



MONETARY AND  
CAPITAL MARKETS

# Implementing the G20 Principles for Climate Alignment Approaches

**“Activating Alignment - Applying the G20  
Principles for Sustainable Finance Alignment  
with a focus on Climate Change Mitigation”**

*(forthcoming staff-level IMF/World Bank/BIS/OECD  
report)*

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# Outline

- **Rationale and foundations**
- Methodology and main elements
- Use and next steps

# The Voluntary Principles for Developing Alignment Approaches



**1.** Ensure material positive contributions to sustainability goals and focus on outcomes.



**2.** Avoid negative contributions to other sustainability goals (such as by doing no significant harm to any sustainability goal requirements).



**3.** Be dynamic in adjustments reflecting changes in policies, technologies, and the state of the transition.



**4.** Reflect good governance and transparency.

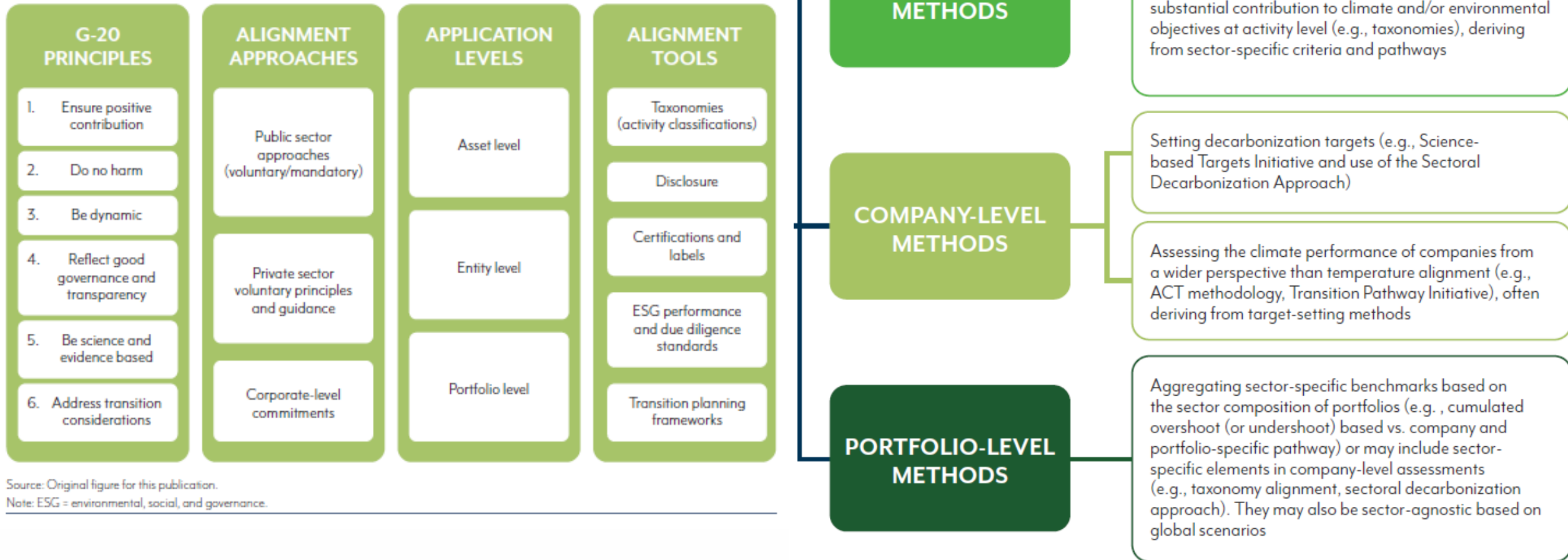


**5.** Be science based for environmental goals and science or evidence based for other sustainability issues.



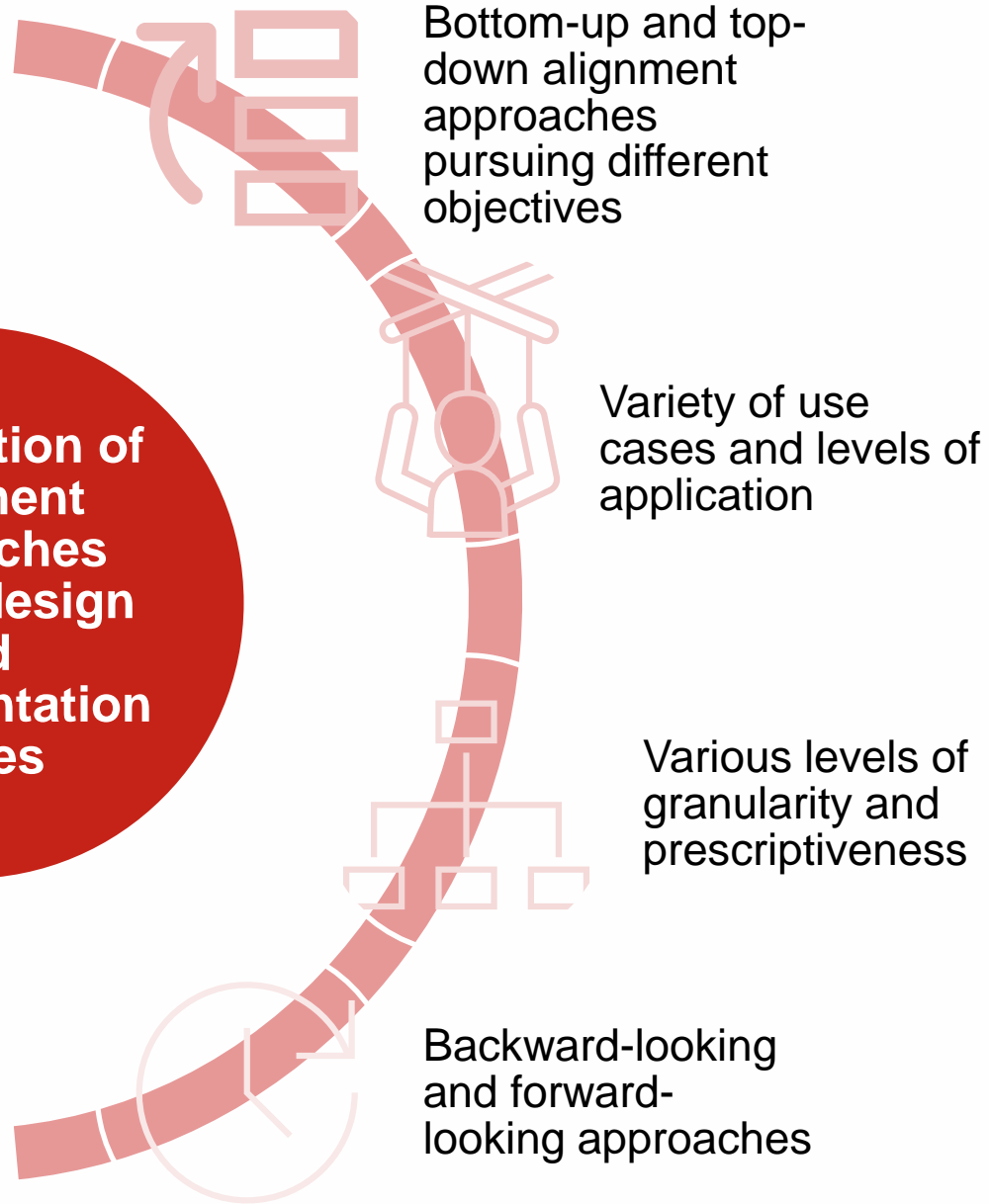
**6.** Address transition considerations.

# A variety of complementary alignment approaches, as part of a broader climate information architecture



Source: Original figure for this publication.  
 Note: ESG = environmental, social, and governance.

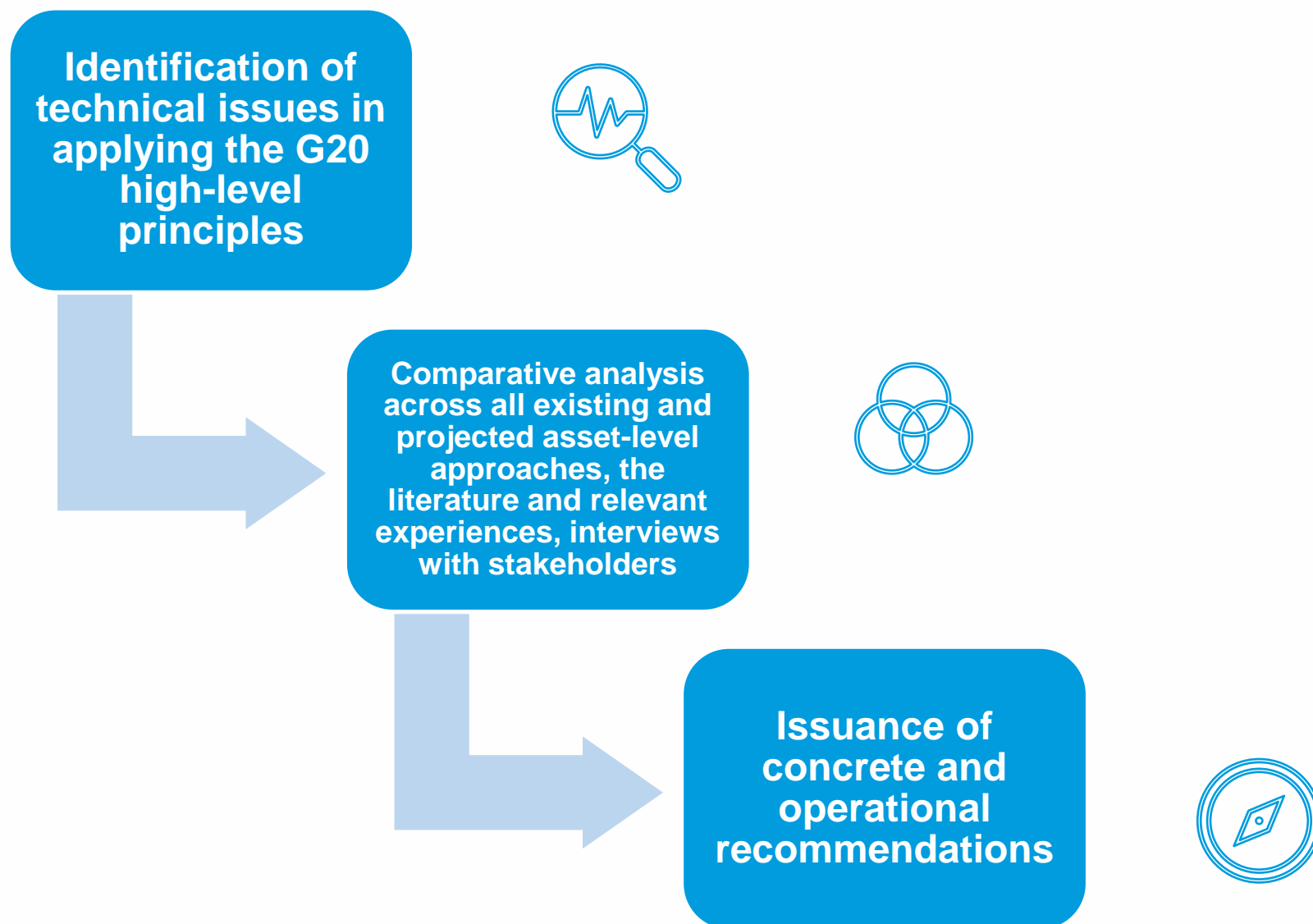
**Proliferation of alignment approaches lead to design and implementation issues**



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# A three-step approach to our work, reflected in the final report



## FOUNDATIONS OF OUR WORK

1. Robust, credible, and science-based grounding
2. Right balance between interoperability and the local context and purpose
3. Alignment approaches are unified by the overarching goal of achieving similar real-world decarbonization outcomes. Alignment should not merely lead to a redistribution of GHG emissions among financial market participants
4. Account for specificities and status of EMDEs
5. Addressing issues of supply chains (credibility of net-zero commitments, scaling up of investments in funding for climate mitigation in climate-vulnerable countries and in hard-to-abate sectors, special status of SMEs and inclusiveness)
6. Contributing to the progress of efforts on global and regional standards for sustainability disclosures and financial instruments

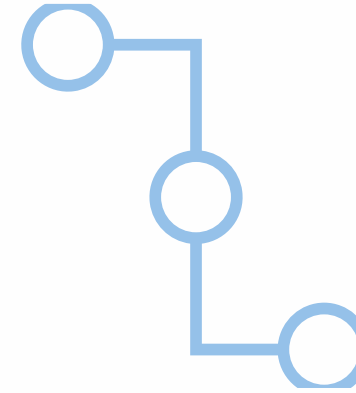
# The additionality of our work lies on three grounds



**Drawing on the expertise of 4 international organizations to flesh out the G20 principles**



**Providing practical solutions to better embed supply chains and the conditions of EMDEs in alignment approaches**



**Building the foundations to link data, disclosures and climate alignment approaches together**



**The final report offers a threefold approach to operationalizing each principle :  
1. Operational Issues ; 2. Takeaways from the Comparative and Internal Technical Analysis; and 3. Guidance/Suggestions (for operationalization)**





### PRINCIPLE 1

Ensure material positive contribution to sustainability goals and focus on outcomes.

- Identifying and setting climate and environmental objectives
- Prioritizing sectors
- Referencing the translation of carbon budgets into benchmarks as part of portfolio-alignment methodologies
- Assessing GHG emissions and considerations for life cycle analysis
- Addressing just transition considerations
- Seeking consistency across statistical industry classifications for the design of asset- and entity-level alignment approaches



### PRINCIPLE 2

Avoid negative contribution to sustainability goals.

- Adjusting DNSH (do no significant harm)/minimum safeguards for a variety of asset classes
- Applying a two-tiered approach: minimum ground (global and local regulations for minimum safeguards) and options (risk management approach such as IFC performance standards, set of E+S performance topics)
- Implementing a broader responsible business conduct due diligence and identification of due diligence priorities



### PRINCIPLE 3

Be dynamic in adjustments reflecting changes in policies, technologies, and state of the transition.

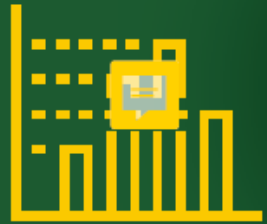
- Updating and refreshing periodically alignment approaches considering evolving expectations and related governance recommendations
- Dealing with the legacy of green and sustainability-aligned bond instruments



#### PRINCIPLE 4

Reflect good governance and transparency.

- Ensuring quality and reliability in the application of alignment approaches through disclosures, data, and verification (mandatory disclosure requirements, disclosure of forward-looking information, and so on.)



#### PRINCIPLE 5

Be science-based for environmental goals and science- or evidence-based for other sustainability issues.

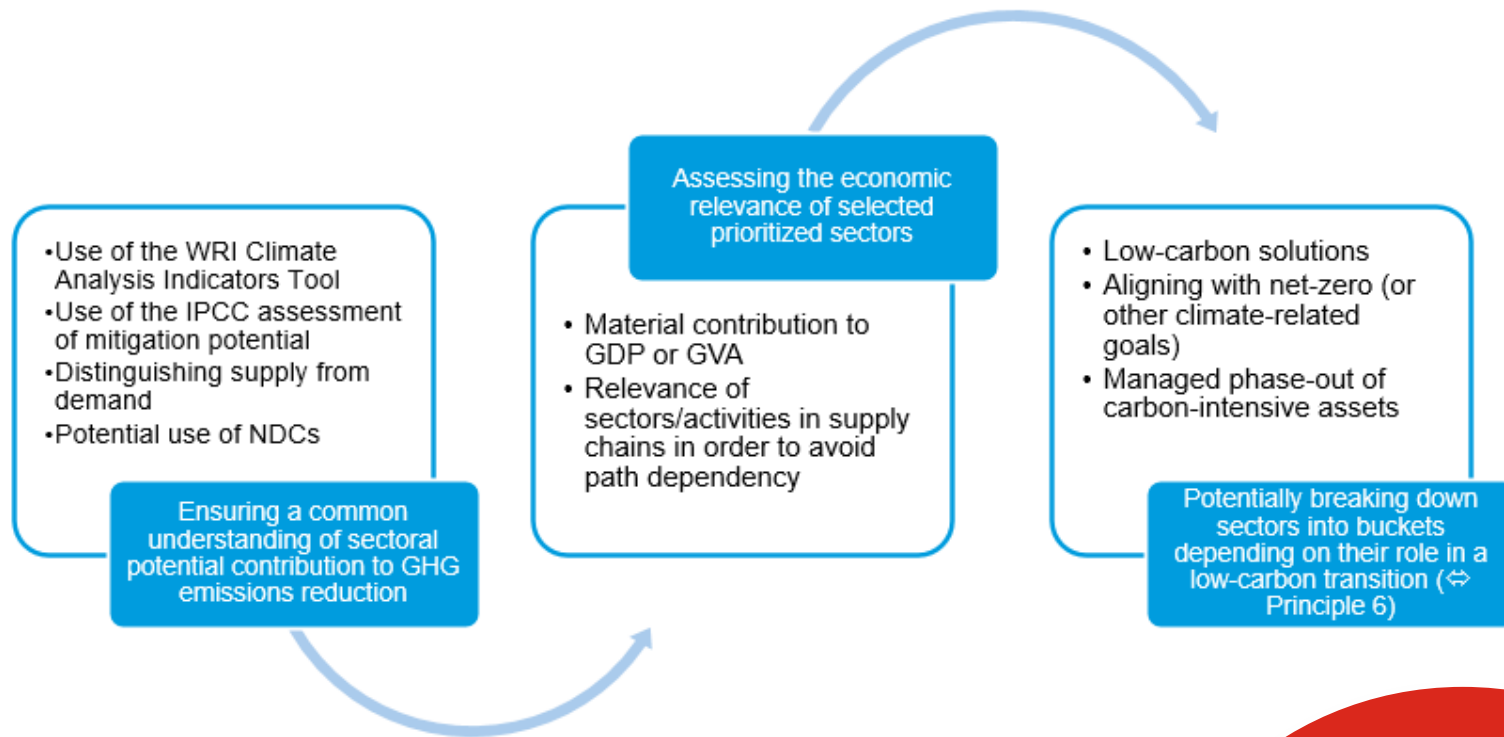
- Identifying the types, pros, and cons of a series of science-based foundations for alignment approaches (nationally determined contributions, sectoral decarbonization pathways, national and regional policies, and so on)



#### PRINCIPLE 6

Address transition considerations.

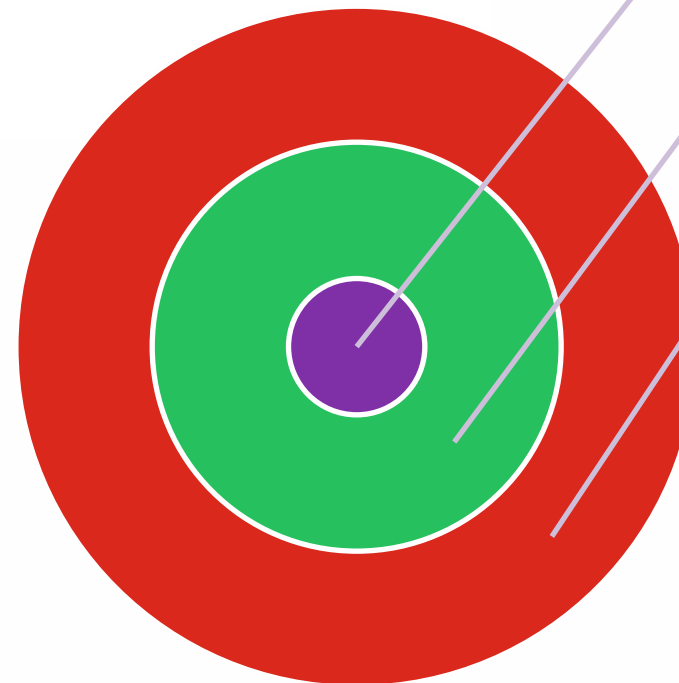
- Deciding how to embed supply chain criteria and targets in entity-level transition plans
- Ensuring that the content of transition plans is based on 8 pillars: setting net-zero and/or Paris temperature targets; grounding in a transition taxonomy or sectoral pathways; setting an implementation strategy; grounding in reliable and quantifiable metrics and targets; ensuring governance, transparency, and accountability; addressing adverse impacts; and addressing just transition challenges



**Identifying sectoral dynamics** that are prone to bear substantial and specific employment and social impacts, **apply a common scope of just transition**, primarily based on the ILO's Just Transition Guidelines

**Apply principles included in global conventions** directly or indirectly covering just transition-related considerations

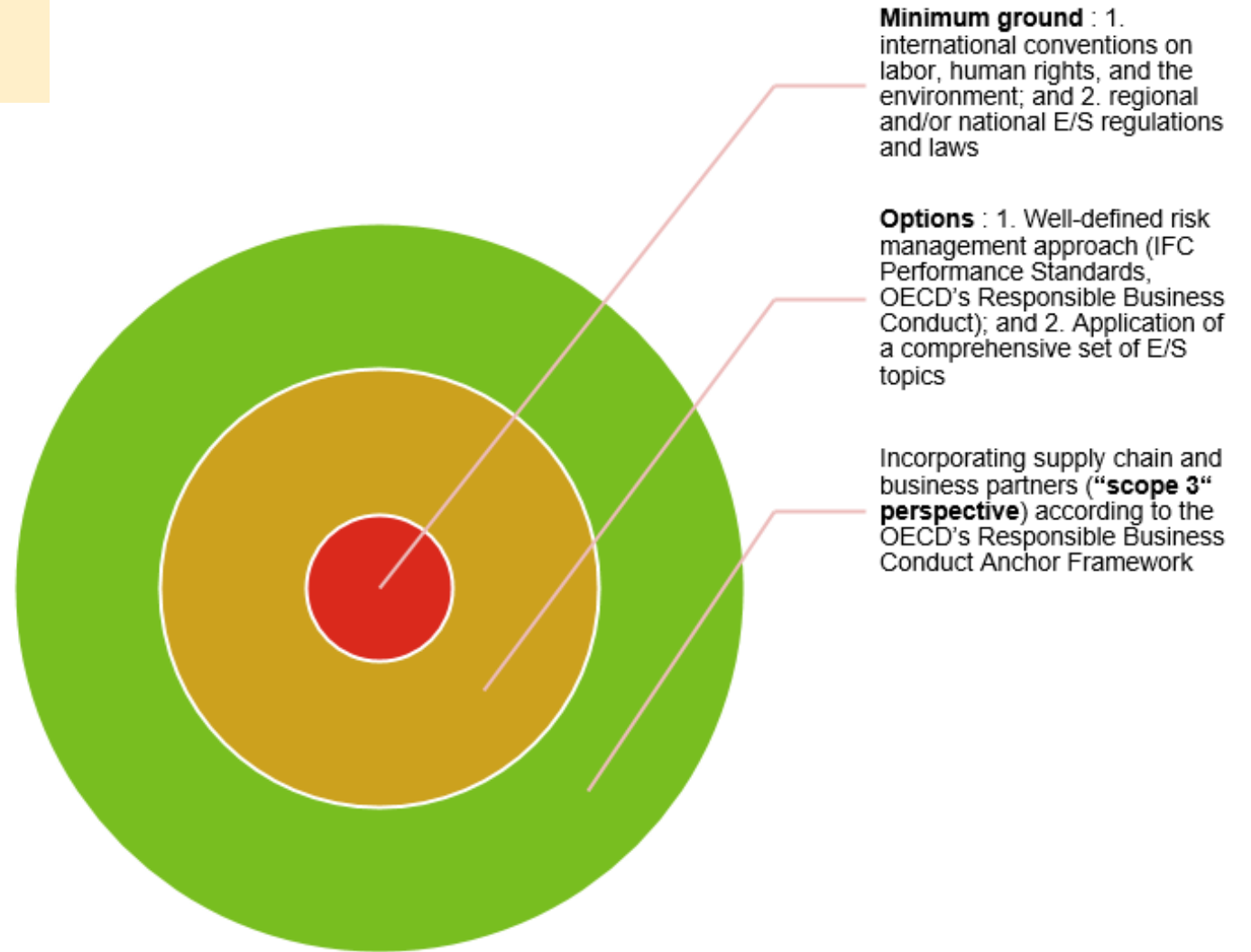
**Incorporate the ILO's Building Blocks approach** : menu of measurable, collectable, and decision-useful metrics and indicators and enhanced disclosures at project, company and financial institution-level



**Example**  
**Principle 1 (substantial contribution to a climate goal)**

## Example

### Principle 2 (avoid negative contribution)



## Example

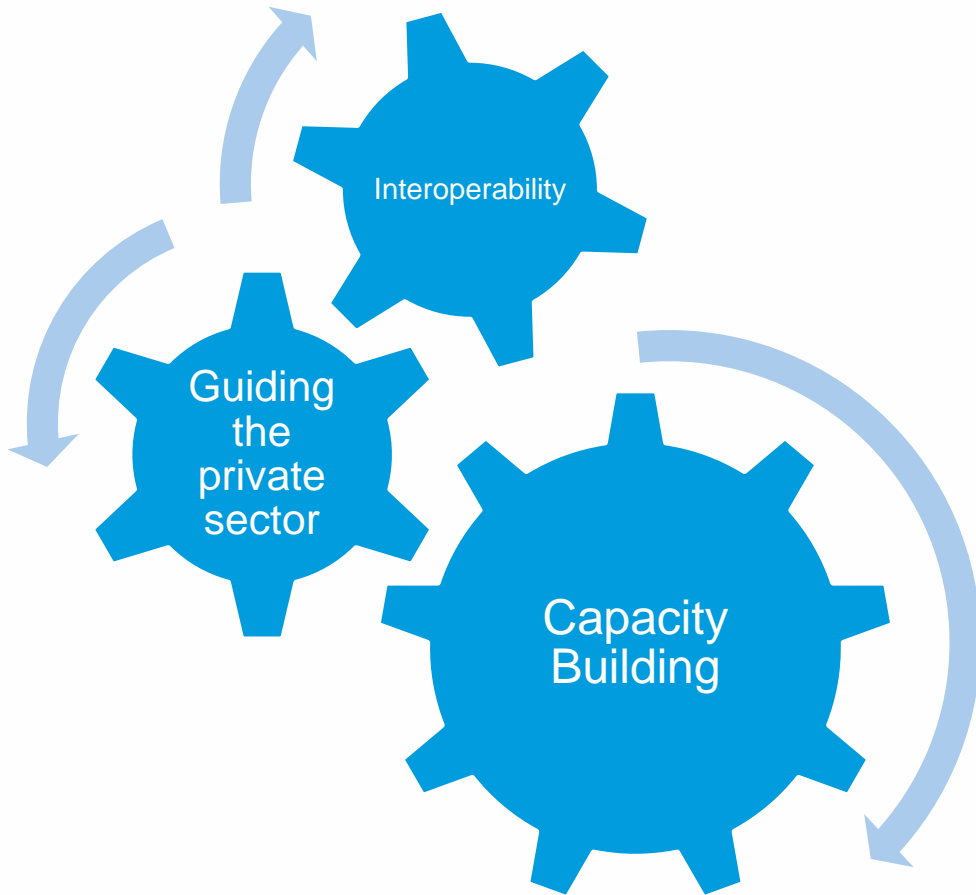
### Principle 6 (address transition considerations)



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# A wide range of practical applications



## Facilitating **interoperability**

- Contributing to a higher degree of interoperability
- Incorporating alignment approaches into a transition finance framework

## Guiding the **private sector**

- Reducing the risk of fragmentation in capital markets
- Providing background on technical methodological aspects behind alignment approaches

## Applying to **our work**

- Climate information architecture developments
- Technical assistance

**Thank you !**