



Int. Conference on Statistics for Sustainable Finance

Session 1: Sustainable finance: Addressing data needs

Data needs, an overview on the Irving Fisher Committee stock taking

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The views expressed in them are those of their authors and not necessarily the views of the BIS or Deutsche Bundesbank.

IFC survey on sustainable finance: Purpose and key facts

● Objective

- Focus on Central Banks (CB): Stocktake of sustainable finance data needs & data availability
- Complement existing / ongoing work by other initiatives (eg G20, FSB/SSBs, NGFS etc) – perimeter differs: sustainable finance definition, policy objectives, actors covered, data issues

● Perimeter

- Sustainable finance definition: Broad - ESG: Environmental, Social and Governance
- All CB policy objectives (Fin stability / supervision, Asset management, Monetary Policy, etc)
- Survey among IFC CBs - 58 answers (28 advanced economies, 30 EMEs)
- Focus on operational elements (data collection, data gaps)

● Timeline

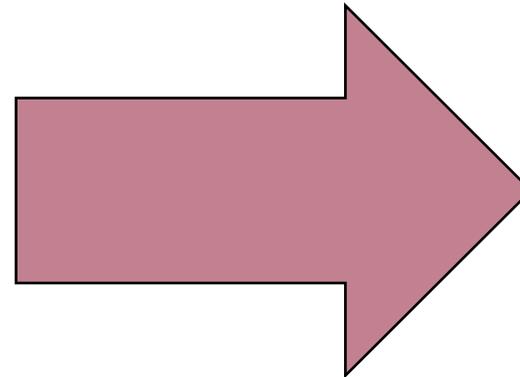
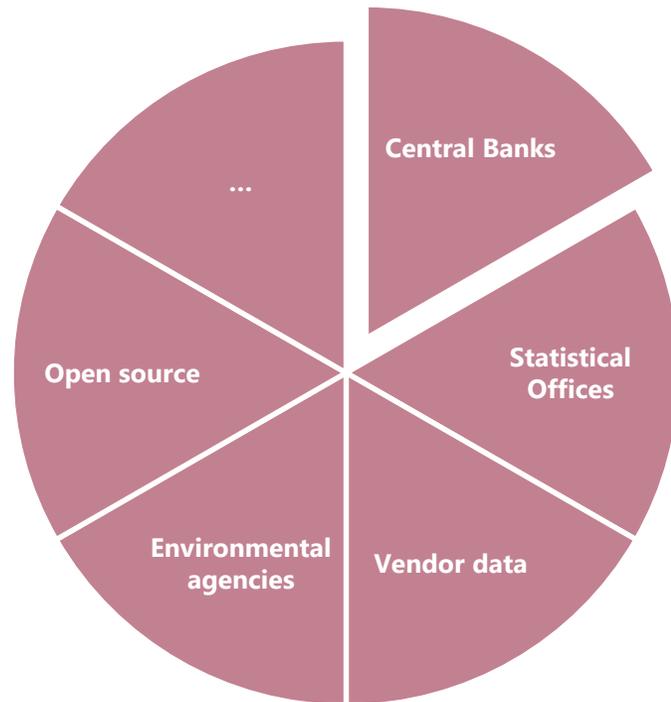
- Today's presentation of results and recommendations
- Publication of IFC Report by end 2021

Contribution of IFC work: act as a facilitator and amplifier to establish data

International efforts:

FSB/SSBs, **IFC**, NGFS, G20/ UN

National efforts



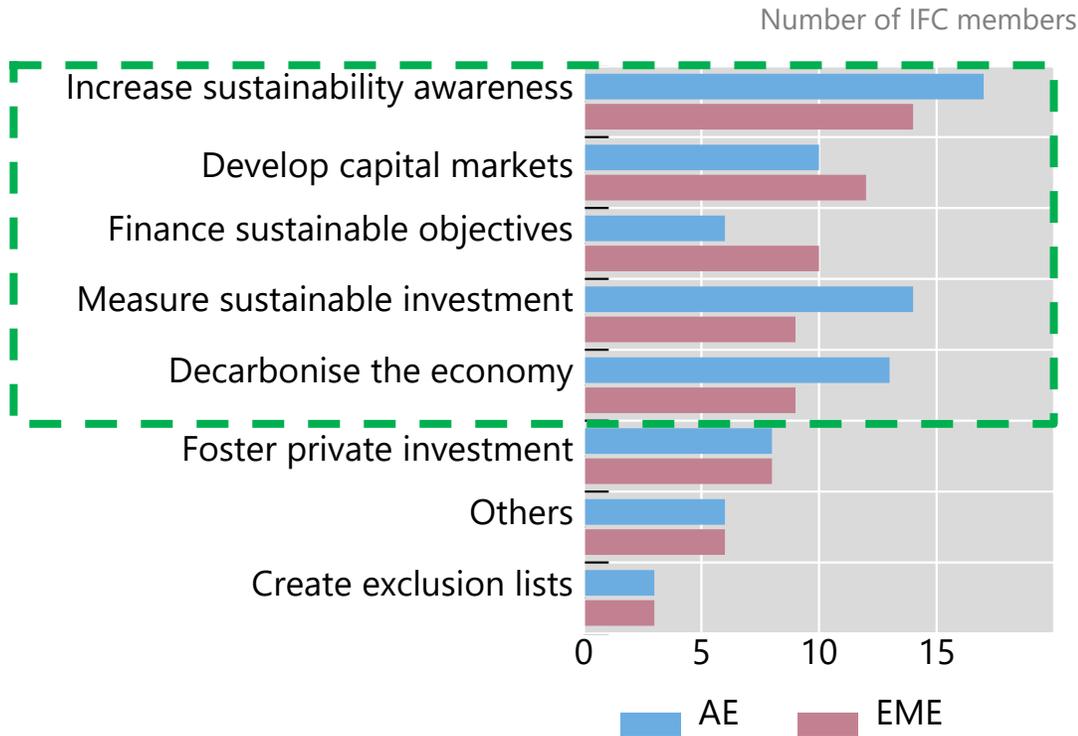
Sustainable Finance
Data Cloud

Key findings

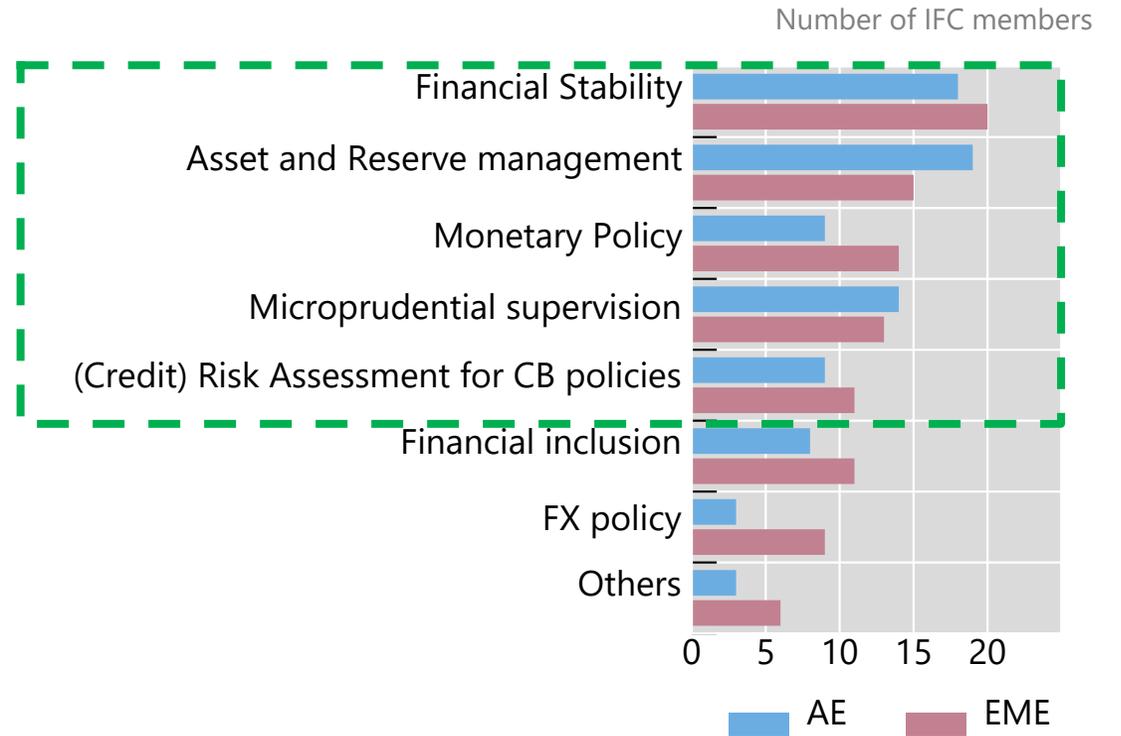
- **Sustainable finance is of growing interest for Central Banks**, although stances vary widely
- **Central Banks** are perceived as **key stakeholders for sustainable finance policies**
- **Central Banks' data needs are closely linked to their core mandates** - prudential and financial stability analysis, asset/reserve management and monetary policy
- **Environmental indicators are most relevant at current juncture**, while the use of social and governance indicators is more limited so far
- **Data challenges:**
 - **Missing taxonomies /regulation lead to data gaps / data issues**
 - Macro data available, but substantial **gaps with respect to granular firm level data**
- **Solutions to close data gaps:**
 - Cooperation among all stakeholders (public sector entities and private sector)
 - New data collection initiatives, use of technology

Finding 1: Sustainable finance is of growing interest for Central Banks

Broad Central Bank policy objectives



Specific Central Bank policy objectives



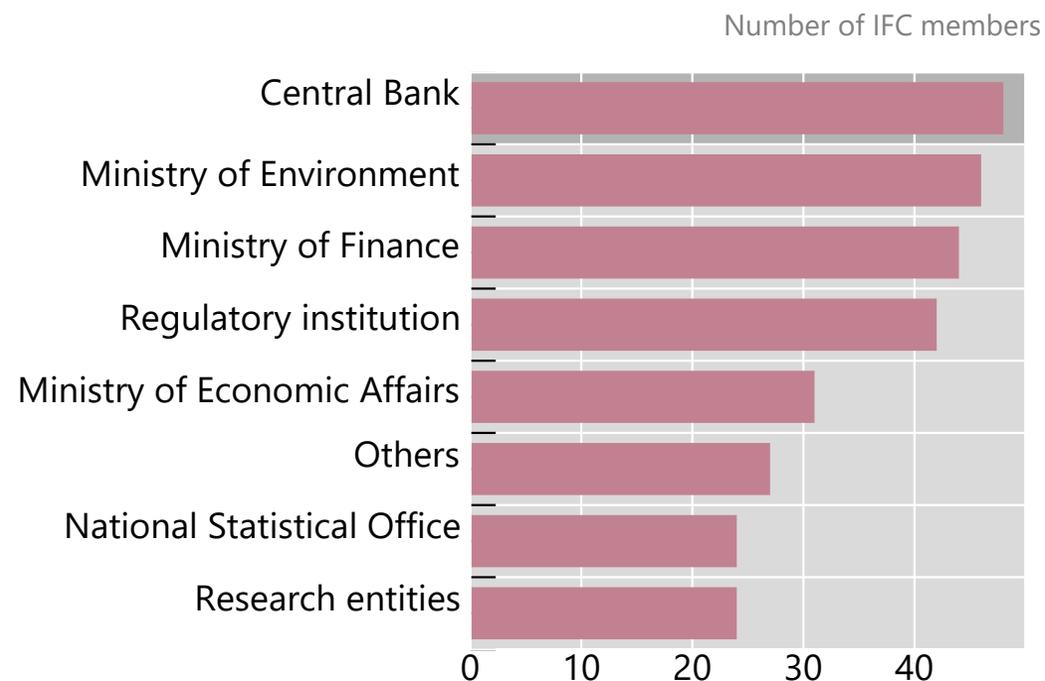
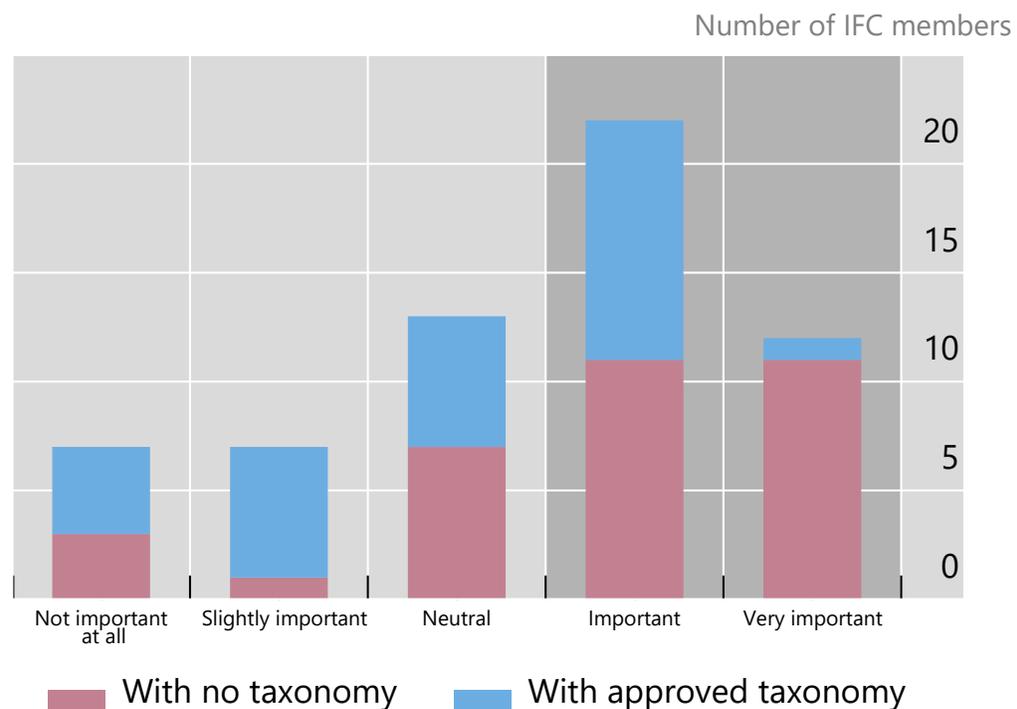
Source: IFC survey

Finding 2: Central Banks are important stakeholders for sustainable finance policies

Central Bank's Role

Importance of Central Banks in national governance processes

Involvement of institutions in sustainable policies



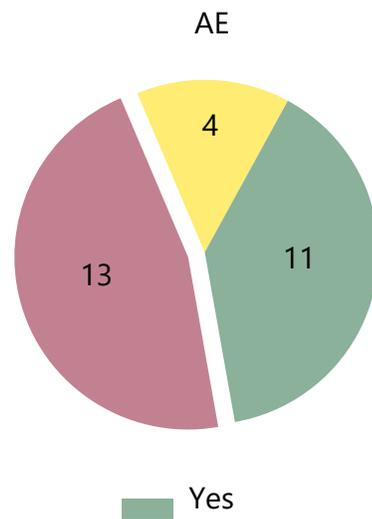
Source: IFC survey

CBs are perceived as important stakeholders to facilitate establishing taxonomies jointly with ministries and regulatory institutions

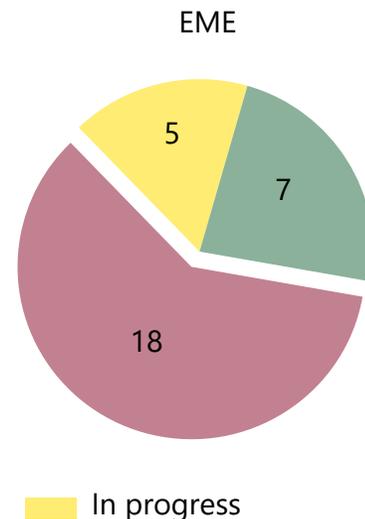
Finding 3: There are substantial differences between Central Banks

- Differences are visible in definitions and taxonomies but also with respect to conceptual challenges, reporting requirements, data quality issues (also related to technology gaps) and confidentiality questions.
- Differences reflect a number of factors, including different starting points and mandates.

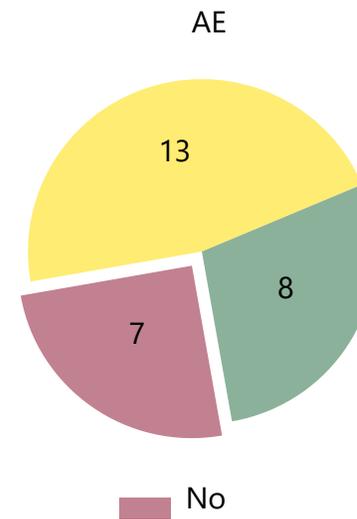
Standardised definition



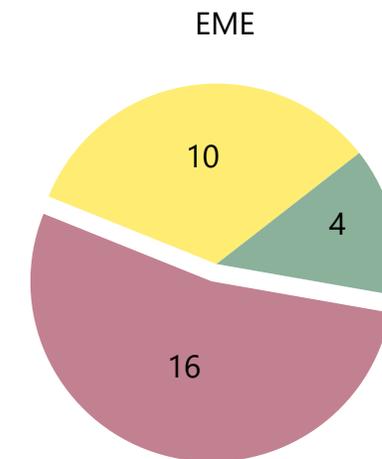
Number of IFC members



Established taxonomy



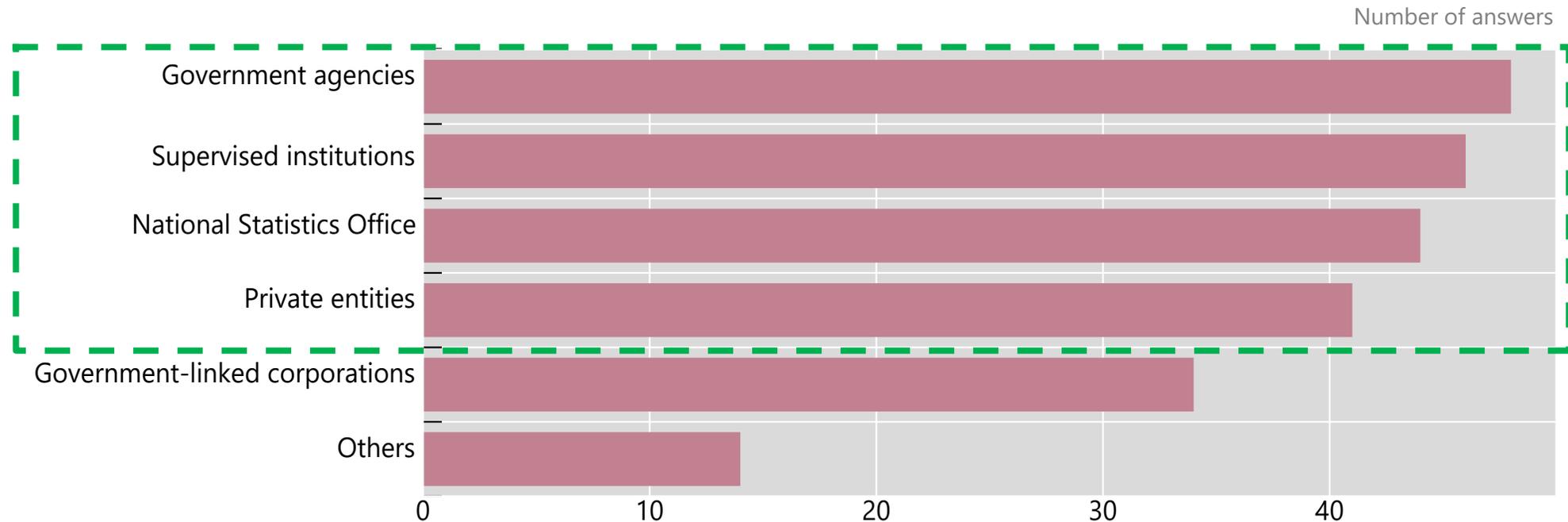
Number of IFC members



Source: IFC survey

Findings 4: Central Banks rely on a range of different data sources

Key data providers for central banks



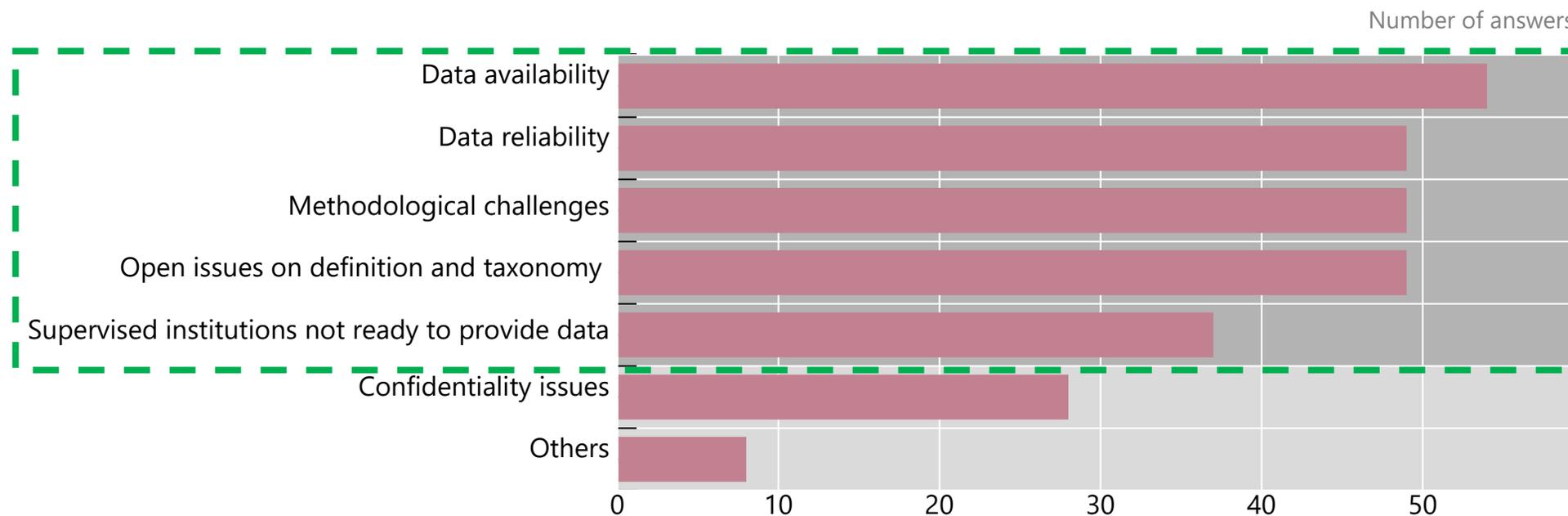
Source: IFC survey

➔ Cooperation needed between central banks, national statistics offices and government agencies, vendors as well as international organisations to close data gaps.

Finding 5: There are a number of data challenges identified by CBs

- Besides data gaps and data quality issues, there are challenges related to methodology (eg definitions and taxonomies)
- Clarifying existing and forthcoming standards with supervised institutions and establishing sound reporting processes for supervised institutions is another key priority

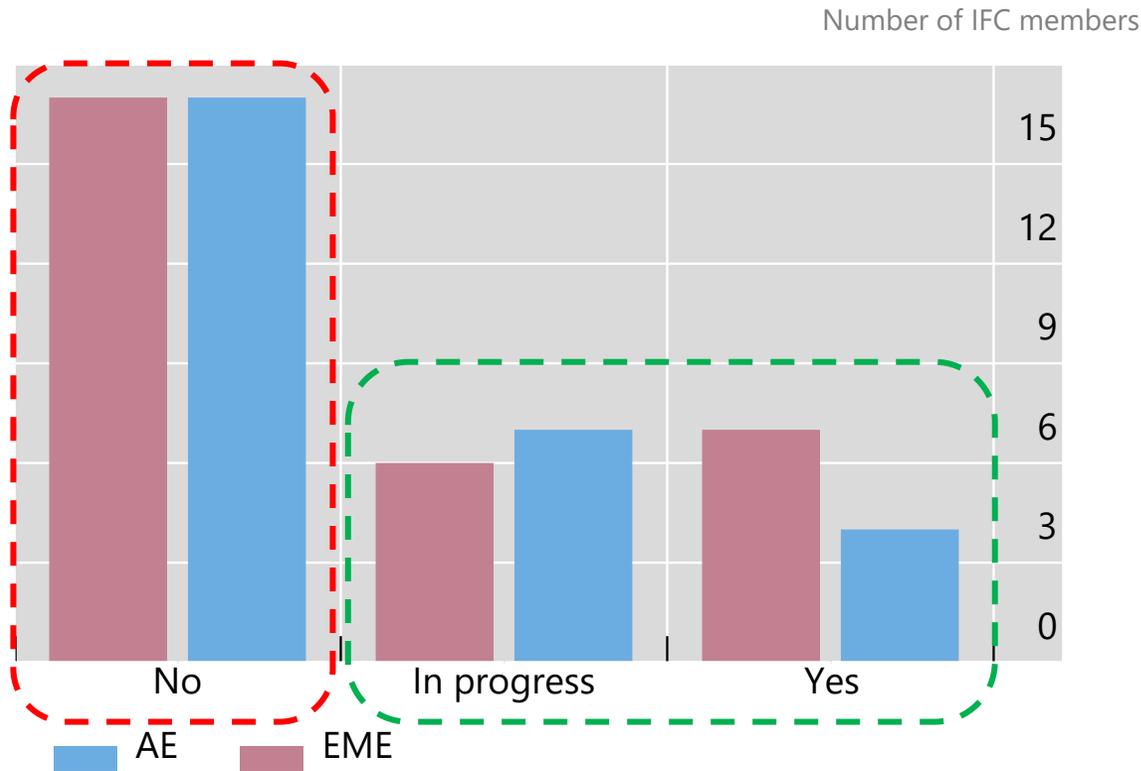
Data challenges



Source: IFC survey

Finding 6: Reporting of data is still at early stages

Established reporting process for financial firms



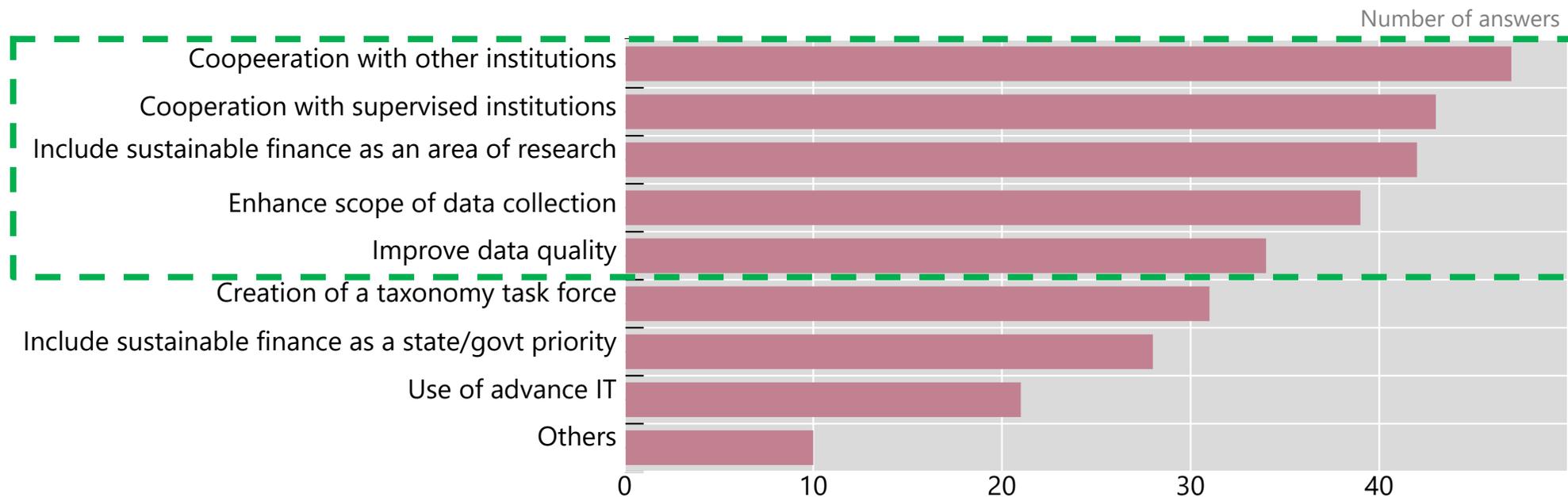
Source: IFC survey

- **More than half of IFC members do not have an established process for the reporting of sustainable finance data to CBs or other relevant stakeholders**
- **Many advanced economy Central Banks are leading by example** by reporting on their own sustainability data.

Finding 7: Central Banks identify different approaches to close data gaps

- Cooperation among public sector entities and private sector (eg taxonomy task force) are most promising to Central Banks
- Complemented by new data collection initiatives and use of advanced IT

Measure to close information gaps

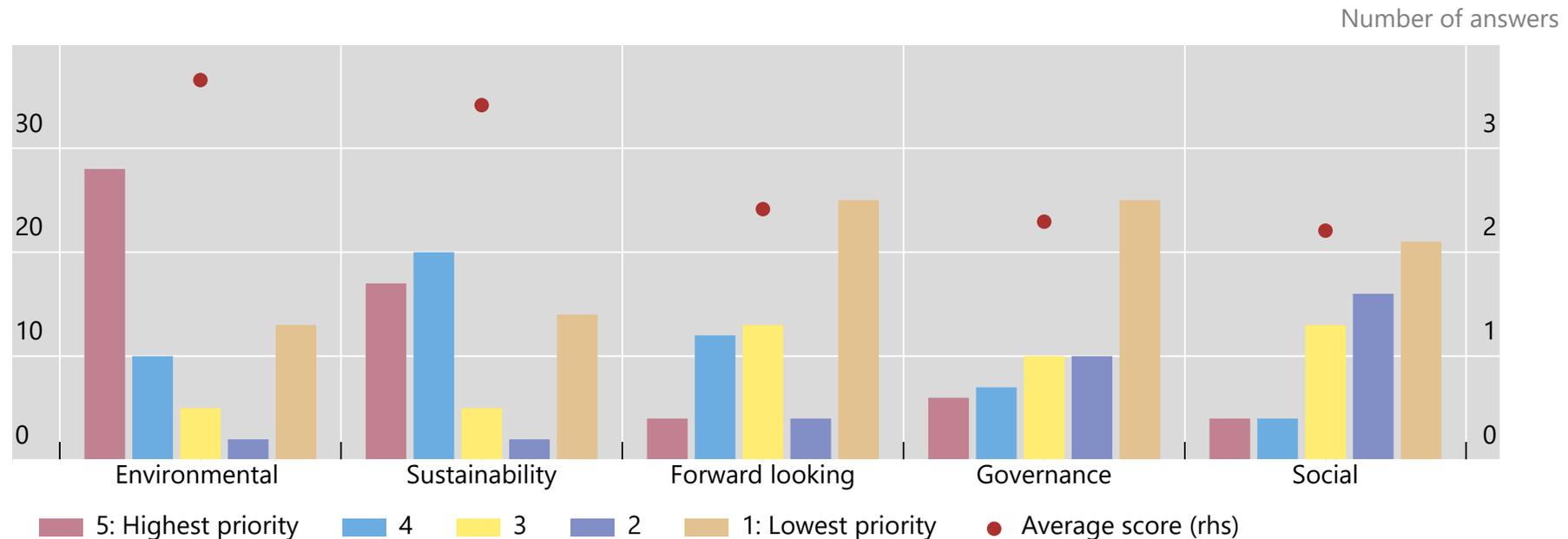


Source: IFC survey

Finding 8: Environmental indicators are most important to IFC members

- Environmental indicators are reported as being most relevant.
- Having a standard definition or taxonomy in place boosts the importance central banks place on governance and social indicators

Key sustainable finance metrics identified by Central Banks

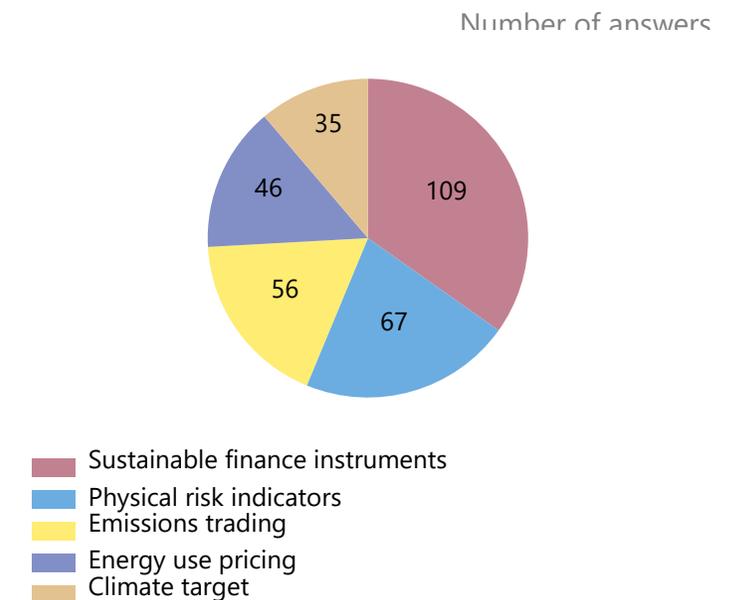


Source: IFC survey

Finding 9: Indicators on financial instruments, physical risk and emission trading are considered most relevant

- The most important indicators include **sustainable financial instruments and environmental indicators on physical risk and emission trading**, followed by energy use / pricing and climate targets, eg
 - Emissions footprint indicators
 - Green / Sustainable lending and bond holdings / issuance
 - ESG ratings
- Macro data is available for some of these areas, but many indicators tend to rely on micro data, which is often not publicly available (ie granular public data and vendor data)
- Members seek to close data gaps – for instance by combining different data sources (eg Colombia’s approach to physical risk indicators)

Top 5 actively-used indicators



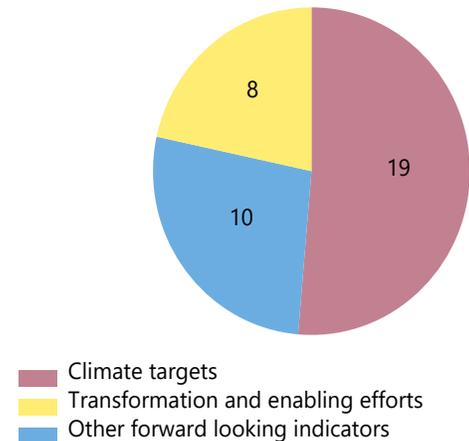
Source: IFC survey

Finding 10: Remaining indicator groups seem to be a newer area of analysis

- **Forward looking indicators: climate target indicators for Greenhouse Gas Emissions / for firms of highest priority**
 - Forward-looking indicators are not yet used widely, but initiatives are underway (focussing on country and firm-level climate target data)
- **The use of social and governance indicators is limited for now**
 - The most relevant **social indicators** relate to **financial inclusion** as well as **working conditions and human rights**
 - Transparency and disclosure as well as board diversity are top **governance indicators**

Top forward-looking indicators

Number of answers



Source: IFC survey

Recommendations

- **Central banks will have to advance in identifying data needs (ie key metrics to be collected)** to pursue relevant sustainable policy objectives
 - Definitions and taxonomies have to be established, overarching concepts developed, working closely with key stakeholders, including non-traditional stakeholder
- **Closing data gaps remains a top priority** and requires concerted efforts by all stakeholders:
 - There is a need for enhanced cooperation among key stakeholders (CBs, national statistics offices and government agencies, international organisations, vendors and reporting firms)
 - Working with firm level (including vendor) data poses operational challenges which need consideration and creative solutions (eg using advanced data techniques)
- It is important to **use established data** for policy purposes and **coordinate efforts**:
 - International coordination of various initiatives is key (for macro and micro data – eg IMF / NGFS / BIS / FSB)