



Second Sustainable Finance Working Group (SFWG) Meeting Summary

Brasilia, 1-2 APRIL, 2024



Co-Chairs' and Presidency Summary¹

Introduction

The first G20 Sustainable Finance Working Group (SFWG) meeting under the Brazilian Presidency was held virtually on the 5th and 6th of February 2024. The Presidency opened the meeting and emphasized Brazil's commitment to an innovative and legacy-building agenda across four priority areas:

1. Optimizing the operations of the International Environmental and Climate Funds to deliver sustainable finance.
2. Advancing credible, robust, and just transition plans.
3. Analyzing implementation challenges related to sustainability reporting standards, including for SMEs and EMDEs.
4. Financing Nature-Based Solutions.

The Presidency representative highlighted Brazil's immense biodiversity, making it fitting to spearhead sustainability efforts and outlined their strategic sustainability pillar, aiming to foster inclusive, green growth in Brazil.

The SFWG Co-Chairs underscored the critical climate decade and Paris Agreement alignment imperative. They positively noted the robust agenda and the importance of stakeholder engagement for informing policymaking and mobilizing finance.

Further, the Co-Chairs outlined three key features to be embedded in the work under the 2024 priorities - building consistency on past G20 work, deepening collective understanding, and developing action-oriented recommendations. Facing expanding sustainable finance complexity, they called for continued knowledge partner inputs.

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

Session 1: Optimizing International Environmental and Climate Funds

The Presidency opened the session by emphasizing the critical importance of concessional finance for low-income and middle-income countries, particularly in areas such as biodiversity and climate. It highlighted the need for the main funds to deliver money at speed and scale, and the great value in this priority. Presidency also highlighted that this is the first time for the four vertical funds to be invited to the SFWG meetings and that it is important to improve connections of different G20 working groups.

The Co-Chairs thanked the Chair of the High-Level Expert Group (HLEG) for his leadership and the vertical funds for connecting with the group to provide necessary data and information. They highlighted the importance of connecting the work of the SFWG with the G7, the G20 International Financial Architecture Working Group on MDB reform, and the Task Force for the Global Mobilization against Climate Change. The Co-Chairs emphasized the need to optimize the climate finance architecture, particularly in terms of access and operations, and to make the funds more responsive to the needs of developing countries. They highlighted this as an important deliverable for the upcoming G20 leaders' summit.

Further, the Co-Chairs suggested considering the differences among the funds while exploring their synergies and potential coordination. They asked SFWG members to provide practical and feasible recommendations.

Opening remarks were followed by a presentation by the Chair of HLEG on the progress of the group. Among key points presented:

1. Work has been initiated on several fronts, including data collection, initial consultations with stakeholders, and interactions with the expert group.
2. Initial observations from the experts include:
 - Strong awareness of the urgency and scale of the climate and environmental challenge

- Need to balance macro elements (funds' role in the global climate and finance architecture) and micro elements (specific measures to enhance operational efficiency and access)
 - Examination of the mobilization role of the funds from both public and private sector perspectives
 - Potential connections between the work on funds and the current work on international financial architecture, particularly on MDB reform
3. Next steps include conducting a full consultation, completing data collection and analysis, formulating initial findings and recommendations on fund operations and capacity building, and preparing a preliminary draft report for the next SFWG meeting in July.

After the presentation, the floor was opened for the members to ask questions to the Chair of the HLEG, please refer to the Annexure for more details.

The session on Priority 1 ended with remarks from the representatives of the climate funds. The Global Environment Facility (GEF) mentioned ongoing institution-wide reforms to streamline operations and collaborating with other climate funds to examine synergies and complementarity. The Green Climate Fund (GCF) stressed the importance of complementarity and coherence among the four climate funds, highlighting their unique mandates, experiences, and innovative approaches in concessional finance. The GCF is implementing internal reforms and reviewing procedures, processes, policies, and strategies, particularly through the Efficient GCF initiative. The representatives welcomed the work of the HLEG and independent review, viewing it as an opportunity to inject new thinking and propose measures to increase the flow of resources to countries more effectively and sustainably.

Session 2: Advancing Credible, Robust and Just Transition Plans

The Presidency opened the session and highlighted three tracks of deliverables for this priority:

1. Developing high-level principles for transition plans.

2. Developing recommendations for the "just" aspect of transitions, and how to address potential negative economic and social consequences.
3. Conducting sectoral assessments and case studies on hard-to-abate sectors like cement and steel.

The Co-Chairs welcomed the discussion on “credible, robust and just” transition plans, and emphasized the importance of identifying common ground among current frameworks for transition plans and practices to develop broad principles that accommodate different use cases and contexts.

The Co-Chairs suggested taking a holistic approach at the G20 level by considering various factors, such as alignment with the Paris Agreement, applicability to jurisdictions at different development levels, consideration of financial and non-financial sectors, the inclusion of a just transition, and the applicability of principles and guidelines to SMEs.

The discussions in this session were divided in two topics within the Priority, i.e., high-level principles for transition plans and recommendations on just transitions.

Topic 1 – High-level Principles for Transition Plans

The opening remarks were followed by 3 presentations on:

- Update on Net Zero Transition Plans²
- Transition Plan Development³
- Climate Transition Plans⁴

After the presentations, a Q&A session was held for members and then the floor was opened for members’ interventions. Members expressed their support for the development of high-level principles for transition plans, emphasizing the importance of building upon existing frameworks and promoting consistency. They highlighted several points, including:

² By Alice Carr, Executive Director of Public Policy at GFANZ

³ By Xing Zhang, Senior Climate Policy at AIIB

⁴ By Mindy Lubber, CEO and President, Ceres

- The potential for SFWG guidance on transition planning, complementing and coalescing with other existing guidance while catering to different use cases and jurisdictional contexts.
- The importance of articulating the links between transition plans at the sectoral, corporate, and financial institution levels.
- The need for credible transition plans to have asset class and sector-specific, science-based targets and measurable interim goals consistent with net-zero commitments.
- The value of building on existing work, domestic developments, and private sector initiatives, in developing the G20 principles.
- The need for greater transparency, comparability, and granularity in corporate transition plans.
- The importance of cost-efficiency and the potential role of carbon pricing in transition plans.
- The importance of transition plans having clear objectives, concrete actions, integration of the just element, and specific, ambitious, and realistic deadlines.

Members also highlighted the value of work done by international institutions in building comprehensive frameworks that accommodate local contexts, and the importance of combining policy-based practices with public-private partnerships and blended finance.

There were also calls for the high-level principles to be sufficiently holistic, striking a balance between providing enough detail to add value while maintaining relevance for different jurisdictional frameworks. Some members suggested that the principles should be voluntary and non-binding, considering the principle of proportionality, flexibility, and different national circumstances.

Overall, the interventions underscored the need for consistent, credible, and just transition plans that take into account the diverse contexts and challenges faced by each jurisdiction while promoting a global approach to address climate-related risks and opportunities and facilitate the transition to low-carbon economies.

Topic 2 – Recommendations on Just Transitions

Discussions began with two presentations on:

- Just Transition Finance: Pathways for Banking and Insurance⁵
- Just Transition⁶

After the presentations, a Q&A session was held for members and then the floor was opened for members' interventions.

Members emphasized the importance of work on just transition, recognizing that social considerations should not be an afterthought but an integral part of transitions. They highlighted the need for a common understanding of the concept of "just transition" while acknowledging the subjectivity and context-specific nature of the term.

Points raised by members and organizations include:

- The importance of considering existing guidance on just transitions, such as the ILO principles, and avoiding duplications or conflicting guidance.
- The importance of following a holistic approach that includes structural policies, strategic investments, taxation, financial sector regulation, stakeholder engagement, and private sector involvement to create an environment conducive to sustainable investment.
- The role of the private sector in promoting inclusive and sustainable economic growth, while ensuring that recommendations are balanced regarding the burden placed on companies, as public policies and actions are also essential to reducing inequalities and supporting social goals.
- The importance of considering country-specific and local circumstances, the balance between climate mitigation and adaptation, and the challenges faced by developing countries and SMEs in accessing low-cost, innovative technologies to enable the transition.
- The necessity of incorporating social and employment impacts in climate finance mechanisms, such as vertical funds, and developing

⁵ Paula Peirão, LAC Network Lead and Brazil Coordinator, UNEP-FI

⁶ Alison Tate, Director of Economic and Social Policy, International Trade Union Confederation (ITUC)

targeted just transition financing windows to expand the asset base and exploit the transformational potential of climate finance.

- The importance of implementing just transition processes through programs that effectively utilize social dialogue mechanisms, ensuring that no one is left behind and increasing dignified green job opportunities.

Members and organizations also shared their experiences and initiatives related to just transition, such as Canada's Sustainable Jobs plan, Argentina's National Climate Change Adaptation and Mitigation Plan, and China's local government efforts to integrate just elements into transition finance.

Some members emphasized the challenges faced by developing countries due to climate risks and vulnerabilities, stressing the need for accessible and affordable financing, technology transfer, and investment in transformative sectors to enable a just transition.

Overall, the interventions underscored the need for a collaborative approach to ensure just transitions that consider the diverse socio-economic contexts and challenges faced by different countries and sectors while promoting inclusive and sustainable growth.

The Presidency closed the session by emphasizing the importance of addressing the uneven consequences of climate change, particularly on poorer communities, and stressed the need to incorporate a social component in investment plans related to both mitigation and adaptation. They highlighted the significance of concessional finance in supporting projects that combine climate action with improving the lives of those in need, citing an example from Brazil. The Presidency expressed their desire to see the high-level principles reflect the connection between social and climate issues, ensuring that the transition tackles the deeply interconnected challenges effectively.

The Co-Chairs noted the value of work on transition plans and principles for just transition. The Co-Chairs emphasized the need for credible, robust, and comparable transition plans for both financial institutions and corporates, and SFWG work to build upon existing frameworks and identify high-level principles while providing appropriate flexibility for different country circumstances and use cases. They also noted the need to avoid potential

negative economic and social consequences in transitions, while taking into account national and local circumstances.

Session 3: Analyzing implementation challenges related to sustainability reporting standards, including for SMEs and EMDEs

The Presidency opened the session and highlighted key points discussed during the private sector roundtable held in early March. Participants emphasized the need for interoperability, clarity on reporting formats, flexibility to account for domestic market specificity, and streamlined requests to avoid excessive burden. The importance of providing educational tools and collaborative solutions to simplify requirements for SMEs and EMDEs was also stressed.

The Presidency emphasized the significance of discussing how the implementation of disclosure requirements for SMEs and firms in emerging market and developing economies should be proportional to their size, resources, and capabilities.

Subsequently, three presentations were held on the following topics:

- Project Savannah: Facilitating sustainability reporting by micro, small and medium enterprises⁷
- SME Sustainability Disclosures and the Related Policy Issues⁸
- Sustainability reporting: Digitalization and digital transformation in favour of SMEs and EMDEs⁹

After the presentations, a Q&A session was held for members (please refer to the Annexure for more details) and then the floor was opened for member interventions.

The SFWG members expressed their support for the efforts to encourage broad global adoption of internationally consistent sustainability reporting standards, particularly the ISSB standards, while acknowledging the ongoing challenges

⁷ Koh Liang Wei, Monetary Authority of Singapore

⁸ Yongfu Ouyang, Chief of Institutional Investment Facilitation, UNCTAD

⁹ Lucca Rizzo, Institute for Climate and Society (ICS)

faced by firms, especially SMEs and those in EMDEs. They emphasized the need for proportionate application of these standards based on the size, circumstances, and capabilities of entities.

Points raised by members include:

- The importance of the supporting ecosystem around standards, including capacity building, digital reporting tools, and data infrastructure, to aid entities in producing disclosures.
- The need to learn from the rollout of similar initiatives and experiences of jurisdictions that have already implemented disclosure regimes to address challenges and identify solutions.
- The significance of interoperability and harmonization of disclosure standards to reduce the burden on firms operating internationally and avoid market fragmentation.
- The potential role of the ISSB in supporting the SFWG's work by providing a stock take of relevant work on disclosure frameworks, data utilities, and technical assistance.
- The necessity of considering appropriate sequencing for introducing reporting standards to SMEs, along with effective socialization, capacity building, and wraparound support.
- The importance of engaging closely with SMEs and other stakeholders.
- The exploration of technologies and removal of data constraints to facilitate lower-cost and easier sustainability reporting, which may benefit all reporting companies.
- The need to balance comprehensive reporting requirements that provide decision-relevant information with avoiding unnecessary bureaucratic burdens, particularly for SMEs.
- The opportunity for increased transparency and data accessibility to enhance competitiveness and market integration.

Members also shared their experiences and initiatives related to sustainability reporting, such as phased-in disclosure requirements, simplified reporting templates for SMEs, and the development of digital tools and public databases

for sustainable data. They emphasized the need for capacity building and technical support to enable reporting entities, regardless of size or complexity, to comply with the standards.

Overall, the interventions highlighted the importance of a proportionate, inclusive, and collaborative approach to sustainability reporting standards that considers the unique challenges faced by SMEs and EMDEs while promoting consistency, comparability, and transparency in sustainable finance practices.

The Presidency acknowledged the insightful discussion and the critical shift in focus from whether to disclose to how to disclose sustainability information. They highlighted the recurring themes of interoperability, harmonization, comparability, proportionality, transparency, and country circumstances, emphasizing the importance of addressing the potential spillovers of disclosure requirements on firms' access to value chains, credit, and the cost of capital. The Presidency stressed the need to avoid excessive compliance burdens while preventing market fragmentation and promoting knowledge sharing and capacity building. They also mentioned the involvement of various knowledge partners in preparing input papers and the ongoing efforts to organize presentations by standard-setting bodies.

The Co-Chairs acknowledged the challenges faced by SMEs and EMDEs in implementing sustainability reporting standards, such as lack of capacity, restricted access to data, and other constraints, and emphasized the importance of addressing these issues through the SFWG's work. The Co-Chairs highlighted the potential of using existing data while ensuring its accuracy, the need for greater capacity building and exchange of best practices, and the role of technology and digital solutions in helping firms meet sustainability reporting expectations.

Session 4: Financing Nature-Based Solutions

Three presentations were made on the following topics:

- Blended Finance for Nature-Based Solutions¹⁰

¹⁰ By Flore-Anne Messy, Senior Counselor, G20/G7/APEC DD Finance, OECD

- Nature Finance – Two Global Databases and Case Studies¹¹
- Blended Finance for Nature-Based Solutions¹²

After the presentations, a Q&A session was held (please refer to the Annexure for more details) and then the floor was opened for member interventions. Members expressed their support for the work on scaling up financing for nature-based solutions (NBS), providing valuable suggestions and insights to enhance the methodology and approach of the case studies.

Key points raised by the members include:

- The need for a clear definition of NBS, especially at the sectoral level, to prevent greenwashing and attract private investors.
- The importance of promoting transparency in investments and implementation to prevent moral hazard and track the flow and impact of funds.
- The role of blended finance in scaling up NBS, and reducing dependency on the public sector by attracting private capital.
- The necessity of avoiding duplication of work with other G20 workstreams.
- Climate nature nexus and the importance of measuring effectiveness of nature outcomes and financial outcomes.
- The importance of considering regional balance in the case studies, accounting for different national circumstances and a wide range of potential solutions.
- The potential for NBS to mitigate future nature-related risks for the financial system, creating positive spillover effects.
- The need to consider the maturity and performance of case studies over time to ensure a balanced selection.

¹¹ By Onno van den Heuvel, Global Manager, BIOFIN

¹² By Phillipe Kafer, Brazil Lab Program Lead, The Global Innovation Lab for Climate Finance

- The importance of exploring how the type of financial instrument maps to the NBS type, as different NBS may have varying potential for monetizable outcomes and cash flow generation.
- The role of local government regulations and policies in supporting or hindering NBS financing.

Members also highlighted the challenges faced in financing NBS, including the difficulty in quantifying the economic value of ecosystem services, ensuring sustainable and equitable management of natural resources, and aligning investments with long-term environmental and social goals. They emphasized the need for empirical, science-based evidence and data to de-risk NBS projects and attract private investment.

Some members stressed the importance of involving local communities in decision-making processes to ensure NBS projects are tailored to their specific needs and priorities. They also called for the creation of enabling conditions, such as institutional and regulatory support, to scale up NBS financing.

Overall, the interventions underscored the need for a comprehensive and collaborative approach to scale up NBS financing, leveraging the expertise and resources of various stakeholders, including governments, financial institutions, development banks, NGOs, and local communities. Members expressed their eagerness to contribute to the case studies and share their experiences to foster innovative solutions for bridging the biodiversity finance gap.

The Presidency thanked the members and CPI for their contributions and emphasized the importance of focusing on specific cases and instruments to derive meaningful outcomes. They welcomed the diverse set of instruments being considered and noted the relevance of an ongoing FSB stocktake on nature-related financial risks.

The Co-Chairs highlighted the importance of considering the effectiveness of the selected cases beyond just nature, climate, and financial outcomes. They stressed that the members' input will be valuable in informing the recommendations for scaling up NBS financing, which should go beyond the twelve case studies and consider the systemic approach required. The Co-Chairs acknowledged the concerns raised regarding potential duplications and the importance of considering the replicability of financial instruments and mechanisms in



different jurisdictions. They also noted the interesting nexus between carbon markets and NBS financing, which could be explored further in a side event during the third meeting.

Closing remarks and next steps

The Secretariat presented a proposal to revise the progress report on the implementation of the G20 Sustainable Finance Roadmap, following a request made at the 4th SFWG meeting in Varanasi under India Presidency. The goal is to increase comparability among the reported actions, while supporting jurisdictions in providing information and maintaining flexibility to account for national circumstances. The proposed template includes an introduction, a timeline of key milestones, and columns for ongoing, completed, and planned activities, as well as challenges faced and flagship outputs. It also offers indicators for tracking achievements related to each Roadmap action. It is suggested that reporting templates be different for international organizations and jurisdictions.

In the closing remarks, the Presidency and Co-Chairs thanked the delegates, knowledge partners, and their respective teams for their active participation and valuable contributions during the two day meeting. The Presidency announced the third SFWG meeting will be held in Belem on July 9-10th, 2024.