



Third G20 Sustainable Finance Working Group Meeting Mahabalipuram, 19-21 March 2023

G20 Workshop on Transition finance, data and metrics for climate-aligned investments and sustainability data issues

Overview

The G20 Sustainable Finance Working Group, under India's Presidency, organized a workshop to further the discussion on transition finance and overcoming data related barriers to scaling investments for climate action, as well as other sustainability data issues.

The workshop was organised in the following two sessions:

- Session I: Forward-looking data, including for enabling transition finance for real economy decarbonization
 - Roundtable I.a: Understanding the climate-alignment of companies using forward-looking metrics, with a focus on enabling transition finance
 - Roundtable I.b: Portfolio alignment for transition-enabling investments
- Session II: Deep-dive into the implications of upcoming disclosure frameworks

The workshop served as an experience-sharing forum for the participants to reflect on the availability of quality data, the alignment of portfolios with climate and sustainability goals, and levers to enabling transition finance pathways. It also provided information on the upcoming disclosure frameworks. The need for being mindful of country circumstances and local needs was underscored.

This note captures key messages and summarizes the main outputs from the workshop; the workshop's agenda, including further details on speakers, is provided in Annex below.

Key Takeaways from the Workshop

- Transition finance is critical for all countries. To implement frameworks for transition finance, it is important to keep in mind country-specific circumstances and differences in policy environments, objectives, and regulatory frameworks, and the availability of data and metrics.
- There is a need to promote coherence between measuring climate alignment at the firm- and portfolio-level to ensure the right outcomes.
- A forward-looking approach will be helpful for companies to understand whether investments and assets are aligned with the climate transition.
- Frameworks that fit the needs and circumstances of organizations of all sizes, including for emerging market and developing economies (EMDEs) and small and medium-sized enterprises (SMEs), keeping in mind proportionality, are needed.
- Measuring climate alignment is critical for financial institutions on portfolios and non-financial entities on real assets who have voluntary climate-related goals and commitments and should not only consider what companies are doing today but also their transition plans. An excessive focus on current carbon footprints, for example, may lead financial institutions to divest or withhold finance from hard-to-abate sectors rather than work with them to lower emissions.
- The ISSB standards and TNFD framework are designed to align with various global reporting initiatives and are meant to provide comparable and reliable sustainability data.
- Firms may face challenges implementing sustainability reporting, such as due to underlying data insufficiency. Frameworks should work to help reduce reporting costs on organisations, including for emerging market and developing economies (EMDEs) and small and medium-sized enterprises.

Session I: Forward-looking data, including for enabling transition finance for real economy decarbonisation

Roundtable I.a: Understanding the climate-alignment of companies using forward-looking metrics, with a focus on enabling transition finance

Flore-Anne Messy, Senior Counsellor of the OECD Directorate for Financial and Enterprise Affairs, moderated the roundtable. The discussion was structured around understanding the data barriers that hinder the development and implementation of transition finance frameworks.

Panellists highlighted that transition finance is critical for all countries. Some noted a need to consider country-specific circumstances as not all countries are starting from the same place, especially EMDEs. Some panellists stated that, to implement corporate frameworks for transition pathways, it is critical to consider differences in policy environments, objectives, regulatory frameworks, data and metrics, and sectors undergoing transitions.

One panellist shared that the right metrics are required to develop a transition finance framework to arrive at the right outcome. The climate data metrics should measure financing for managed phase-out of high emitting assets while also considering the local contexts of jurisdictions. Some panellists also noted that to determine a viable transition pathway forward, there is also a need to identify which assets and sections within sectors can transition. One panellist observed that there is often a disconnect

between portfolio-level and firm-level climate-alignment metrics, and firms should adopt a forward-looking approach to transition investments that better align the expectations of the financial institutions with the performance of the corporates..

Another panellist stated that the definition of transition finance remains unclear. According to the panellist, in broad terms, transition finance refers to finance for carbon-intensive industries primarily in developing countries, and it is difficult to get forward-looking data for these industries. The panellist also opined that data should become a global public good, as attempts to monetize data reduces its availability and access.

A panellist highlighted IMF's Data Gap Initiative which includes work on climate-related data, such as on greenhouse gas emissions, emission intensities and environmental statistics, and builds on internationally adopted macroeconomic and environmental accounting frameworks. The panellist emphasized that there is still a further need to invest in data infrastructure. They explained that mapping physical and transition risk requires highly localized data. Hence, it is important to identify people and assets at these locations and their exposure to these hazards.

A panellist emphasized that the transition to a low-carbon economy requires a transformation of the global financial system. They further noted that currently there is no global cross-sector data provider that adequately allows users to analyse emissions across portfolios and real assets and that most raw data used in calculations is based on estimates. They also noted that, the lack of third-party disclosure on climate data continues to be a challenge. A panellist also mentioned that client engagement and assessing transition risks using a broad set of indicators, including and beyond emissions, is necessary.

One panellist also highlighted that some ESG scores reflect the exposure of corporates but not the impact on the environment. The low correlation between high E scores under ESG and the real impact of the firm on the environment makes some ESG scores less suitable to be seen as an indicator of net-zero pathways for corporates.

Further, panellists emphasized the need to have in place frameworks that minimize reporting burdens on organisations, including for EMDEs and SMEs, keeping in mind proportionality. A panellist mentioned that the ISSB standards provide a good basis for the components of a credible transition plan, and that international standardisation may allow for the proliferation of transition plans in the market.

A panellist gave a presentation on the transformation of China's steel industry. The presentation talked about identifying industrial transition pathways in the implementation of two of the pillars of the [G20 Transition Finance Framework](#) i.e., (i) definition criteria of transition activities and transition finance; and (ii) disclosure of information on transition activities and transition investments.

Roundtable II.a: Portfolio alignment for transition enabling investments

This session was moderated virtually by Sonja Gibbs, Managing Director, and Head of Sustainable Finance, IIF. The discussion centred on the challenges and strategies of transitioning to a net-zero carbon economy, emphasizing the critical role of measuring and assessing portfolio alignment. The discussion touched upon data accessibility issues, and setting sector-specific targets, and the role of transition plans in portfolio alignment.

The moderator initiated the discussion, noting that measuring and assessing portfolio alignment is central to sustainable finance. She further shared that the goal to develop tools and approaches that enable private sector investments on a large scale can facilitate a global net zero transition. The moderator posed the question of how to define transition finance. A panellist argued that divestment and/or the exclusion of companies is not the solution. Understanding sector pathways, measuring financed emissions, and communicating one's alignment with climate goals is a challenge, but according to the panellist, it should not withhold finance from hard-to-abate sectors. There is a need to consider not only where companies are today, but also their transition plans for the future.

A panellist mentioned that there are inconsistent or inaccurate data and the lack of climate-related benchmarks can often prevent financial institutions and other stakeholders from developing more robust net zero strategies. One panellist suggested that regulators, financial institutions, companies, academics and civil society should be able to robustly calculate and attribute global carbon footprints at the entity level, and that policymakers should continue working together across jurisdictions to identify laws, regulations, and guidance on climate action to minimize information burden.

A panellist emphasized that while the focus of financial institutions generally is on current emissions as a measure of portfolio alignment, this should not necessarily preclude a carbon-intensive company from raising finance. A forward-looking approach to net zero transition should also consider companies' current emissions, the technologies they use, and their future decarbonization plans.

One panellist mentioned that portfolio alignment measurement should factor in the needs of emerging market economies, including differences in geography and development trajectories. Another panellist discussed key trends related to transition finance among institutional investors. They noted a growing interest in investment approaches that enable whole-of-economy decarbonization rather than just portfolio decarbonization. They noted there is also an increasing interest in green tech investing, especially among equity investors.

A panellist quoted that “what gets measured, gets managed”. A representative from PCAF presented their standard as a set of methodologies, developed in consultation with the financial industry, supporting measurement and disclosure of financed emissions. The PCAF standard consists of three parts (i) finance emissions (ii) facilitated emissions (yet to be released), and (iii) insurance-associated emissions.

Session II: Deep-dive into the implications of upcoming disclosure frameworks

The roundtable discussion focused on emerging sustainability-related disclosure and reporting frameworks, emphasizing their role in enhancing transparency and enabling businesses to communicate the environmental, social, and economic impacts of their actions.

V. Anantha Nageswaran, Chief Economic Advisor of India, as the moderator, initiated the conversation by discussing the challenges posed by the emerging standards and disclosures frameworks, such as compliance costs, particularly to MSMEs. He highlighted the need to balance concerns of investors and investee enterprises and to consider the jurisdictional capacities and national priorities. Further, he emphasised the need to understand the potential unintended consequences of these measures.

Various panellists highlighted the work done by their organisation in developing sustainability-related disclosure and reporting frameworks. The representative from SEBI discussed India's journey with

sustainability disclosures, including introducing the Business Responsibility and Sustainability Reporting (BRSR) framework in 2021 for the top 1000 listed companies and the development of a regulatory framework for ESG ratings.

The representative from TNFD discussed the Taskforce's progress and recommendations on disclosures related to nature and biodiversity. They noted that the TNFD's recommendations were developed following the successful implementation of pilot projects in countries across the globe. The representative noted that the recommendations are designed to align with the disclosure standards of various organizations (e.g., ISSB, GRID, and the UN Statistics Division) and that a phased approach to implementation may be needed, particularly for emerging markets and developing economies.

The representative from the IFRS Foundation introduced the International Sustainability Standards Board (ISSB) standards: S1 and S2. These standards aim to meet the needs of investors and provide companies with a tool to report useful and comparable information. The IFRS representative also noted ISSB's ongoing agenda consultation, which is seeking input on how to prioritize the ISSB's future work.

Other panellists shared some of the potential challenges in implementing sustainability disclosure frameworks. A panellist spoke about China's development of a sustainability information disclosure framework. Since 2017, the Chinese government has been working on a framework for environmental information disclosure, which is further driven by China's carbon targets and sustainable development policy, and noted challenges such as data insufficiency and low data platform coverage.

Other panellists discussed the challenges of the lack of consistent reporting across portfolios for basic sustainability-related data.

Annex

Date and Time: Tuesday 20 June 2023, 13.30-18.30 IST (UTC+5.30)

Venue: Radisson Blu, Mahabalipuram

Time (UTC+5:30 IST)	Topic	Duration
13.30 – 13.40	Welcome and Introduction by G20 Presidency and SFWG Co-chairs	10 Minutes
Session I: Forward-looking data, including for enabling transition finance for real economy decarbonization		
13.40 – 15.10	<p>Roundtable I.a: Understanding the climate-alignment of companies using forward-looking metrics, with a focus on enabling transition finance.</p> <p><u>Moderator:</u> Flore-Anne Messy, Senior Counsellor of the OECD Directorate for Financial and Enterprise Affairs</p> <p><u>Panellists:</u></p> <ul style="list-style-type: none"> • Brian O’Hanlon, Managing Director, Climate-Aligned Finance Program • Dhruba Purkayastha, India Director, Climate Policy Initiative • Jacques Morris, Team Leader, Transition Plan Taskforce Secretariat • Jim Tebrake, Deputy Director, Statistics Department, IMF • Rapheal Erasmus, Sustainability and Corporate Transitions, Asia-Pacific, Citibank • Yang Guanghao, Deputy director of hydrogen metallurgy center of China Steel Research Technology Group (CISRI) 	1 Hour 20 Minutes
15:10 – 15:30	Coffee/Tea Break	
15.30 – 16.50	<p>Roundtable I.b: Portfolio alignment for transition-enabling investments</p> <p><u>Moderator:</u> Sonja Gibbs, Managing Director and Head of Sustainable Finance, IIF</p> <p><u>Panellists:</u></p> <ul style="list-style-type: none"> • Dominic Tighe, Senior Sustainability Analyst, Lombard Odier • Edward Mason, Director of Engagement, Generation IM • Manish Shakdwipee, Executive Director and Head of APAC ESG & Climate Solutions Research, MSCI • Mara Childress, Executive Director, Global Public Policy & Climate Finance at Bloomberg, Net-Zero Data Public Utility • Tiange Wei, Asia-Pacific Lead, PCAF • Yulanda Chung, Head of sustainability, DBS 	1 Hour 20 Minutes

16.50 - 17.05	Coffee/Tea Break	
17.05 – 18.25	<p>Session II: Deep-dive into the implications of upcoming disclosure frameworks</p> <p><u>Moderator:</u> Dr. Anantha Nageswaran, Chief Economic Advisor, Ministry of Finance, India</p> <p><u>Panellists:</u></p> <ul style="list-style-type: none"> • Amarjeet Singh, Executive Director, SEBI • Cheng Jie, Senior ESG Analyst, E-fund • Emily McKenzie, Technical Director, TNFD • Mardi McBrien, Director Strategic Affairs, IFRS Foundation • Margarita Pirovska, Director of Policy, UN-PRI 	1 Hour 20 Minutes
18.25 – 18.30	Closing session	10 Minutes

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