21 December 2018

Mr. Frank Elderson
Member of the Governing Board
De Nederlandsche Bank
Chairman, NGFS

c/o Morgan Després
NGFS Secretariat
Banque de France

Dear Chairman Elderson,

As the IPCC has recently reminded us, current global commitments to climate change mitigation do not match the stated ambition of the Paris Agreement. We therefore continue to face significant climate-related risks for natural and human systems, and for the global economy more broadly. Substantial changes in multiple economic sectors, including energy, transport, infrastructure, and agriculture, are needed to achieve the goal of limiting global warming to well below 2 degrees Celsius above pre-industrial levels. This is set in the context of needing up to US$8 trillion of investment annually until 2030 to achieve the UN Sustainable Development Goals to address a broader range of social and environmental issues, as noted by the World Economic Forum.

While the challenges are manifold, there are significant opportunities to align investment and lending with societal and environmental needs. Reaching the agreed targets requires public and private collaboration to support financing of solutions—not least given high and in many cases rising levels of public sector debt, which make it harder for governments to allocate funding for climate change mitigation and broader sustainability goals. The financial sector is firmly committed to doing its part in collaboration with our private and corporate clients as well as with the public sector. In order to support this effort, the Institute of International Finance (IIF) has formed a dedicated Sustainable Finance Working Group (SFWG), chaired by Daniel Klier of HSBC. The IIF SFWG brings together participants from across the financial services industry to identify areas where collaboration, coordination, innovation, and policy and regulation can help channel financial flows towards the most promising solutions to our common challenges.

We are pleased to see that central banks and financial sector supervisors share the ambition not only to better understand risks but also to seize opportunities. The formation of the Central Banks and Supervisors Network for Greening the Financial System (NGFS) under your leadership at the Paris One Planet Summit was a landmark event. We congratulate you on rapidly expanding to 24 members and 6 observers covering almost all the major developed country and emerging market financial centers globally and many of the major international financial institutions. We believe that international collaboration and coordination as exemplified by the NGFS is indispensable to avoid undesirable market or regulatory fragmentation, thus leading to a consistent mainstreaming of sustainable finance as well as a safer financial industry. Thus, we look forward to further growth in the network, with expansion to a wider range of countries as well as broader topics such as social and governance issues. The acknowledgement in the NGFS Progress Report of the financial risks from climate change, research on tools and methodologies to help understand and quantify such risks, and consideration of the role of central banks and supervisors in scaling up green finance is a clear demonstration of leadership and foresight.

The IIF SFWG would welcome the chance to partner with the NGFS on this journey and provide a private sector counterpart to your work. The IIF has a strong track record of analysis and building industry consensus on emerging risk topics over more than 35 years. The IIF has also provided a well-regarded forum to establish good practices that guide public-private interactions on global topics such as sovereign debt restructuring. With close to 450 members from 70 countries across both developed and emerging markets, banks, insurers and institutional investors, the IIF is uniquely positioned to find global consensus and an appropriate balance between harmonized standards and national priorities, and between top-down direction and bottom-up innovation. The IIF would therefore be well placed to support the NGFS in disseminating its work and messages to a wider range of countries.

The SFWG recently met in New York on 29 November to review the work of its subgroups (see below) and identify an action plan for the coming year. The appendix to this letter outlines some of our key initiatives that we believe align with many of the targets in your workplan. We also provide some comments on your priorities and on where we believe the IIF SFWG can add value. To help progress collaboration, we suggest the following as one potential operating model between the NGFS and the IIF.

- **Strategic Direction-Setting**

  The IIF Board of Directors has identified sustainable finance as a key strategic priority for the IIF and for the financial sector over the coming years. As such, the IIF Board retains responsibility for setting the strategic direction of the work. The NGFS has among its key leaders the heads and senior members of a number of key central banks and supervisors globally (i.e. Frank Elderson, De Nederlandsche Bank, Chair, Ma Jun, People's Bank of China, WS 1 lead, Sarah Breeden, Bank of England, WS 2 lead, Joachim Wuermeling, Deutsche Bundesbank, WS 3 lead).

  A subset of the IIF Board firms and SFWG Chair could meet with the NGFS leadership (e.g. Chair, workstream heads and secretariat) once per year—potentially around key events such as the IMF/WB meetings or WEF—to review the current priorities and objectives of the IIF SFWG and the NGFS. The goal would be to align the efforts of the groups on key strategic outcomes to further efforts to mainstream sustainable finance over the next few years. For 2019, the April IMF/WB Spring Meetings could be a target for a first such meeting.

- **Operational Oversight and Alignment**

  The IIF SFWG Chair (Daniel Klier, HSBC) is responsible for directing the activities of the SFWG in line with agreed strategic priorities. The Chair is assisted in this task by leads for each of the SFWG subgroups and the IIF secretariat (see Appendix 2). The NGFS is similarly supported by three working groups with chairs as well as the Banque de France secretariat.

  Thus, the IIF SFWG Chair, the subgroup leads, and the IIF secretariat could meet with the respective NGFS Chairman, NGFS workstream heads and / or the NGFS secretariat leads twice per year to formally exchange key deliverables and align the short to medium term workplans. The goal would be to discuss implications of key outputs and ensure an aligned set of activities over the coming 12- to 18-month period that reflects the strategic priorities agreed by the IIF and NGFS leadership. For 2019, January's WEF meeting in Davos, the April IMF/WB Spring Meetings in Washington D.C. and the October IIF Annual Membership Meeting in Washington D.C. (alongside the IMF/WB Annual Meetings) could offer useful opportunities to organize such meetings.

- **Working-Level Dialogues**

  The IIF subgroups will meet at least once per quarter via conference call to progress key deliverables (see Appendix 2 for initial list). The subgroups are composed of IIF members and steered by leads from IIF member firms in cooperation with the IIF secretariat. Our working assumption is that the NGFS may have a similar approach with work progressed within each workstream according to needs and availabilities.

  The IIF subgroups and the respective NGFS workstreams could therefore meet (physically or more likely virtually) during the year to exchange views informally and discuss progress. This would be based on the operational plans agreed between the IIF SFWG and NGFS Chairman and their co-leads. This work would be structured informally based on progress on key deliverables.

- **External Communications**

  While the above strategic and working relationship between NGFS and IIF SFWG would be conducted bilaterally, there may be opportunities for joint external communications – either in the way of position statements or other external outreach – for example to widen awareness of the importance of disclosure and support the TCFD in its program to encourage implementation.

  Given the mandates of the IIF subgroups and the NGFS workstreams an initial pairing of the two structures would be:

    - IIF TCFD / Data subgroup and NGFS Workstream 1 and 2 with focus on climate risk scenario analysis, risk assessment methodology and climate related disclosure including metrics
    - IIF Regulatory and Policy subgroup and NGFS Workstream 1 and 2 with focus on prudential supervisory approaches to environmental and climate risk
    - IIF Taxonomy and Impact Investing subgroup and NGFS Workstream 3 with focus on efforts to scale sustainable finance including alignment of sustainable investing terminology via IIF member consultations and consensus-building

The above proposals are of course just initial views and we would be pleased to discuss how the NGFS and IIF SFWG can collaborate in the most effective and efficient manner at your early convenience. Thank you for your consideration, and we very much look forward to the prospect of working with you on this important effort.

Best regards,

Daniel Klier
Global Head of Sustainable Finance
HSBC Holdings plc

Timothy D. Adams
President & CEO
Institute of International Finance

Appendix 1 – Comments on NGFS Progress Report

The NGFS First Progress Report is an outstanding example of transparency and leadership by central banks and supervisors. The NGFS is to be congratulated for publishing a document on an emerging topic where it is clear that gaps in knowledge and approach still need to be filled. The key messages provide helpful indications of where consensus already exists among central banks and supervisors and where activities will continue not only leading up to the first NGFS comprehensive report in April 2019 but also well beyond.

Whether it is action intended to meet the Paris Agreement targets or the Sustainable Development Goals, it is clear that we are on a multi-year journey to align financial flows with broader social and environmental needs. The financial sector can draw on its history of supporting key efforts such as the industrial revolution in the 1800s, the post-war reconstructions of the 1900s, or the growth and development of emerging markets in the 2000s to help meet the key challenges of today and coming years. The following will offer some initial views of the IIF SFWG on the five key messages from the NGFS Progress Report. The IIF SFWG would be pleased to meet with the NGFS to discuss these in more depth.

1. Climate-related Risks are Sources of Financial Risk

The IIF SFWG shares the NGFS view that climate-related risks are a source of financial risk and thus within the scope of central bank and financial supervisory mandates.[1] The financial system cannot be disconnected from the physical environment in which human societies exist. Natural capital is a key concept that connects the activities needed to support the demands of human populations with the resources used to feed, shelter, power, and transport individuals. While there have been amazing advances in efficiency during recent decades through digitalization, natural resources will continue to be used in some form to meet almost all human needs.

Key concepts such as the Planetary Boundaries Framework[2] have provided an evidence-based way to understand the fundamental interacting processes that contribute to the stability and resilience of the Earth system as a whole. This allows for greater understanding of the impact of the shift to a period where human processes potentially dominate or at least have significant impact on natural processes—a new epoch scientists have proposed dubbing the Anthropocene. Climate is one of these key planetary boundaries but there are other key processes such as biogeochemical flows (nitrogen, phosphorous), land use change, and biosphere integrity that must also be considered.

Understanding the financial risks that may be imposed—either due to physical processes and constraints or due to policy changes intended to guide transitions and limit the crossing of critical thresholds—is key for the financial sector. We thus appreciate that our central banks and supervisors share the ambition to better understand the financial effects of both physical and transition risks. Sound risk management requires that we factor these risks into our management and measurement systems while recognizing the uncertainties involved, and please note the difference between risk and uncertainty. The fact that time horizons are beyond our normal planning cycles and pathways for risks to manifest themselves should not be an excuse not to analyze such risks. Members of the IIF SFWG have recognized this and are actively working on methodologies to identify, assess, monitor, manage, mitigate, and report such risks. We are pleased that many of our central

[1] See, e.g., Economist Intelligence Unit report *The cost of inaction: Recognizing the value at risk from climate change* estimating a value at risk of US$4.2 trillion on the 2015 stock of US$143 trillion of global assets. See also the work of Mercer projecting a 33 basis point average annual shortfall over 10 years for a typical US pension fund in a transformation scenario aligned with the 2 degree C outcome baseline of the Paris Agreement https://www.mercer.com/our-thinking/climate-change-investment-risk-management.html . Finally, for another perspective, see a recent Nature article placing a global social cost of carbon of US$16 trillion in 2017. https://www.nature.com/articles/d41586-018-06827-x

[2] See the work of the Stockholm Resilience Centre, which has been a key input into the work of the UN to define the Sustainable Development Goals and to private sector initiatives such as the Action 2020 strategy of the World Business Council on Sustainable Development. More information can be found at www.stockholmresilience.org/research/planetary-boundaries.html

banks and supervisors agree that these risks should be a key focus of sound risk management, given their significant potential negative impact on the financial system and the real economy.

2. New Analytical and Supervisory Approaches are Needed

The calculation of financial risks related to climate change narrowly or environmental issues more broadly suffers from several challenges in addition to the above-mentioned time horizon. Such risks also do not fit neatly into current risk measurement methodologies due to data and modeling limitations. In some instances, there is no historical data available. In other cases, the data is not sufficiently granular or linked to specific assets in a way that would allow for inclusion into models. In all cases, the historical data may not be representative of the future given the potential for step-changes in the physical environment or policy changes which may entirely change the economic environment in which activities are taking place.

Thus, the IIF SFWG agrees with the NGFS that new analytical and supervisory approaches are required. A number of banks have been collaborating under the umbrella of UNEP FI to share experience with scenario analysis for purposes of understanding climate related risk. This has been done to support their initial disclosures aligned with the recommendations of the FSB Task Force on Climate-related Financial Disclosures (TCFD). The two reports published, one on physical risk and one on transition risk, demonstrate the current state of industry approaches.[3] The SFWG members active in that work would be pleased to meet with the NGFS to discuss the findings of those reports.

More broadly, the IIF SFWG believes there is scope for collaboration with the members of the NGFS to jointly develop commonly acceptable methodologies and approaches. Given the need to develop new approaches, the data challenges, and the methodological novelty of what is required, it may be most effective to form public-private working teams that share knowledge and test out approaches rapidly. This is an area where all share a common interest in sound risk assessment and it may be better to prioritize collaboration over competition until such time as methodologies stabilize and data improves. It may be necessary to have agreed protocols in place to permit such activity to occur and this is something the IIF SFWG would be interested to explore further with the NGFS.

3. Need for a Deeper Understanding of Risk

The NGFS report indicates that supervisors are starting to actively assess prudential risks and set supervisory expectations to enhance financial risk management. This was illustrated most clearly by the UK where the PRA and FCA issued a draft supervisory statement for consultation and a discussion paper for feedback respectively in October shortly after the release of the NGFS Progress Report[4]. Other supervisors have engaged in supervisory reviews of certain aspects of risk management (e.g. Singapore, Switzerland) or disclosure practices (e.g. France, Australia). Other supervisors (e.g. People's Bank of China, Hong Kong Securities and Futures Commission) have also been active in setting out strategic frameworks for green finance.[5] Finally, the European

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[3] See the report on physical risk here http://www.unepfi.org/publications/banking-publications/navigating-a-new-climate-assessing-credit-risk-and-opportunity-in-a-changing-climate/ and on transition risk here http://www.unepfi.org/publications/banking-publications/extending-our-horizons/

[4] See the PRA consultation paper on a draft supervisory statement here https://www.bankofengland.co.uk/prudential-regulation/publication/2018/enhancing-banks-and-insurers-approaches-to-managing-the-financial-risks-from-climate-change and the FCA discussion paper here https://www.fca.org.uk/publications/discussion-papers/dp18-8-climate-change-and-green-finance

[5] See the Guidelines for Establishing the Green Financial System here http://www.pbc.gov.cn/english/130721/3133045/index.html, the HK SFC Strategic Framework for Green Finance here https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/corporate-news/doc?refNo=18PR110 .

Commission has launched a broad set of activities to integrate sustainability considerations into its overall financial policy framework.[6]

While the industry appreciates having clear guidelines and expectations on risk management and sustainable finance more broadly, such guidance should acknowledge that the market encompasses a wide variety of participants with different level of sophistication. In particular, it may be unrealistic to expect all market players to have the capacity to conduct financial risk analysis across all portfolios and asset classes and incorporate it fully into current supervisory processes such as stress tests and ICAAP (Internal Capital Adequacy Assessment Process) at the present time. Likewise, systematic integration of ESG issues according to a granular activity level taxonomy may be unrealistic at present. The IIF SFWG believes that such goals are achievable but more likely using a phased approach similar to the 5-year pathway set out by the TCFD for disclosure. Moreover, the financial sector relies heavily on comparable and consistent disclosure by corporates of climate risk and broader ESG performance in order to meet such expectations—disclosure that is still a work in progress. Thus, the IIF SFWG supports the idea of horizontal reviews and benchmarking exercises whereby both we and supervisors can more quickly identify best practices and emerging common approaches.

More broadly, the IIF SFWG believes that there is a need to prioritize. The SFWG welcomes the signals from the FSB and the Basel Committee that global policymaking with regard to Basel 3 and other related standards has likely reached an end and authorities will now pivot to policy evaluation.[7] Continued refinement of those rules would compete with the resources that need to be devoted to analyzing climate financial risk. Given the need for basic research and the time window available as indicated by the recent IPCC report of just 12 years to limit the impacts of global warming to 1.5 degree C above pre-industrial levels[8], the SFWG believes that central banks and supervisors should focus policy making on evaluating the overall impact of the Basel 3 framework and a few key emerging risk areas (e.g. cyber and crypto-assets) in addition to climate and environmental risk. The members of the IIF SFWG are eager to prioritize the group's activities and focus resources on the most material risks facing not only the financial sector but the economy more broadly. Towards this end, we look to align our efforts with key public sector initiatives as well.

4. Tools and Methodologies are at an Early Stage

The IIF SFWG agrees with the NGFS observations that "data is limited, taxonomies and definitions are still developing and there is a need to build intellectual capacity in translating the science into decision-useful financial risk assessment information." The SFWG also agrees that more work is needed to assess whether a financial risk differential exists between "green" (low carbon) and "brown" (carbon and pollution-intensive) assets. Interesting work is being done to make data sets available and bring together combinations of public and private data initiatives.[9] The financial industry historically has overcome the challenge of data limitations by a variety of initiatives[10] with collaborations of both public and private sectors. Given common aspirations around sustainable finance, the IIF SFWG would like to explore the feasibility of data collecting initiatives with the NGFS.

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[6] See the EC program here https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en

[7] See FSB Chair's letter to the G20 Finance Ministers and Central Bank Governors in March 2018 here http://www.fsb.org/2018/03/fsb-chairs-letter-to-g20-finance-ministers-and-central-bank-governors/ and the remarks of the Basel Committee chairman in January 2018 here https://www.bis.org/speeches/sp180129.htm

[8] See the IPPCC special report here http://www.ipcc.ch/report/sr15/

[9] See, for example, initiatives such as those outlined in the G20 Sustainable Finance Study Group 2018 Synthesis Report, the Global Partnership for Sustainable Development Data http://www.data4sdgs.org/index.php/ and work of the Oxford Sustainable Finance Program https://www.smithschool.ox.ac.uk/research/sustainable-finance/

[10] See O.R.X. which provides a platform for exchanging operational risk loss data here https://managingrisktogether.orx.org/ and see GLEIF which is established by FSB to support the implementation and use of the Legal Entity Identifier (LEI) here https://www.gleif.org/en/about/this-is-gleif

Given the paucity of data, the IIF SFWG believes that policymaking and supervisory expectations should remain realistic and conservative for the time being. A discussion on prudential adjustments would be a distraction from the basic research and development required to better understand how best to assess climate and environmental risks. While it is useful to have evidence-based discussions on what should be considered directionally "green" or directionally "brown", we must realize that many companies and activities will have shades of both. Therefore, we believe that policymaking should acknowledge that reality and focus more on how to support a transition to a lower-carbon economy than how to subsidize a point-in-time situation.

Additionally, the IIF SFWG suggests that the financial sector be placed into a broader context of other fiscal and regulatory policies. While recognizing that tax and other fiscal policies are outside the mandate of central banks and supervisors, the IIF SFWG would lend its support to any discussions about how such policies may align with financial sector policies. In many cases a more direct policy instrument (e.g. carbon tax) may be more effective and efficient in internalizing externalities and incentivizing change than an indirect approach through the financial sector and cost of capital.[11] The example of France with its clear pathway on carbon prices and rolling reviews of a broad suite of related policies supporting transitions in key economic sectors provides a good example of how other policies can support sustainable finance.[12]

5. Central Banks can help Scale Green Finance

The IIF SFWG applauds the willingness of NGFS members to consider their ability to lead by example. Many central banks are significant asset owners in their own right. Thus, they face many of the same challenges as financial sector firms in understanding potential physical and transition risks for their investments. We understand a number of central banks, particularly those with equity portfolios, are actively considering how to integrate not just climate but broader ESG issues into their investment processes. The SFWG believes that such "learning by doing" experience is important and encourages the asset management parts of central banks to share their experiences with the supervisory and policymaking part of central banks and the financial supervisors in their jurisdictions. The IIF SFWG encourages relevant NGFS members to follow the lead of key public sector entities such as the World Bank/IFC, the European Bank for Reconstruction and Development (EBRD) and other MDBs, the Development Bank of Japan and other national DFIs, UNEP and OECD, and to support relevant initiatives where they find it appropriate.

As noted by the ECB at the recent NGFS event in Berlin[13], central bank operations also may provide a helpful lift to the market either for green bonds or other investment approaches focused on sustainability. For example, the FCA announcement of the Innovate Green FinTech Challenge and potential to explore green finance in the Global Financial Innovation Network (GFIN) are examples of new approaches for co-operation that can help both the public and private sector scale green and sustainable finance faster. Another helpful example is the support given by the World Bank and IFC to the development of the initial draft Operating Principles for Impact Management. The IIF SFWG will be providing separate comments to the consultation on those principles.[14]

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[11] See the work of the World Bank http://www.worldbank.org/en/programs/pricing-carbon and the CDP and We Mean Business Coalition report *Corridors* noting that nearly 1400 companies globally already disclose or plan to use an internal carbon price https://www.cdp.net/en/climate/carbon-pricing/corridors .

[12] See, e.g., overview of the National Low-Carbon Strategy of France summarized in the Banque de France / ACPR report *Evaluating Climate Change Risks in the Banking Sector*, p. 43.

[13] See Benoît Cœuré's speech at the NGFS, Deutsche Bundesbank and Council on Economic Policies conference "Scaling up Green Finance: The Role of Central Banks" https://www.ecb.europa.eu/press/key/date/2018/html/ecb.sp181108.en.html

[14] See the Operating Principles for Impact Management, open for consultation until year-end 2018, here https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Impact-investing/Principles/

The IIF SFWG would welcome the chance to discuss with the NGFS which activities by central banks and supervisors may be most helpful to further developing the sustainable and green finance market.[15] There also may be useful lessons from the work done by the G20 Sustainable Finance Study Group that would benefit from further discussion between the NGFS and IIF SFWG.

[15] See, for example, Council for Economic Policies Discussion Note *Central Banks and the Transition to a Low-Carbon Economy*, for various aspects that could be discussed https://www.cepweb.org/central-banks-and-the-transition-to-a-low-carbon-economy/

Appendix 2 – IIF SFWG Background and Priorities

The IIF Sustainable Finance Working Group (SFWG) has the following overarching objectives:

- To promote capital market solutions, strategies and practices that support the scaling up of sustainable finance, including co-financing with multilaterals;
- To identify barriers to—and catalysts for—the broader mobilization of private finance, e.g. those related to regulation, the role of national authorities and multilateral initiatives;
- To promote effective climate-related financial disclosures across jurisdictions, notably through support for implementation of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD);
- To contribute to efforts to scale up sustainable investment, mainstream impact investment and improve market infrastructure e.g. a broader range of instruments including derivatives, appropriate benchmarks, impact-labeled funds, and ratings.

With approximately 80 members to date including banks, insurers, asset managers, service firms and non-financial corporates, the IIF SFWG will work closely with official sector collaborators including the G20/B20, IMF, World Bank/IFC and other multilaterals, national authorities and the regulatory community to engage public and private sectors in dialogue around sustainable finance issues. The SFWG is chaired by Daniel Klier, HSBC Group Head of Strategy and Global Head of Sustainable Finance. The IIF Secretariat is led by Sonja Gibbs, Managing Director, Global Policy Initiatives, in coordination with Andres Portilla, Managing Director, Regulatory Affairs.

The SFWG has formed the following three subgroups to support its efforts. These subgroups have the mandate to conduct the technical work of the SFWG for formal adoption by the SFWG and, where relevant, the IIF Board of Directors. The description of the subgroups are as follows.

1) **Regulatory and Policy Engagement**
   Lead: Judson Berkey, UBS
   IIF Contacts: Robert Priester (rpriester@iif.com) and Jun Fujimori (jfujimori@iif.com)

   Objective: Assess global, regional and where appropriate national-level policy and regulatory initiatives to determine where the SFWG should engage with policymakers to scale up action to ensure a policy and regulatory environment conducive to sustainable finance. Develop an effective advocacy effort around key sustainable finance policy and regulatory initiatives—particularly at the global level—with key groupings. There will be a particular focus initially on risk management standards as well as disclosure requirements and work on taxonomy; going forward more emphasis will be given to corporate governance and other social/governance issues.

   Deliverables in progress or under consideration for 2018-2020
   - Response to NGFS Progress Report with proposals for how to formalize interaction between NGFS and IIF (i.e. this letter)—by end-2018;
   - Response to the PRA supervisory statement consultation (by mid-January 2019); and
   - Report with views on the role of corporate governance and disclosure in support of long-term investment and sustainable finance (note: may be co-authored with subgroup 2 for aspects related to climate financial risk disclosure and subgroup 3 to bring in long-term investment considerations.

2) **TCFD/ Data**
   Lead: Ed Wells, HSBC
   IIF Contacts: Jun Fujimori (jfujimori@iif.com) and Paul Della Guardia (pdellaguardia@iif.com)

Objective: Support members in identifying challenges to TCFD implementation, especially around risk and data analysis, and promote knowledge sharing—for example, by highlighting reporting that is consistent with the TCFD recommendations. This subgroup can also contribute to industry efforts towards promoting good practices via an industry survey and/or a stock-taking of progress on climate-related financial disclosures.

Deliverables in progress or under consideration for 2018-2020:

- A short survey of implementation efforts (progress, challenges, next steps, etc.) and compilation of examples of leading disclosure practices;
- Building on survey results, a paper outlining potential TCFD templates for banks, insurers and asset managers, with the goal of agreeing on "what good looks like" in terms of TCFD disclosure. A first iteration of such a paper could be developed in 2019, with annual updates and enhancements over a multi-year timeframe, aligned to the five-year program for implementation envisaged by TCFD; and
- Convening roundtables/workshops on disclosure issues alongside IIF events, including the June Spring Membership Meeting/G20 conference in Tokyo.

3) Taxonomy and Impact Investing

Lead: [TBC]

IIF Contacts: Greer Meisels (gmeisels@iif.com) and Paul Della Guardia (pdellaguardia@iif.com)

Objective: Contribute to efforts to develop standards that help catalyse private capital at scale to support sustainable development efforts. This includes helping promote international coherence and consistency across taxonomy initiatives (e.g. European Commission, UK Green Finance Task Force, China Society for Finance and Banking and the EIB) and raising awareness of efforts to develop common standards (e.g. IFC Operating Principles for Impact Management). Focus may also be on supply side initiatives via public-private partnerships.

Deliverables in progress or under consideration for 2018-2020

- An industry position letter to the European Commission (EC) regarding taxonomy issues, proposing a number of high-level principles for consideration and setting out the rationale for a simplified approach to sustainable investing terminology (by end-2018);
- A series of workshops, webinars etc. to discuss ways to simplify sustainable investing terminology (taxonomy); as part of this process, IIF members can review alternatives with a view to adopting a simplified approach for their own organization, with an ultimate goal of helping the industry align around a set of simplified terms;
- Response to IFC consultation on Operating Principles for Impact Management, which have been designed to ensure minimum standards for monitoring, measuring and reporting impact investment (Dec 2018-Jan 2019);
- Suggestions for alignment and harmonization of disclosure requirements from an investor perspective (in coordination with Subgroup 2).