussions, and to keep working on clarifying and making recommendations more robust and actionable.

3. G20 Sustainable Finance Roadmap

The second session was opened by the Italian G20 Presidency, which noted that the Roadmap is a top priority in its agenda. The aim is to produce a multi-year, forward-looking Roadmap as an ambitious and comprehensive document that would guide, in the years to come, G20 action towards more sustainable markets, economies and societies. The Roadmap should also be evidence-based, respect country specificities and be flexible, so to be potentially adjusted as circumstances evolve.



The US co-chair mentioned that the purpose of the Roadmap is to help focus the attention of the G20 members, international organizations and other stakeholders to key priorities of the sustainable finance agenda and set out actions that should be taken over the coming years to address the G20 priorities identified in the roadmap. The Roadmap will also identify gaps where the G20's sustainable priorities are either not being robustly addressed or addressed at all, and therefore warrant further attention. The Roadmap will allow the G20 to leverage, support or otherwise highlight ongoing international work as needed to help advance work to address the Roadmap priorities. The U.S. co-chair explained that the Roadmap will incorporate the recommendations from the Synthesis Report each year. Furthermore, the Synthesis Report will report on the progress against the Roadmap each year, updating the progress of international organizations and the SFWG itself.

The US co-chair presented an overview of the notional Roadmap structure. The draft that was circulated to SFWG members ahead of the meeting proposes to focus on five key areas: (1) Market development and approaches to align investments to Sustainability Goals; (2) Consistent, comparable, and reliable information on sustainability risks, opportunities and impacts, (3) Assessment and management of climate and sustainability risks; (4) Leverage public finance, policies and incentives; (5) Cross-cutting issues (including digital technologies and transition finance). The U.S. co-chair also noted the role of the Roadmap Annex to map the relevant ongoing and planned international work identified through the group's stocktake exercise to the Roadmap Actions that this group has identified as G20 priorities, including the work of different climate-related G20 working groups.

During the discussion, members agreed on the overall good progress and relevance of the Roadmap. Multiple members stressed again the need to enhance the interlinkages between the Synthesis Report and the Roadmap

Some members requested allow for flexibility in implementation in recognition of the differences between jurisdictions and underscoring the importance of having voluntary, non-binding Roadmap actions.

Some members also asked that the Roadmap needs to set out clearer and more ambitious goals, include more concrete steps and assigned roles with a timeline and milestones for the implementation and monitoring processes. Members offered suggestions on different ways the SFWG could keep monitoring and pushing forward actions in the roadmap.

Additionally, several members recalled the importance of avoiding duplication with other international efforts, and asked for the Roadmap to show the interactions and complementarities with other initiatives such as the FSB Roadmap.

Several members suggested that the Roadmap include the full range of sustainability issues, meaning environmental, social, and governance (ESG) issues. Other members had different views on the timing of this inclusion, with concerns that if the scope was widened early on, it would risk the necessary momentum on climate finance. Several members strongly urged the Roadmap to prioritize transition finance and address its associated challenges as an explicit goal. This would consider its importance in achieving lower emissions economies, and the need to account the effects on local communities not benefitting from transitions and mitigation measures on adverse effects built into project structures.

Some members asked to include consideration of macroeconomic risks in the Roadmap. Members also suggested different strands of work related to fiscal issues, including phasing out fossil subsidies, integration of ESG risk into sovereign ratings, and cross-border carbon taxation. Some members advised that carbon pricing needed to be discussed in other fora before it is included in the G20 Roadmap. A limited number of members also mentioned that carbon pricing may be beyond the scope of the SFWG given the wide breadth of other priority areas and action items.

Several members supported the development of international financial reporting standards and improving coordination on sustainable finance taxonomies. They also recognized specific challenges faced by MSMSs in relationship to reporting and requested to strike the balance between the disclosure requirements and transaction costs associated with additional reporting.



A few members asked that the MDBs align their financing not with the Paris agreement goals but maintain focus on their development mandates while ensuring availability and accessibility for country-specific development support. Members also asked to strengthen the MDBs capacity to better leverage private sector resources to help expand green and sustainable finance framework in developing countries.

Members mentioned that one of the barriers to data is the missing infrastructure that ensures easy data access. This could be solved by an idea initially proposed under the Green Finance Study Group, i.e. a e-platform for relevant, publicly available environmental data strengthened by the right instruments for risk analysis.

4. Closing remarks and next steps

The co-chairs and the Italian G20 Presidency thanked participants for their participation, and invited them to submit written comments on both the Synthesis Report and the G20 Sustainable Finance Roadmap drafts by August 3rd.

Specifically, the co-chairs indicated that the Roadmap would be developed further, including by developing the Annex that will map international work of specific organizations to the action items in the Roadmap and adding relevant timelines for recommended actions. The draft Roadmap content will further be refined based on feedback from members to further highlighting issues that might require higher prioritization, both starting from 2021 (such as transition finance) as well as in the near future (such as biodiversity/SDGs), and/or to better referencing relevant work already being done by others (e.g. on analysis of macro-economic risks associated with climate change). For other issues on which no consensus currently exists among members, such as carbon pricing, alternative language and/or approaches would be proposed, also on the basis of the written comments by members.

In terms of process, a second draft will be developed following comments by members, to be then discussed at the fourth SFWG meeting (17 September). Ahead that meeting, the Presidency will host an extra meeting of G20 Finance Deputies (Naples, 13/14 September). There, a session will be dedicated to sustainable finance and Finance Deputies will have the opportunity to discuss the main features of the Roadmap and to provide inputs to the SFWG ahead of the finalization of the document.