

BANKING ON KNOWLEDGE

Global governance on climate change emphasised at G20 meeting

By Dr R Seetharaman

In the meeting held last week, the G20 finance ministers and central bank governors (FMCBGs) concurred that tackling climate change remains an urgent priority. They also agreed that, to successfully face this existential challenge, a closer international co-ordination on climate action is needed. Climate risks represent a concrete threat for growth and prosperity. For this reason, the G20 agreed to systematically integrate them into the G20 global risk monitoring and preparedness and into future policy discussions. They had an in-depth exchange on the most effective policy mix to shape just transitions towards a more prosperous, sustainable and inclusive economy. This mix should include a wide set of tools, such as green investments in sustainable infrastructure and



innovative technologies that promote decarbonisation and circular economy. This should also include mechanisms to support clean energy sources, such as carbon pricing where appropriate, while providing support to the poorest

and most vulnerable. Supporting developing countries' adaptation and mitigation efforts is also crucial to ensure that all countries take part to the transition. International climate finance, as well as international financial institutions and multilateral development banks (MDBs) should play a key role on this. Climate change also poses increasing risks to the global financial stability. In synergy with the Financial Stability Board (FSB) and with other relevant international initiatives, the G20 Sustainable Finance Working Group (SFWG) will deliver a multi-year G20 roadmap for sustainable finance. The roadmap will be presented to FMCBGs at their October meeting and will orient the future G20 work on climate and sustainability issues. The global governance has emphasised on climate change. In order to address climate change, various global banks have established net-zero greenhouse gas emissions in



its financing activities, operations and supply by 2050. To meet the ambitious goal, the institutions will have to eliminate greenhouse gas emissions from its own operations as well as engage with the companies it lends to in order to help accelerate their own transitions to net zero. On the ESG framework, the environmental dimension focuses on environment disclosure, environment impact and any efforts to reduce pollution or carbon emissions. The social dimension focuses on diversity, management, human rights as well as community relationships. The governance accounts for compensation, shareholder rights and

the relationship between shareholders and management. Some of the environmental risk categories include carbon transition, physical climate risks, water management and waste and pollution. Some of the social risk categories include demographics, education, housing and safety, access to basic services, customer relations and human capital. Some of the governance risk categories include financial strategy and risk management, organisation structure, compliance and reporting and board structure. Some of the well-known ESG disclosure frameworks include global reporting initiative (GRI), UN SDGs, SASB framework and TCFD framework.

The GRI was the first and most widely used frameworks. Its objectives were to provide companies with accountability standards metrics so they could in turn show their responsible environmental practices. Later, metrics were expanded to include human rights, governance, and social well-being. To date, this framework is one of the most holistic approaches by working with stakeholders to determine how a company affects the world. The International Capital Markets Association (ICMA), Green Bond Principles (GBP), Green Project Mapping, Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG) represent a set of voluntary guidelines that recommend transparency, disclosure; and promote integrity in the development of the green, social and sustainability bond market.

■ The author is Group CEO of Doha Bank.