# SPI JOURNAL

OMFIF Sustainable Policy Institute

Issue 6, Winter 2022

# Greening the supply chain

## Driving value through ESG

SPI JOURNAL
OMFIF Sustainable Policy Institute

Issue 6, Winter 2022

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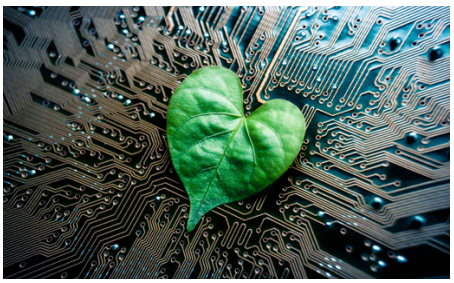

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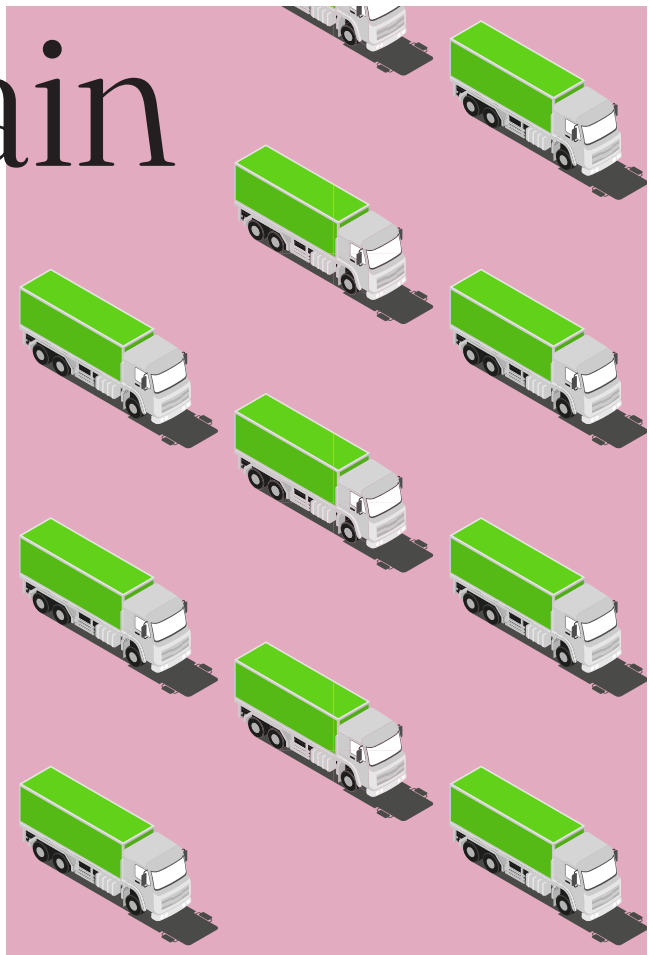
# Greening the supply chain



It's more crucial than ever that ESG metrics are implemented across the supply chain, writes Emma McGarthy, head, Sustainable Policy Institute.

FINANCIAL institutions are under intensifying pressure to implement environmental, social and governance considerations into their portfolios and investment practices. This is particularly evident with newly created reporting measures pushed by regulation, seen with the establishment of International Sustainability Standards Board and the recommendations of the Task Force on Climate-related Financial Disclosures becoming mandatory. It is therefore imperative that ESG criteria are implemented by financial institutions across their supply chains.

This is especially complex when examining supply chains spanning across jurisdictions with different standards, laws and economic dynamics. To improve disclosure metrics and ensure ESG targets are met across value chains, corporations and financial institutions will need to set strong eligibility requirements, ensure transparency, establish clear objectives linked to financial incentives and advance technical skills to improve environmental governance. Greening supply chains will manage portfolio risk and vulnerabilities, but also meet the ever-expanding growth of ESG investment and products, including green loans and bonds.

This edition of the SPI journal invited contributors to share their insights on developments in greening the supply chain. Nneka Chike-Obi, director of ESG research at Fitch Ratings, speaks of modern slavery and the risk corporations face due to exposure to economies with poorly enforced laws.

The need for globally implemented standards in technology is explored by the Asian Development Bank, which has now implemented the Digital Standards Initiative to deal with this. Steven Beck, head of trade and supply chain finance, highlights the 'opportunity for the private and public sectors' to establish a system to 'monitor trade and supply'.

The theme of digitalisation technology continues, with Benedicte Nolens, head of the Bank for International Settlements' Innovation Hub, discussing their investigation into the use of new technology, specifically 'tokenisation through the use of blockchain to reduce the potential denominations' of the distribution of green bonds and use by investors in Hong Kong.

It is evident from the pieces in this journal that great strides are being made to green supply chains with technological and product development. This is essential if corporates and financial institutions are to hit emission targets and achieve net zero. •

'Greening supply chains will manage portfolio risk and vulnerabilities, but also meet the ever-expanding growth of ESG investment and products, including green loans and bonds.'

# Key ESG policy decisions

September–December 2021

## UK's first green gilt raises £10bn for green projects

The UK government launched its first green gilt in September, which will help drive progress to net zero and create jobs across the UK.

## BIS plans Asian Green Bond Fund for central banks

In October, the Bank for International Settlements announced the development of an Asian Green Bond Fund, in collaboration with the development financing community, to channel global central bank reserves to green projects in the Asia Pacific region.

## Central Bank of Ireland sets out supervisory expectations for regulated firms on climate change

The bank announced the establishment in November of a Climate Risk and Sustainable Finance Forum to build a shared knowledge and understanding of the implications of climate change for the Irish financial system. The Climate Forum's first meeting is expected to take place in the coming months.

## IFRS Foundation Trustees creates International Sustainability Standards Board

In November, the IFRS Foundation Trustees announced the creation of a new standard-setting board to help meet the demand for high quality, transparent, reliable and comparable reporting by companies on climate and other ESG matters.

## NGFS releases Glasgow Declaration following COP26

The Network for Greening the Financial System released the 'NGFS Glasgow Declaration: Committed to Action' following COP26 in November. In the declaration, NGFS members reiterated their willingness to contribute to the global response required to meet the objectives of the Paris agreement.

# Selected central bankers' ESG speeches

23 November:

Ravi Menon, Managing Director, Monetary Authority of Singapore, on Chongqing connectivity in digitalisation and sustainability

25 October:

Silvana Tenreyro: Member of the Monetary Policy Committee, Bank of England, on international trade, global supply chains and monetary policy

2 November:

Frank Elderson, Member of the Executive Board of the European Central Bank, on forests and finance

12 October:

Christine Lagarde, President, European Central Bank. on the contribution of finance to combating climate change

25 October:

Ida Wolden Bache, Deputy Governor, Norges Bank, on a Nordic perspective of climate change and central banking

30 September:

Ignazio Visco, Governor, Banca d'Italia on the G20 presidency programme on sustainable finance

# Further reading

Selected reports on climate change and sustainable finance, September-December 2021.

## World Bank – ESS1 Assessment and Management of Environmental and Social Risks and Impacts

These standards set out borrowers' responsibilities for assessing, managing and monitoring environmental and social risks and impacts associated with each stage of a project supported by the bank through investment project financing.

## Asia House – Asia's Double Act: Managing Energy Transition and Digital Innovation

This report examines how digital technologies have the potential to reduce global emissions and facilitate resilience to climate change shocks. In particular it explores the opportunities and challenges in Asia and emerging markets.

## United Nations Environment Programme – Adaptation Gap Report 2021

The report finds that there is an urgent need to step up climate adaptation finance. Estimated adaptation costs in developing countries are five to ten times greater than current public adaptation finance flows, and the adaptation finance gap is widening.

## United Nations Development Programme – The State of Climate Ambition

This new report explores how the world is progressing on climate ambition through a unique perspective that assesses global intentions. It also draws on data and evidence from more than 120 developing countries. Despite many challenges, it demonstrates that there are reasons to be hopeful for the future.

## Climate Policy Initiative – Global Landscape of Climate Finance 2021

The Global Landscape of Climate Finance provides a comprehensive overview of direct primary investment in climate-related infrastructure in both the public and private sectors.

## International Development Finance Club – IDFC Green Finance Mapping Report 2021

This report tracks positive contributions to climate- and biodiversity-related finance and alignment of IDFC members to the Paris agreement.

## Grantham Research Institute on Climate Change and the Environment – From the grand to the granular: translating just transition ambitions into investor action

This report explains why building a net-zero economy requires an urgent acceleration in efforts to deliver a just transition. It looks at the significant roles of governments and institutional investors in delivering the just transition by making sure that the social dimension is fully integrated into their climate strategies.

## International Monetary Fund – Global Financial Stability Report, October 2021: COVID-19, Crypto, and Climate: Navigating Challenging Transitions

Chapter 3 of this report shows that sustainable funds can support the global transition to a green economy but must be scaled up to have a major impact. It also discusses how a disorderly transition could disrupt the broader investment fund sector in the future.

# OMFIF's latest ESG finance activity

September–December 2021

## MEETINGS:

30 Nov: Sustainable finance convergence vs divergence in international standards, regulation and investment

10 Nov: Modelling the economic impact of climate change: is a stagflationary shock looming?

3 Nov: In conversation with the ECB on economy-wide stress-testing model

27 Oct: ESG-centred investment post-Covid-19

21 Oct: Leveraging finance, capital and policies for climate action in emerging markets

29-30 Sep: SPI symposium: Revolutionising finance for net zero

## PODCASTS

23 Nov: Climate change could lead to substantial capital shortfalls for banks

18 Nov: Scaling up carbon-offset markets to support global climate action

4 Nov: Part 2: Financial services and transitioning to net zero

5 Oct: Developing sustainable business models: driving private investment into climate mitigation

24 Sep: Part 1: Financial services and transitioning to net zero

## COMMENTARIES:

8 Dec: Gary Smith: Where will the vegetable oil come from to fuel our planes?

2 Dec: Taylor Pearce: Investors seek 'transparency, engagement and open dialogue' in green bond issuance

23 Nov: Tamara Singh: COP26 must prompt action on net zero commitments

16 Nov: Taylor Pearce: Climate crisis will bring global stagflation

15 Nov: Emma McGarthy: ECB's climate stress test reveals threats to financial stability

12 Nov: Joshua Kendall and Frances Barney: Fixed income is becoming central to responsible investing

9 Nov: Danae Kyriakopoulou: Progress but no victory at COP26

26 Oct: Danae Kyriakopoulou: The post-coal economic opportunity

25 Oct: Emma McGarthy: Sustainable taxonomies are not yet fit for purpose

14 Oct: Jon Macaskill: Bonds pack a bigger green punch than equities

12 Oct: John Plender: Over half of 'low-carbon' ESG funds are exaggerating claims

30 Sep: OMFIF editors: Banca d'Italia's Visco hits out at 'greenwashing'

27 Sep: Rens van Tilburg and Seraina Grünewald: ECB is obliged to support the low-carbon transition

24 Sep: Gábor Gyura: Why we should celebrate the new taxonomy debate

10 Sep: Marsha Vande Berg: Public investors look to COP26 for climate progress

7 Sep: Urjit Patel: Time for central banks to stop dithering over climate

# SPI 2021 symposium

**The first SPI symposium challenged the financial sector to do better, writes Emma McGarthy, head, Sustainable Policy Institute.**

THE inaugural Sustainable Policy Institute symposium in September sparked debate and encouraged discussion on how the global financial system can revolutionise finance for net zero. The two-day event explored the role of central banks in driving the sustainability agenda, the latest developments in transition tools and metrics for meeting net-zero targets and what we could expect from COP26 in November.

The symposium brought together over 700 attendees from around the world. With more than 50 speakers from central banks, multilateral institutions, sovereign funds, investors and agencies, a global network of public and private sector players came together to drive action. After each session, attendees were invited to take part in a poll to assess public opinion on key issues.

Carbon pricing is high on the global agenda. In his opening keynote address, Bo Li, deputy director of the International Monetary Fund, urged that 'carbon pricing must rise to $75 per tonne by 2030 to achieve the 1.5°C goal' set by the Paris agreement.

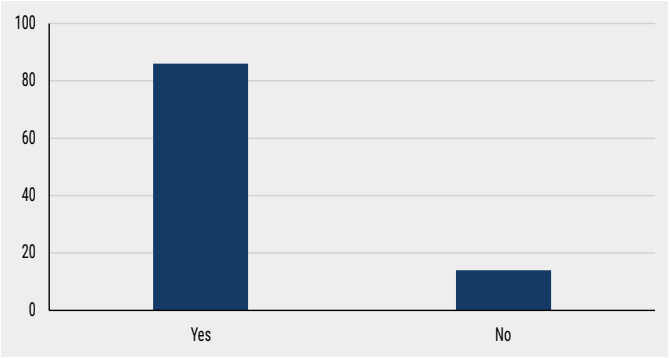
This was echoed in a panel discussion with Mário Centeno, governor of the Banco de Portugal, Yannis Stournaras, governor of the Bank of Greece, and Gabriel Makhlouf, governor of the Central Bank of Ireland. The governors emphasised the need for a robust carbon price to achieve net zero and described it as a core element of creating transparency in markets. Ignazio Visco, governor of the Banca d'Italia and G20 leader, pointed out that an increase in carbon pricing would cause a rise in inflation, but that this would be temporary.

Governments must take the lead in setting clear taxation, subsidisation and investment policies, as well as standardisation in disclosure and reporting. As Nathan Fabian, chief responsible investment officer of the United Nations-backed Principles for Responsible Investment, argued, investors are still not aware of the scale of change needed. However, once specific, clear goals and regulatory frameworks are set, it will be easier to set pathways for the transition.

Linked to this is the need for international co-operation, including the involvement of China, in developing standards and taxonomies. This was underlined by panellists across the symposium, with Visco praising the deeper 'trust' between all sides in climate talks as well as technical co-operation with agencies.

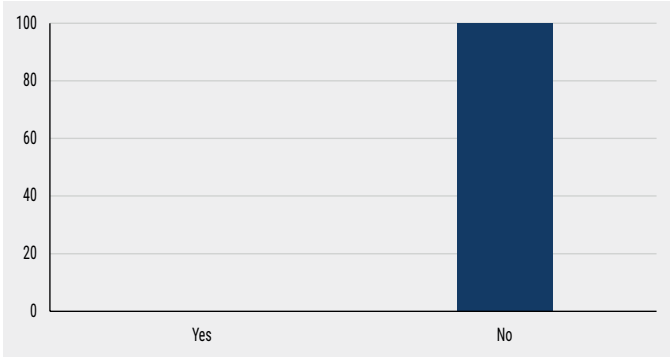
Many central banks are reviewing their market policy in relation to climate action. There was consensus among speakers at the symposium that mitigating climate change is within central banks' mandates if it could impact risk and price stability. Stournaras argued there is an obligation for central banks to align monetary portfolios with sustainability, but noted the need for defined accounting principles and clear rules from the European Union's taxonomy.

Sabine Mauderer, member of the executive board of Deutsche




**1. Addressing climate risk and evaluating the current global economic system**

Is a robust carbon price a key incentive for the green transformation?, % Source: SPI symposium poll




**2. Scaling up sustainable capital markets**

Are sustainable taxonomies and ratings now fit for purpose for a commoditised market?, % Source: SPI symposium poll

'Bo Li, deputy director of the International Monetary Fund, urged that 'carbon pricing must rise to $75 per tonne by 2030 to achieve the 1.5°C goal' set by the Paris agreement.'

'Sylvie Goulard, deputy governor of the Banque de France, highlighted the need for forward-looking scenarios when examining risk, and for a well-rounded view that includes biodiversity.'

Bundesbank, observed that central banks bring value through 'high credibility and outstanding analytical capacity'. She identified central banks' major task as '[raising] the awareness at government level'. Their objective is to make market recommendations, maintain and safeguard price stability, use public finance prudently and reflect the clear risks of climate change in the financial market.

Central banks play a crucial role in developing risk frameworks and mitigation tools and huge strides are being made. The Network for Greening the Financial System has developed stress testing and scenario analysis tools to assess transition and physical risks on balance sheets and translate climate scientist language for the financial sector. Central banks are working to imbed scenario analysis into their frameworks to set clear objectives, with notable examples from the Banque de France and Bank of England.

Sylvie Goulard, deputy governor of the Banque de France, highlighted the need for forward-looking scenarios when examining risk, and for a well-rounded view that includes biodiversity. She added that the financial sector needs to accept a level of uncertainty when integrating these tools. Forward-looking data are essential to fully understanding the extent of physical and transition risk and developing disclosure metrics, but access to quality data is a challenge. Speakers across the event highlighted the importance of interdependency and open information in maximising the use of data sets across the financial sector.

The examination of environmental, social and governance reserves and asset management, and developments in driving sustainable capital markets were major themes of the symposium. Participants highlighted the link between climate, price volatility and inflation, and the importance of screening processes and transition benchmarks in managing risk and transitioning to net zero. The debate between the exclusion of certain issuers and assets versus transition and active ownership continues to cause friction, with speakers emphasising the importance of being able to evaluate alignment potential.

There is evidently growing investor demand and developments in green bonds, with liquidity and size of transactions increasing. This is especially the case across Asia Pacific and within emerging markets. However, Chuchi Fonacier, deputy governor of the Bangko Sentral ng Pilipinas, Adrian Orr, governor of the Reserve Bank of New Zealand, and Serey Chea, director general of the National Bank of Cambodia, raised the need for more resources and green instruments in emerging markets.

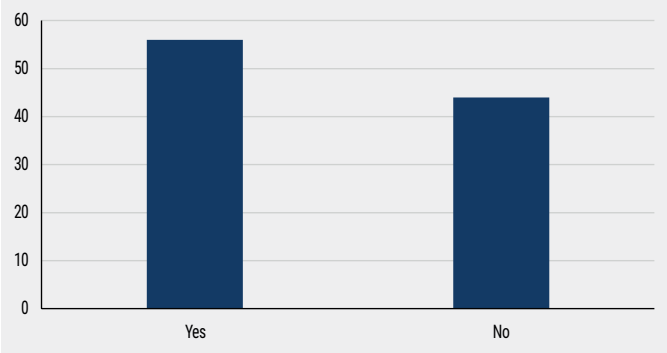
The panellists argued for the importance of reserves management, ratings and credit risk in establishing sustainable financial markets. High-income countries must step up financial aid to ensure developing markets are not left behind in the green transition. This includes the need to stop driving carbon lock-in in resource-rich countries.

Patrick Harker, president of the Federal Reserve Bank of Philadelphia, echoed this in another session. He underscored the need for a just transition in greening the economic system, noting the risk of stranded capital assets when moving to alternative energy sources, which can be managed if action is taken now.

The symposium ended on a challenging note, with Kirsten Dunlop, CEO of the European Institute of Innovation and Technology's Climate-Knowledge and Innovation Community, questioning the current global economic model and capitalistic growth. She emphasised the need for new thinking, tools, solutions and systemic innovation to truly mitigate climate change.

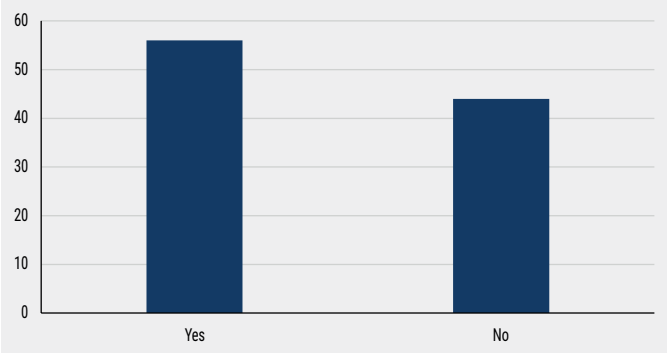
There is a vast amount the financial sector must change to achieve net-zero goals and turn financial flows green. Nevertheless, there are positive signs, with the NGFS making huge efforts to bridge data gaps and develop stress-testing models. As sustainable finance products and assets become more mainstream and investors increasingly engage in efforts to transition to net zero, it is imperative that the global financial sector is able to understand and mitigate climate-related financial risk.

The symposium sessions are available to watch on demand on the OMFIF website. ●



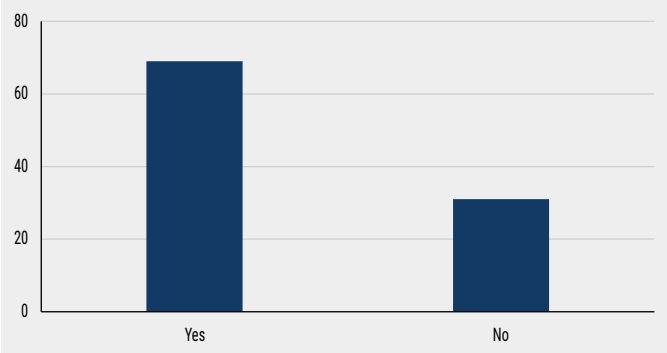

**3. The role of Eurosystem central banks in achieving net zero and driving climate mitigation**

Are central banks overstepping market neutrality in implementing climate mitigation frameworks?, %. Source: SPI symposium poll




**4. Scaling up sustainable capital markets**

Should central banks 'tilt' their portfolios away from market neutrality to avoid 'brown' and 'carbon-heavy' investments in their corporate bond portfolios?, % Source: SPI symposium poll




**5. The role of Eurosystem central banks in achieving net zero and driving climate mitigation**

Should there be monetary policy incentives for a green transition, and will this be effective?, %. Source: SPI symposium poll

# Is sustainable finance sustainable?

Ignazio Visco, Governor, Banca d'Italia, spoke at the inaugural SPI symposium in September.

LET me start by thanking David Marsh for his kind invitation to this symposium. In these brief remarks I will describe the work that we are carrying out in the G20, under the Italian presidency, on sustainable finance.

The urgency of the problem of climate change and its disastrous consequences are plain for all to see. The images of last July's floods and the more than 200 deaths in Germany and Belgium are still vividly etched on our memories. And this was only one episode in a long series of deadly, extreme weather events: from the deep freeze and widespread power outages in Texas in February to the severe heatwaves and wildfires that hit Southern Europe in August, to the September deaths and damages caused by hurricane Ida on the northeast coast of the US. It is by no means a hyperbole to say that the harsh effects of climate change are felt on Earth almost every day.

Arresting climate change requires achieving net-zero greenhouse gas emissions on a global scale over the next few decades. It is an urgent task: delaying action could be extremely costly and may prove to be ineffective. Yet, despite the fact that COP26 is approaching, in spite of widespread agreement on the targets that must be achieved by mid-century, individual countries' actual commitments to diminishing emissions have been unsatisfactory. The current United Nations nationally determined contributions of all the 191 parties taken together imply for 2030 a 16% increase in global GHG emissions compared to 2010 levels, against the 45% reduction that would be needed. A successful transition requires, therefore, a stronger effort and closer global co-operation.

Designing appropriate climate and energy policies is primarily the task of national governments. But the difficulty of the task and the enormity of what is at stake – our very survival as a species – warrant the full commitment of all citizens at a global level. Finance in particular can go a long way in helping and reinforcing the process of reducing emissions, channelling more resources towards sustainable investments.

In recent years, sustainable finance has grown significantly and today represents a market trend in its own right. Green investments are usually carried out through different kinds of financial strategies, typically based on sustainability metrics. The most widespread of these are based on environmental, social and governance scores, which are attributed by rating agencies to a broad range of financial instruments – equities, corporate bonds, investment funds and market indices – and are intended to assess how a company manages its own operations, minimising the negative impact on the environment and society, while adopting a set of rules defining rights, responsibilities and expectations between different stakeholders.

Photograph courtesy: IMF Photo/Cory Hancock

'While new standards are currently being drafted in many countries and regions, preserving international comparability is key.'

Notwithstanding its widespread use, ESG scores suffer from several problems. Currently, there are neither widely accepted rules for ESG data disclosure by individual firms nor agreed auditing standards to verify the reported data. Moreover, there are intrinsic difficulties in deciding which indicators are relevant in assigning an ESG score, especially when compared to financial aggregates, where the key indicators, such as revenues, costs, earnings and cash flows, are widely available and are all auditable items.

The agencies providing ESG scores rely heavily on voluntary disclosure by firms and on subjective methodologies to select, assess and weigh up individual indicators. As a result, ESG scores of individual firms differ greatly across agencies if compared, for example, with credit ratings. While the three main data providers' credit ratings assigned to the major euro area listed companies show a correlation of above 90%, the correlation between ESG scores, on the other hand, is much lower at between 20% and 60% (a range that widened last year with respect to 2019).

The fragility of these indicators and their lack of transparency increases the risk of 'greenwashing'. The fact that there is no obligation to oversee firms' non-financial communications, the absence of standardised indicators and the prevalence of qualitative data leave room for firms to attempt to alter the external perception of their sustainability in order to attract funds. Recent news on malpractices regarding ESG strategies confirm that these risks are concrete. Some estimates suggest that 55% of funds labelled as 'low carbon', 'fossil-fuel free' and 'green energy' have exaggerated their claims and more than 70% of funds promising ESG goals fell short of their targets.

Minimising these risks requires high-quality, granular and internationally comparable data. Among the work aimed at improving sustainability disclosure, we should mention the important initiative of the International Financial Reporting Standards in establishing an International Sustainability Standards Board and a Technical Readiness Working Group. We look forward to their recommendations for the definition of a sustainability (initially climate-focused) reporting standard. Strategic advice will be provided by the Eminent Persons Group chaired by Jean-Claude Trichet, which will also attempt to foster coordination among different jurisdictions.

Let me now turn to the work of the Italian Presidency of the G20, articulated around the three pillars of people, planet and prosperity, which has made climate change one of its key priorities. In particular, the cornerstone of the finance track is the redirection of financial flows to support the transition towards a low-carbon and more sustainable economy and society. Our first step has been to revive the Sustainable Finance Study Group, asking the US and China – the two main economies and the two largest polluters – to co-chair it. The group has now been elevated to a permanent status (and renamed accordingly as the Sustainable Finance Working Group), as the transition towards net-zero GHG emissions will remain a priority for the G20 for many years to come.

The group has made rapid progress, taking several initiatives to promote sustainable finance. Following its meeting in September, it has finalised two deliverables: a synthesis report and the G20 Sustainable Finance Roadmap. Both documents result from extensive and transparent consultations and will be instrumental for years to come in addressing the urgencies of this topic.

The synthesis report builds on input papers submitted by international organisations on three priority areas: (i) strengthening comparability and interoperability of approaches to align investments to sustainability goals; (ii) overcoming informational challenges by improving reporting and disclosure; and (iii) enhancing the role of international financial institutions in supporting the goals of the Paris agreement and of the UN Agenda 2030. For each priority, the report identifies the main challenges and puts forward a set of recommendations to overcome them.

The roadmap is shaped by the synthesis report to provide a multi-year agenda, setting a list of actions that should be implemented by G20 members in order to scale up sustainable finance. Over the coming years, the roadmap will be adapted to best reflect the priorities set by future G20 presidencies. Many countries would like to see its future focus widened to encompass biodiversity.

The Italian presidency has also taken other initiatives to enhance the G20 leadership on the mobilisation of private finance. Let me mention three of them: the request to the International Monetary Fund and the international organisations of the Interagency Group on Economic and Financial Statistics to consider climate-related data needs in preparing a new data gap initiative; the reports committed to, and already delivered by, the Financial Stability Board to both enhance disclosures and address data gaps on climate-related financial risks; and the proposal to examine how to scale up digital finance to promote sustainable growth.

'Some estimates suggest that 55% of funds labelled as 'low carbon', 'fossil-fuel free' and 'green energy' have exaggerated their claims and more than 70% of funds promising ESG goals fell short of their targets.'

The demand for more and better data to measure the impact of climate change on the economy and the financial system is strong. The G20 concept note, delivered, designed and printed by the Bank of Italy for the July meeting of finance ministers and central bank governors, envisages the preparation of a bold and urgent coordinated action plan at the international level to further develop existing methodologies and identify all the possible information sources to gather the necessary data. Information should include more timely and high-frequency data on GHG emissions due to economic activities, better measurement of environmental risks, taking into account the possibility of natural disasters, more and improved data on climate-related expenditures and transfers and more reliable indicators of 'green finance'. G20 ministers and governors are now looking forward to a detailed work plan that will be prepared by the Interagency Group on Economic and Financial Statistics, in consultation with the G20 countries, and that will be submitted to the G20 under the next presidency.

To conclude, sustainable finance has grown remarkably in just a few years, to the point that one could wonder whether this growth is itself sustainable. On one hand, scaling up funding for the transition to net zero requires even more green equity and green bonds. On the other hand, containing the risk of greenwashing is essential: it requires more data and better tools to identify, assess and compare sustainability profiles. While new standards are currently being drafted in many countries and regions, preserving international comparability is key. Fragmentation across jurisdictions would be costly for companies and confusing for investors, and could end up being counterproductive.

The G20 sustainable finance agenda is squarely focused on these issues. It is benefiting from the active involvement of finance ministers, central banks, bank supervisors and financial stability authorities, which are positively contributing to enhance market participants' awareness of the goal of a rapid and smooth transition to net zero. ●

# Driving green business growth

Emma McGarthy, head, Sustainable Policy Institute, spoke to Dante Mossi, executive president, Central American Bank for Economic Integration, on the role greening supply chains can play in driving business growth and profitability, and how sustainable financial products can be integrated into value chains.

**Emma McGarthy: The need to green supply chains is increasingly on the agenda for financial institutions and companies. What are the opportunities in incorporating ESG eligibility requirements into portfolios and can this lead to business growth and profitability?**
**Dante Mossi:** Central America is a region historically open for trade, from the iconic Panama Canal to all the ports in both the Atlantic and Pacific oceans that move the regional economies, mainly with trade between the US and among central American countries. Trade in niche markets, such as organically grown coffee, requires supply chains that are environmentally and socially friendly, with the objective to gain access to more sophisticated markets. This is also true for trade between Europe and Central America. Trivial facilities used for trade, such as crates, require certification that lumber used there was carried out in a sustainable way, and without using child labour.

Therefore there are two strong incentives for green and sustainable investments: first, the consumer markets demand that traditional manufacturing, or commodities, are produced with sustainable energy, use of water and labour markets. Second, it is important that even the logistic chains related to these industries use new technologies which are efficient to carry out business. These ESG requirements generate a virtuous circle of innovation in cleaner production and more efficient infrastructure, which at the same time attracts specialised and responsible investors to the table.

**EM: What are the constraints of incorporating ESG requirements**

‘These ESG requirements generate a virtuous circle of innovation in cleaner production and more efficient infrastructure, which at the same time, attracts specialised and responsible investors to the table.’

**into supply chain management?**
**DM:** In general, access to financing for businesses can be challenging in traditional terms and pricing. If you add the requirement for certifications that prove the use of good practices, then the potential sources of financing are reduced to very few actors other than development banks, which could provide that more selective financing. Thus, it is essential that development banks such as CABEI disseminate more successful stories of entrepreneurs that are improving the supply chain management, and this can be replicated across sectors.

There is a lack of specialised knowledge of these good practices, including the benefits associated with the additional due diligence, that need to be reflected in ESG frameworks adopted by the different industries. That is the reason why CABEI offers an ideal environment for countries with shared values about the environment and social standards to get these more reliable suppliers aligned.

**EM: How can ESG criteria and sustainable financial products be introduced into value chains while still ensuring balanced and equitable development in emerging markets? What role should advanced markets play in this transition?**
**DM:** CABEI offers ESG financing to the private sector through selected financial institutions in every member country. In this package, we often include grants for technical assistance, guarantees and seed funds. Given the diverse nature of initiatives provided by different entrepreneurs, we are looking for clusters from various market segments to optimise grant funding and provide a common good or service to a group of small- and medium-sized enterprises. These include those who are 'green' or 'gender-inclusive' in facilitating the ESG framework that would open those niche markets, such as organic coffee.

Some larger manufacturing centres are requesting assistance in funding sustainable energy and flexibility in the energy markets, for example, as a way to show buyers that their industries use electricity powered by water, solar or wind. Markets are the key driver of mandating these new needs or standards to which they should live by, if they want that preferred market access.

**EM: What effect will the greening of global supply and value chains have on traditional exports (such as agricultural and textile production) which bring economic development to emerging markets? What structures, policies and tools should be in place to ensure a stable transition?**
**DM:** First of all, it should enable a more sustainable economy to emerge that would have less harmful effects on humans and the environment, from the inclusion of women in the workplace to climate change impacts. The benefit is that markets do acknowledge these standards and are willing to pay a premium for this higher standard. As an example, a large textile manufacturing in Honduras began processing the water used for colouring textiles, offering meals and child day-care facilities. It later requested to have renewable energy supplied to their factories to meet requirements from its buyers. The movement has generated a very conscious manufacturing industry and a well-respected coffee export market, among others.

'The role of development banks such as CABEI is not only to facilitate financing, but to provide a safe space for public debate, with the right research that can induce public policies with tangible results.'

**EM: Expanding on this, how can coordination between the private and public sector be enhanced to achieve this transition to green supply chains? What role should multilateral development financial institutions such as CABEI play?**
**DM:** We at CABEI have lines of credit for financing greener and socially responsible growth, and we also have access to higher-level political dialogue, so the countries can adapt public policies conducive to ESG regulations. We, as a development bank, should encourage innovation with the right financing and guarantees to ensure the private sector engages. Even in sectors that seem reluctant to change, decisions by the public sector can move along the dialogue, for example, in public procurement of electric buses and cars which can send a strong market signal to the private sector.

The role of development banks such as CABEI is not only to facilitate financing, but to provide a safe space for public debate, with the right research that can induce public policies with tangible results. CABEI has a significant advantage: its shareholders include countries in both the developed and developing economies, which makes learning among peers possible and more manageable. •

# It's time to digitalise trade

**Fundamental changes are needed before supply chains can begin to play a part in efforts to offset climate change, writes Steven Beck, head of trade and supply chain finance, Asian Development Bank.**

GLOBAL trade and industry need to pivot towards a more sustainable future. To do that, we need to rethink the supply chains that form the nervous system of the world's economy.

The goals and pledges to reduce harmful emissions are worth little if substantial and lasting change to the way goods are produced and delivered is not a key focus.

A 2016 study by McKinsey estimated that meeting the Paris agreement goals would mean that consumer goods companies growing at current rates would have to lower their carbon intensity by more than 90% by 2050. It estimated that more than 80% of greenhouse gas emissions and more than 90% of those companies' impact on air, land, water, biodiversity and geological resources came from their supply chains.

A study by HSBC and Boston Consulting Group released in October 2021 estimated that supply chains need $100tn in investment by 2050 to meet net-zero emission goals and half of that amount is needed by small- and medium-sized enterprises.

There are two main issues that arise when considering the incorporation of SMEs into an effective fight against climate change. First, by their nature many of these companies do not have the resources or know-how to play their part. But perhaps a more important issue is that supply chains are so complicated and opaque that even identifying all the companies that make up a chain can be difficult. If we cannot identify, measure and monitor all the elements of a supply chain, we can't fix it.

There are proposals and experiments to leverage the power of companies higher up the chain to ensure performance lower down meets environmental or social goals.

The Asian Development Bank is involved in a number of these. The financing that surrounds global trade can be used to promote positive action. Companies which show they are using best practices, and that their suppliers are as well, might receive better terms when it comes to the financing of their shipments.

The problem is, while we may think of supply chains as a modern technological wonder, the trade system still runs in much the same way as it did when sailing ships transported the goods.

There is a lack of globally implemented modern standards for how trade is conducted or financed in a technologically enabled world. In many jurisdictions, laws insist upon reams of paper documents that must be filled out and exchanged person-to-person alongside trade shipments.

The pandemic underlined what had already become clear: the digitalisation of trade needs to happen quickly.

ADB, along with the Singapore government and the International Chamber of Commerce, established the Digital Standards Initiative in 2019 to create digital standards and protocols. ADB is also promoting adoption of the United Nations' Model Law on Electronic Transferable Records so that jurisdictions can ensure their legislation does not impede trade digitalisation.

Establishing those standards would enable data collection that does not now exist. Greater transparency would underpin greater sustainability controls throughout the supply chain.

There is a lack of expertise, mechanisms and tools to map supply chains and verify compliance with environmental and social standards. This is a great opportunity for the private and public sectors to work together to create a system that can both monitor trade and supply chains and reward those who are doing their best to improve their actions.

ADB is organising a meeting for early next year so that public and private sector organisations can find ways to drive the transparency that will make global supply chains more robust and secure and ensure environmental and social standards.

Scientists and doctors traced the extent of the human nervous system to better understand the body and improve medical care. If supply chains are indeed the nervous system of the global economy, it's time we understood how they work and ensure they work the way we want them to. •

‘The goals and pledges to reduce harmful emissions are worth little if substantial and lasting change to the way goods are produced and delivered is not a key focus.’

# Greening supply chains through technology

Assessing social and biodiversity risks in supply chains is crucial to mitigating negative impacts on labour and the environment, writes Louis-Philippe Mousseau, global sector lead agribusiness and forestry, International Finance Corporation.

AGRO-COMMODITIES players and financial institutions are often faced with challenges raised by civil society organisations and local communities, and with lawsuits for financing the sourcing of agro-commodities allegedly associated with harmful child/forced labour (for example, cocoa in West Africa) or deforestation (palm oil in Indonesia). These allegations may have significant negative financial and reputational impacts over time.

Before investing in business activities with supply chain risks, and as part of its due diligence, the International Finance Corporation undertakes social and biodiversity risk assessments. This includes assessing how the client identifies, traces, assesses and manages these risks. It aims to identify whether the sourcing originates from child/forced labour or where there is a significant risk to natural and critical habitats, such as primary forests or savannahs.

Based on the materiality of the identified risks, investee companies are expected to mitigate the impacts of their sourcing operations in three ways. First, by developing and publicly disclosing a sustainability sourcing policy, including a digital traceability platform and a supply chain management system for their suppliers. Second, by limiting their procurement to producers that can verify they are not causing social harm or significant conversion of natural and critical habitats. And third, by shifting their sourcing to other producers and/or regions.

To ensure effective implementation of these supply chain requirements, both within IFC and among the broad range of companies and financial institutions that have adopted IFC's performance standards, we developed risk screening platforms and knowledge products. These include the Global Map of Supply Chain Risks in Agro-Commodity Production. GMAP provides a high-level country- and commodity-level evaluation of environmental and social risks associated with agro-commodity production. It features commodity reports from over 250 regions and compares scores. It connects with certification schemes in the International Trade Centre's Standards Map, comparing certifications relevant to specific countries and commodities.

IFC's 'Good Practice Handbook: Assessing and Managing Environmental and Social Risks in an Agro-Commodity Supply Chain' provides technical guidance on managing risks associated with primary supply chains in agro-commodity production. The handbook explains supply chain mapping and risk categorisation of suppliers and is aimed at providing clients and private sector practitioners, including agro-commodity traders, with guidance in understanding supply chain requirements.

'Ten years of implementing supply chain requirements linked with performance standards have significantly improved IFC's supply chain risk screening practices.'

In addition, various publicly available platforms are available to identify, trace, assess and mitigate supply chain risks associated with projects under consideration for financing. This includes the US Bureau of International Labor Affairs' Sweat and Toil mobile app to screen for child/forced labour in commodity production; the Integrated Biodiversity Assessment Tool to screen for negative impacts on protected and key biodiversity areas from farming/plantation production and sourcing operations; and the Global Forest Watch to assess habitat conversion in areas of production or sourcing.

IFC existing and past portfolio clients, such as China's COFCO or Singapore's Olam have developed and implemented supplier codes of conduct for their sourcing operations, including commodity-specific sustainable sourcing policy. In addition, IFC clients have developed proprietary software platforms to trace and assess supply chain risks to demonstrate compliance to their off-takers and financiers. Successful implementation of supply chain management actions enabled several IFC portfolio clients to receive sustainability-linked loans from other financial institutions.

Ten years of implementing supply chain requirements linked with performance standards have significantly improved IFC's supply chain risk screening practices. IFC is developing a technical note on supply chain appraisal for agricultural commodities, covering biodiversity and social risks.

A key challenge remains the evaluation of the client's management control and leverage over its third-party suppliers. In some cases, such degree of control is easy to determine and exert. In other cases, exerting an effective influence over suppliers to ensure unacceptable practices are being prevented represents a significant challenge. •

# Expect more scrutiny of scope 3 emissions

The momentum from COP26 and pressure from consumers will force public companies to act, explains Rick Lacaille, global head of ESG, State Street.

IN the aftermath of COP26, there will be greater focus on the measurement of greenhouse gas emissions at every level. And for public companies, that's going to mean paying far more attention to something they'd rather not – scope 3 emissions.

Companies typically focus on reporting and setting targets to reduce their direct operational GHG emissions (scope 1) as well as their usage of electricity (scope 2). But scope 3 includes everything else – indirect GHG emissions from throughout a company's value chain, including suppliers. And more often than not, the majority of a firm's emissions fall into scope 3.

To date, a minority of companies report scope 3 emissions, and those that do tend to disclose one or two categories such as business travel. While business travel is a legitimate source of scope 3 emissions, there are many others. In fact, the GHG Protocol outlines 15 emission categories in scope 3 including purchased goods and services, capital goods, upstream and downstream transportation and distribution, employee commuting and the life cycle of sold products.

As the largest source of emissions for a typical company, scope 3 reporting targets offer the single biggest opportunity for corporate GHG emissions reduction. And while companies have been able to avoid full disclosure of scope 3 emissions without consequences, that is changing.

Consumers and investors are increasingly looking for scope 3 emissions data from companies. It's not hard to imagine a world where every product sold will be required to have a GHG emissions metric to enable consumers to factor carbon intensity into their buying decisions. And investors want companies to disclose GHG emissions, set targets in line with science and implement action plans.

Recent research from State Street Associates looked at scope 3 data and how it could benefit portfolio construction. The researchers concluded that including various types of climate data – reported scope 1 and scope 2 carbon data, modelled scope 3 and climate risk ratings – can help investors design strategies to manage climate risk while increasing risk-adjusted returns. And that means scope 3 emissions data can make a difference to investment decisions.

To be fair to public companies, measuring scope 3 emissions is not straightforward. In the aggregate, reporting on scope 3 emissions could lead to double counting if two or more companies account for the same emissions. Then there are basic firm level issues. For example, as everything is connected to everything else, where does a company draw the boundaries? You may include the emissions your workforce emits in commuting to work but what about a supplier's workforce?

'As the largest source of emissions for a typical company, scope 3 reporting targets offer the single biggest opportunity for corporate GHG emissions reduction.'

And then there's the data challenge. How do you measure your workforce's commute? Or the activities of secondary parties? Finally, how do you affect the behaviour and decision-making of many different individuals and organisations outside of your direct control?

While these challenges have prevented widespread disclosure of scope 3 emissions to date, the momentum from COP26 and a sense of urgency will force companies to act. Luckily, it's a solvable problem. If every company did its part to report scope 1 and scope 2 emissions, measuring and reporting scope 3 emissions would be a lot easier.

Individual companies have a lot of leverage. They can look for low-carbon alternatives in their supply chain, buy from suppliers with low carbon footprints and engage suppliers in conversations about reducing emissions. They can also engage with customers on the carbon intensity of products, increase the life cycle of products and increase the efficiency of products and services. And companies can put a price on carbon, increase efficiencies in logistics and invest in low-carbon products and services.

Thinking through the entire value chain could lead to unintended benefits like cost reduction, innovation and new products and services. And by tackling scope 3 emissions head on, public companies can lead the way in reporting and reducing GHG emissions. •

# Labour risk in global supply chains

Regulatory changes and market demands could pressure consumer goods suppliers, writes Nneka Chike-Obi, director, ESG Research, Fitch Ratings.

MODERN slavery is the recruitment, movement, harbouring or receiving of adults or children through force, coercion, abuse, deception or other means for the purpose of exploitation. Types of modern slavery include forced labour, debt bondage and illegal child labour.

Retailers and consumer goods manufacturers are exposed to modern slavery risk due to the amount of sourcing from emerging economies where laws against these practices are poorly enforced. According to the International Labour Organization, 26% of global forced labour occurs in manufacturing and agriculture.

In the past decade, governments, consumers and companies have grown increasingly aware of the impact of non-financial risks on businesses with global value chains, including social risks related to labour rights, human rights and employee wellbeing. Within Fitch Ratings' ESG Relevance Score Framework, modern slavery risks would typically be captured under labour relations and practices.

Outsourcing production creates operational risks within supply chains, many of which are typically accounted for alongside financial performance, such as logistics, transportation and quality control. These are normally offset by the savings from lower-cost workers. These can be significant – the mean average minimum wage in India is around 80% less than the mean average in the European Union.

Countries with lower wages, such as those in South and Southeast Asia, have made efforts to build an export-orientated manufacturing sector and attract customers from countries with higher wages. However, workers in these countries typically have fewer legal protections with regard to working hours, benefits and safety than those in developed markets do. There is often a lack of employment protections for marginalised communities, women and children.

Sustainability considerations are growing in importance within supply chain management, including supplier transparency. Managing supply chain labour risk adds operational costs that increase with the number of suppliers, their distance from the home market and the amount of sourcing that takes place from suppliers below tier 1. Two-thirds of apparel purchasing executives surveyed by McKinsey in 2019 expected sustainable sourcing to add 1% to 5% to their overall purchasing costs by 2025. A similar share thought it likely that sustainability will become the main criteria in selecting new suppliers.

The increase in disclosure driven by current and future regulations could lead to stronger responses from stakeholders on labour rights violations, such as shifts in demand from customers or due diligence policies of lenders. The difficulties in finding labour abuses throughout the supply chain, and understanding the risk of potential abuses systematically, have previously limited the scope of such responses. This could change as reporting becomes more robust and standardised, particularly as pressure on companies to more diligently audit their supply chains continues to grow – from governments, consumers, non-governmental organisations and investors.

The broader consequences of enhanced disclosure are already evident for some ESG issues, such as greenhouse gas emissions. Regulatory requirements for tracking emissions initially targeted specific sectors, such as oil and gas. Over time, the range of companies providing detailed information on their carbon footprints has widened beyond those required to do so. Today, large companies operating in North America, Europe and developed Asia Pacific, particularly publicly listed ones, are expected to both report their emissions and to have a strategy to manage negative environmental impacts.

'In the past decade, governments, consumers and companies have grown increasingly aware of the impact of non-financial risks on businesses with global value chains, including social risks related to labour rights, human rights and employee wellbeing.'

We expect a similar evolution in modern slavery risk management. Of the 248 companies that submitted inaugural statements under Australia's law in 2020, 48 already have reporting requirements under UK or California law. The disclosure requirements have raised some serious labour rights breaches. British retailer Tesco reported in its 2020 modern slavery statement that it had found evidence of abuse and debt bondage among migrant workers in its Malaysian and Thai supermarket businesses. The US, under its Tariff Act, has the authority to ban the import of any products suspected of being produced by forced labour, and in the past year has introduced new restrictions on items from Asian countries including palm oil, rubber, textiles and vegetables. •

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# Introducing Project Genesis

Technology has made the bond market in Hong Kong more efficient and accessible, writes Benedicte Nolens, head, BIS Innovation Hub, Bank for International Settlements.

IN 2019 the Bank for International Settlements founded the BIS Innovation Hub. The mission of the BISIH is to produce public goods in the technology space geared towards improving the functioning of the global financial system. To achieve this, the BISIH focuses on six key themes: supervisory and regulatory tech, next generation financial market infrastructures, central bank digital currency, open finance, green finance and cybersecurity.

When I joined the BISIH Hong Kong centre as its head in July 2020, I was very keen to shape its first green finance project. We spoke with the Hong Kong government about their green bond distribution process. It dawned on us that while the Hong Kong government successfully distributes inflation-linked and silver bonds to retail investors, it had not yet distributed green bonds to retail investors.

It also became clear that retail investors in government bonds could only subscribe with a minimum investment of HKD10,000 or $1,300. This is an amount that appears high for younger investors who are passionate about protecting our planet and who may wish to buy green bonds in smaller denominations.

We decided to investigate the use of new technology, and in particular tokenisation through the use of blockchain, to reduce the potential denominations of such bonds to our target of HKD100 or $13. We also saw it was important to combine bond purchases with compliance, the possibility for investors to sell bonds in secondary markets and transparency around the positive environmental impact resulting from the use of proceeds of the bond.

Based on these priorities, we formulated our vision:

'Our vision is that you can download an app to your phone, and invest any amount into safe government bonds, which will develop a green project – let's say a solar or wind farm. Over the bond's lifetime, you would be able to not just see accrued interest, but also track in real time how much clean energy is being generated, and the consequent reduction in carbon dioxide emissions linked to your individual investment. Further, you could sell the bonds in a transparent market.'

We joined with two different technology groups to make this a reality: Digital Asset in Switzerland and their partner GFT Technologies Hong Kong; and the Liberty Consortium, consisting of SC Ventures, Standard Chartered Bank and Shareable Asset. Each in turn worked with AllInfra, a Hong Kong synthetic aperture radar start-up, to provide technology-verified data that can track in real time the positive environmental impact of projects such as solar and wind farms.

After five months of extensive work, we unveiled the final prototypes at Hong Kong fintech week on 4 November 2021. The Digital Asset prototype deploys multiple permissioned blockchains, while the Liberty prototype leverages a public blockchain infrastructure.

Both prototypes show it is possible to achieve our vision. They demonstrate the potential for smaller denominations through tokenisation and transparency though tracking of renewable energy on blockchain. They show the ability to achieve efficient compliance through automated know-your-customer processes and the possibility of adding a more vibrant secondary market than exists currently. Finally, they display greater automation and reduced inefficiencies and cost.

'It dawned on us that while the Hong Kong government successfully distributes inflation-linked and silver bonds to retail investors, it had not yet distributed green bonds to retail investors.'

One prototype explored integration with a very popular mobile wallet, while both prototypes explored the efficiency difference between the introduction of a stablecoin or CBDC as compared to connecting to the existing faster payments infrastructure.

The reports that explain the prototypes and the associated videos showcasing them can be viewed on our project site. We also issued a larger visionary report featuring views of global experts on the challenges and opportunities of green finance.

For our reports we chose the imagery of the lotus flower, a flower with strong symbolism in Asia of being able to bloom in even the muddiest waters. We chose the name 'Genesis' as a reference to the beginnings of earth.

We hope that this combined work may inspire the use of technology in green bond distribution, verification and transparency. •

# The role of technology

Technology can play an important part in driving more sustainable supply chains, writes Massamba Thioye, co-chair of the Climate Change Coalition at the United Nations Framework Convention on Climate Change.

A product used by an end consumer is sustainable if all the different entities operating on its supply chain circle, from cradle to cradle, have sustainable activities with fair labour practices and environmental protections. The first-tier but also the lower-tier suppliers must comply with sustainability standards.

The technologies of the fourth industrial revolution can bring transparency to products and services by immutably appending to them sustainability features, such as their carbon footprint. This enables any buyer in a supply chain circle to determine the carbon footprint of its consumption and undertake sustainable procurement as climate action.

The determination of the greenhouse gas emissions related to the consumption of products can be simple if digital technologies – such as distributed ledger technologies, the internet of things, artificial intelligence, global position sensors and radio frequency identification – are leveraged to serve a Lagrangian description of the flow of GHG emissions. They facilitate the connection of dispersed entities within different geographical regions, transacting through complex networks of supply chain circles.

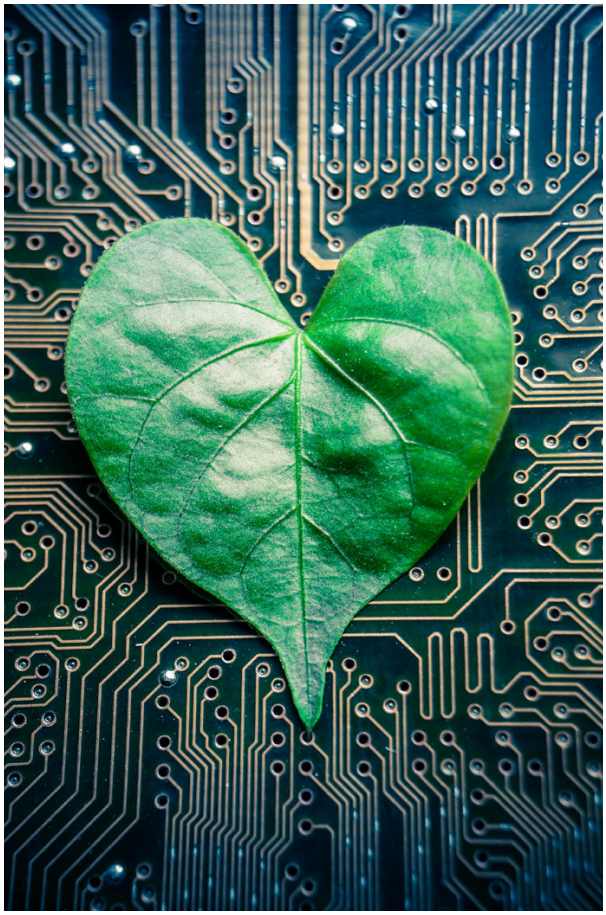
The immutability and consensus building functionalities of DLT, its distributed nature and its smart contract are particularly relevant. With the immutability function, information related to each transaction is cryptographically sealed and recorded on distributed ledgers with a time stamp. This append-only feature guarantees that the recorded information related to a transaction cannot be changed without the DLT network consensus.

The smart contract function includes coded agreements between the transacting entities and can self-execute agreed operations. It can authorise the transfer of responsibility for a product's GHG emissions from its producer to its buyer alongside the product transfer. The same smart contract that recognises the buyer of a product as the new owner will also recognise that it inherits the responsibility of the emissions.

With the consensus building functionality, the entities involved in the supply chain circle can verify the transactions before they are recorded and ensure the reliability of the records. GPS connected to the DLT gives the position of the products. The combination of these functionalities secures reliable information for the DLT nodes to track the transacted products and the flows of GHG emissions. The availability to all the nodes of real-time data about the transfers of responsibilities for GHG emissions prevents fraud and falsification.

For each product, the history of its GHG emission is provided, with full traceability including where each tonne was emitted from. RFID attached to the product and linked to DLTs can further increase the granularity of the accounting system by tracking the product through the supply chain circle all the way to the sale point and give insight about the category of end users to whom the GHG emission should be attributed. This enables targeted climate action to change the consumption behaviour of citizens.

The Lagrangian description of the flow of products' GHG emissions supported by digital technologies drastically enhances the granularity of the GHG accounting system. At the same time, it reduces its complexity, prevents any double counting and ensures that no emissions fall through the cracks during the transfer of responsibility from producers to buyers of products.



'A product used by an end consumer is sustainable if all the different entities operating on its supply chain circle, from cradle to cradle, have sustainable activities with fair labour practices and environmental protections.'

To operationalise this tracking of product carbon footprints, the entities should participate as a node to the DLTs of their supply chain circles.

Where possible, IoT-enabled devices connected to the DLT can further automate the data value chain by digitally collecting the information required for the calculation of the GHG emissions. The large volume of data collected and calculated is processed using AI to provide insight on possible climate action. This reduces GHG emissions according to the needs of different stakeholders in different jurisdictions. •

# The Sustainable Finance Policy Tracker

A comprehensive overview of global approaches to mitigating climate risks in the financial sector

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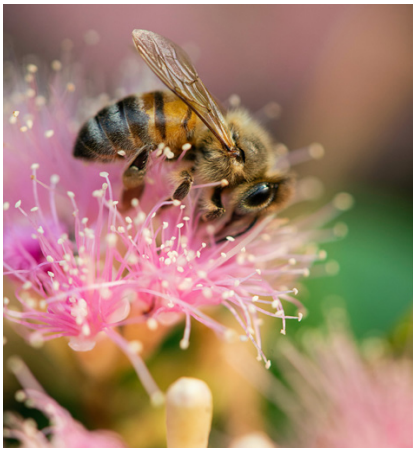
# Forthcoming SPI meetings

## 13 Jan: Advancing forward-looking data to achieve net zero

Companies are increasingly being encouraged by market participants to disclose projected information on their environmental, social and governance financing and transition plans. The significance of forward-looking data therefore cannot be underestimated. Institutions must move beyond historical data towards forward-looking data and projections to achieve disclosure requirements, understand transition and physical risks associated with climate, implement transition targets and thereby achieve net zero.

This roundtable, beginning with a presentation from Marcus Molbak Ingholt, co-chair of the latest NGFS workstream on climate-related disclosure guidelines for central banks, will provide an opportunity for participants to discuss, in an off-the-record format, the latest developments and challenges surrounding disclosure, data and the path forward.

Speakers: Ángel Estrada, Director General of Financial Stability, Regulation and Resolution, Banco de España; Marcus Mølbak Ingholt, Lead Climate Economist, Danmarks Nationalbank; Theodora Antonakaki, Climate and Sustainability Advisor, Bank of Greece.



## 27 Jan: Evolving the financial system: integrating biodiversity into financial risk and regulation

With the development of the Taskforce on Nature-related Financial Disclosures and acknowledgement that ecological impacts must also be factored in to mitigate climate change, biodiversity is increasingly on the agendas of financial institutions. This panel discussion in collaboration with the World Wide Fund for Nature will examine how the financial sector should integrate biological considerations into their investments, including how to create products to hedge against nature-related and biodiversity risk. Speakers will also touch upon the latest developments in sustainable bonds, risks and opportunities in biodiversity and strategies for how to integrate it into disclosure and risk frameworks.

Speakers: Simon Zadek, Chair, Finance for Biodiversity Initiative; Géraldine Ang, Senior Policy Analyst, Green Finance and Investment, Organisation for Economic Co-operation and Development; John Ploeg, CFA, Vice President and ESG Specialist, PGIM Fixed Income; Thomas Vellacott, CEO, WWF Switzerland.

## 17 Feb: Central America: Resilience, recovery and sustainability

The Central American Bank for Economic Integration, in conjunction with OMFIF, is releasing the second edition of the report, 'Central America: Integration, investment and trade opportunities'. This year the report is focusing on resilience, recovery and sustainability, assessing the region's competitive advantages as a promising destination for foreign investors beginning to consider and how financial markets can further financial market development.

OMFIF and CABEI are hosting an on-the-record, virtual launch for the publication of the report on Thursday 17 February 2022. This includes a presentation of findings and a panel discussion featuring policy-makers and practitioners from across the region and beyond. The panel will discuss the findings of the report and reflect on opportunities and challenges in financial market development. Key areas for attention are conditions for foreign investment as the world reopens, regional debt, prospects for regional integration and sustainable projects and growth, developments in digital sectors, infrastructure and how this will build the region's resilience and further the recovery from Covid-19.

## Look out for:

Over Q1 we will be running roundtables and panels focusing on gender and diversity in the financial sector, ESG technology, carbon offset markets and energy developments and integrating climate-related and environmental risks into micro-prudential supervision. For updates, please see: www.omfif.org/spi

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