



Greening EU Cooperation

Session 14: Green finance game - *Workshop*

The ecosystem approach
applied to the financial system

10 DIMENSIONS OF SUSTAINABLE FINANCIAL CENTRES

17 developing countries' Financial Centres adopted the « financial ecosystem approach »



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Source: UN-convened Financial Centres 4 Sustainability

www.fc4s.org



Who does what to ensure greening of finance?



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The Green Finance Game



Let's play!

Draw parallel between the 2 ecosystems:

1. How is the animal linked to the FC dimension?
2. How does the actor contribute to the greening of finance?
3. Link with other stakeholders?



5 Investment

Asset owners (**pension funds, sovereign funds**) and their **asset managers** in the *Financial Centre* are integrating **ESG factors** along the value chain and reallocating capital accordingly, under the guidance of the relevant **regulators**



4 Insurance

Insurance and Reinsurance companies headquartered and operating in the *Financial Centre*, and their **regulators**, are increasingly analysing the relationship **between risk, climate change & biodiversity loss**. This results in a double impact:

- On the one hand, they provide new insurance products or tariffs for **green behaviour and/or economy**,
- On the other hand, they integrate **ESG factors** along the value chain and reallocating capital accordingly.



2 Debt capital markets

Financial Centres and/or their participants are issuing, underwriting and investing in **green & sustainable bonds**.

– and **credit rating agencies** are factoring **environmental risks**



3 Equity markets

Market participants (companies, banks) in the *Financial Centre* are **integrating sustainability factors** and advancing **environmental solutions** in their activities. They disclose **sustainability annual reports**, under the guidance of **securities regulators**.

Stock exchanges are proposing **sustainability indexes** – and **credit rating agencies** are factoring **environmental risks**.



1 Banking

Major **banks** headquartered and operating in the *Financial Centre* are engaging in **green and sustainable finance** across their lending book and capital market activities



6 Specialists

Specialised and innovative forms of sustainable and green finance are flourishing including **carbon markets, biodiversity credits, impact investing, cleantech & green fintech** and **social/sustainability stock exchanges**



7 Policy and public finance

National/local regulation and public finance institutions are supporting best practice and set conditions for crowding in private capital towards sustainability investments:

Disclosure regulation, taxonomies, sustainability standards, dialogue platforms, inter-ministerial communication, laws and national planning including **NDCs** and **Biodiversity plans** are their most common tools.



8 Local green initiatives

Efforts are under way by city and regional authorities to mobilise finance for local green initiatives such as **energy-efficiency retrofits, waste management & resource efficiency, public mass transit & intermodal transport** - including electric vehicle infrastructure and pedestrian/bike lanes, and **preservation of biodiversity** hotspots/corridors, **soils permeability**



9 Market intermediaries

Analysts, legal, accounting and financial data providers as well as professional bodies in the *Financial Centre* are providing **sustainability expertise** to their clients and spreading the knowledge



10 Knowledge

Universities, NGOs, consultancies and coalitions are providing the insights and impetus to leadership by the Financial Centre on sustainability. They train future professionals and act as brainstorming nucleus for emergence of new services and capabilities.

0 The un-named dark



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ANNEX 16 OF THE GREENING TOOLBOX

Stakeholder	Possible role in greening the financial system
Local FIs (commercial banks, micro-finance, funds)	<p>FIs should undertake internal reforms to adopt or strengthen their sustainability frameworks, including policies, risk management framework, environmental and social management framework and safeguards to meet international standards (IFC performance standards, Equator Principles...).</p> <p>They should as well propose a range of sustainable financial products (both assets and liabilities: credit lines, loans, investment products etc.).</p> <p>They should disclose their sustainability impact in their annual report and try to be listed in sustainability indexes.</p> <p>They should promote green vehicles such as funds and issue green bonds.</p> <p>They might join a recognised international initiative to learn with peers (CDP, SBTi, TCFD, TNFD, Mainstreaming Climate in Financial institutions, the Biodiversity Pledge etc.)</p>
FIs with mission (DFI, agriculture bank, green bank)	<p>FIs with mission usually already have a number of the above elements in place, due to their mandate. Smaller institutions should upgrade their standards to reach international standards adopted and promoted by large IFIs.</p> <p>These institutions usually have the adequate profile to channel international climate finance thanks to their sustainability processes.</p>
Central bank and regulators	<p>Central banks can join the efforts of the International Platform on Sustainable Finance or the Network for Greening the Financial System to promote climate change and biodiversity loss as systemic risks among the banks of their respective jurisdictions.</p> <p>Regulators of pensions and insurances can play a significant role in their respective field to encourage green investing, request climate risk tests and modelling etc.</p>
Investors (Insurance companies and pension funds, Sovereign Wealth Fund)	<p>Insurance companies and Pension funds have been early birds in detecting climate change risk and have created the demand for green investment products since early 2000's. A lot can be done still for them to overcome regulatory barriers that prevent them from investing in green bonds or other sustainable solutions within their industry.</p> <p>Sovereign Wealth Funds may join the One Planet SWF working group to mainstream environment & climate in their investment processes</p>
Stock Exchange	<p>A Stock Exchange can be labelled sustainable as far as it recommends or requires its listed companies to disclose their sustainability and non-financial impacts in their annual reports, and/or promote green bonds. Stock exchanges may adhere to the UN led Sustainable Stock Exchanges initiative to know how to become green, sustainable and Paris-aligned.</p>
Financial Centre	<p>In cities where a financial centre is institutionalised (usually around a stock exchange or banking association), there is usually fruitful dialogue between sustainable projects to respond to the needs of the city and financial players likely to invest in them. Financial centres also gather among themselves and share their experiences, challenges and progress in the Financial Centres for Sustainability Network.</p>
Service providers (fund managers, brokers, research centres and verification bodies, consultants...)	<p>The financial system runs thanks to the intervention of a myriad of service providers.</p> <p>Fund managers and brokers are key to make the link between investors and financial instruments available in the market, they need to develop their competences and run efficiently a methodology to invest in green activities and projects, whether they are infrastructure projects or MSMEs programmes, equities, bonds etc...</p> <p>Research centres and academia are also key to provide second opinion of third-party verification, together with audit firms and certification bodies.</p>
Professional associations and Civil Society as lender-borrowers or retail investors	<p>Sectoral or professional associations (Association of accountants, of Executive Directors, Societies, Chamber of Commerce and Industry, cities associations such as the Covenant of Mayors etc.) are interesting networks to mobilise to sensitize and disseminate information, best-practice, peer-to-peer learning on how to mainstream environment, climate and biodiversity in their respective field of the financial sector.</p> <p>CSO defending the purchasing power of citizens or practicing advocacy and stakeholder activism may be identified and supported to participate to the greening effort from banks and companies.</p>
Ministry of Finance	<p>MoF can be the conductor of the orchestra and use tools and strategies such as the Integrated National Finance Frameworks to pilot and overview each stakeholder's progress in greening under their respective role in the financial system.</p>

