BUILDING BRIDGES

Alignining finance with sustainability

Building Bridges

2023 Report

Building bridges to leverage the power of finance for sustainability.

Building Bridges is a joint initiative launched in 2019 to create a link between international organizations on Geneva's right bank and financial institutions on its left bank. Through this bridge, the ambition is to leverage the power of finance and Switzerland's unique ecosystem to accelerate the transition to a global economic model aligned with the Sustainable Development Goals.

More than an event, Building Bridges aims to stimulate international debate and shape the global sustainable finance agenda. By creating synergies between diverse actors and sectors, Building Bridges facilitates the emergence of concrete solutions to mobilize capital flows towards sustainable and inclusive projects.

A collaborative effort

Building Bridges was founded by Swiss local and national authorities, the finance community, the United Nations, NGOs, and other International actors to advance sustainable finance in Geneva and beyond. The initiative works with over 150 partner organizations and benefits from the expertise of a large network to address global challenges from different perspectives.

Founding Partners

www.buildingbridges.org

@BBridgesCH

@Building Bridges

@BuildingBridges

community@buildingbridges.org

BB-Connect

Editor's Note

"This year's summit discussions took place as rising interest rates, political backlash in the United States, and concern over greenwashing are causing significant outflows from sustainable funds. At the same time, the urgency of acting to address global warming and biodiversity loss increased. A significant enabler of sustainable finance is the redefinition of fiduciary duty to include sustainability concerns. In the meantime, financial institutions that manage other people's money should offer their clients an educated choice to invest sustainably.

This year's Building Bridges edition showed progress on several fronts. Biodiversity and nature, more generally, moved to a more central stage. The work of the Taskforce on Nature-related Financial Disclosures figured prominently in various sessions. The event also offered a way forward, with actions that speak louder than words. Solutions and successful initiatives were reported and discussed in many sessions and are detailed in an appendix to this report for easy reference.

Finally, the younger generation was given a genuine voice, with events focusing on the intergenerational dialogue, which we at the Geneva Graduate Institute's Centre for Finance and Development constantly encourage.

We hope this report can inspire and motivate action, and we look forward to the 2024 edition."

Nathan Sussman

Professor, International Economics
Pictet Chair in Finance and Development
Director, Centre for Finance and Development
Geneva Graduate Institute

Table of Contents.

BUILDING BRIDGES
Alignining finance with sustainability

Introduction

2023 Edition.

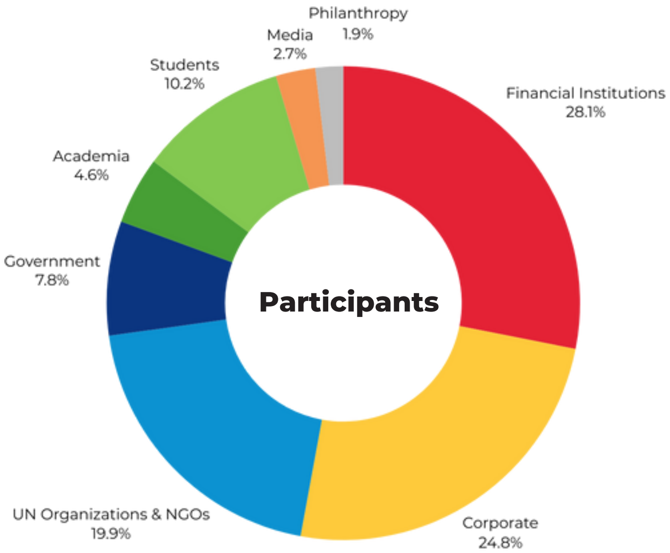
The fourth edition of Building Bridges convened over **2500 actors** from the financial and corporate sectors, the sustainability community, policy makers, academia, entrepreneurs, and young change-makers from October 2-5 in Geneva to advance sustainable finance and address the interdependence of social, natural and financial capital.

During four days, participants from 111 countries gathered in Geneva to exchange perspectives on strategies to align capital flows with sustainable and inclusive projects. Over the years, Building Bridges has addressed the latest developments in the field with prominent figures leading the transition, while giving visibility to financial frameworks, approaches and services that are shaping the sustainable finance agenda.

The 2023 edition showcased over 70 events co-hosted by over 150 organizations to explore the climate crisis and energy transition, the impact of finance on nature and human society, transparency and accountability, innovative finance and systemic change. These interactive discussions, workshops and fishbowl conversations provided opportunities to connect with a wide range of actors and institutions, share lessons learned, and articulate common solutions.

Building Bridges 2023 was also marked by the recently launched recommendations of the **Taskforce on Nature-related Financial Disclosures (TNFD)** that aim to improve investment decision-making for businesses and financial institutions. This major milestone recognizes the urgent need to measure the impact of human activity not only on greenhouse gas emissions but also on natural ecosystems. These new recommendations will provide essential guidance to capital providers and help companies assess and understand their dependencies and impact on nature.

As the world is moving towards a common language for sustainability disclosures and reporting, with the release of the first two ISSB Standards, the Building Bridges conference stressed the need to tackle the social dimension of ESG. Widening social inequalities are directly threatening our societies and economies.



The transition to a net-zero emissions and nature positive economy will only be successful if businesses create empowering and inclusive opportunities for communities.

Building Bridges 2023 also hosted initiatives of like-minded actors. It welcomed the second S**harm el-Sheikh dialogue** on the scope of article 2, paragraph 1(c) of the Paris Agreement led by the UNFCCC and the Swiss Federal Office for the Environment.

The Building Bridges week also promoted investment opportunities in emerging markets by hosting **Seedstars' 10-year journey** of empowering entrepreneurs and Small & Growing Businesses in emerging markets through technology and impact investing.

BUILDING BRIDGES

Alignining finance with sustainability

Summit

What is the State of the Bridges?

"We have to move from the 'what' to the 'how', and from the 'when' to the 'now'!" With these simple yet powerful words, Patrick Odier (Building Bridges) set the tone for the 2023 Edition of Building Bridges. Secretary-General António Guterres described our current time as an **era of global boiling**. Humanity is facing an existential threat, and the stability of our planet is at risk. Human activities have caused the earth to exceed six of the nine boundaries necessary for keeping the planet healthy and within a safe operating space for humanity (Richardson et al.). Is it still possible to "shut the gates to hell?" (Nik Gowing, Thinking the Unthinkable).

We know the facts and have the technology, means, and resources. Instead of discussing our differences, we need to focus on what works and realize that we have a **common interest in finding solutions together** (Alain Berset, Swiss Confederation). Building Bridges is about **acting together for a purpose and at the necessary speed** (Patrick Odier, Building Bridges). What progress did we make? What is the state of the bridges? Despite all the achievements regarding environmental regulations and the quality and availability of relevant metrics, we are not moving fast enough. We must act better than in the past and collectively be bold and brave.

Business-as-usual does not suffice. Too many still believe that the problem will resolve itself. A **systemic change** in our mindset and society still has to occur, and our responsibility is to make it happen.

The climate crisis is already here, and, as a society, we still fail to fully grasp its implications. It is interesting to compare the climate change emergency with the Covid-19 pandemic. Societies all over the world reacted to the spread of the Coronavirus in a relatively fast manner because they understood the risks that humanity was facing. From a fiscal perspective, OECD economies found 11 trillion USD to back their societies during the pandemic, whereas developing countries were left on their own. If you want to find the political will and support for climate policies (as necessary as the restrictions imposed during the pandemic), we need to make sure that people are not scared of how they will get their next paycheck. **Social protection** is a quick way to do that (Marcos Neto, UNDP).

A great example of how fiscal policy can foster a more sustainable future in the Global South is given by Her Highness Sheikha Shamma Bint Sultan Bin Khalifa Al Nahyan (UAE Independent Climate Change Accelerators, UICCA) and the recently implemented UAE's corporate tax to support the transition in a region where temperatures are rising two times faster than in the rest of the world.

A Step-by-Step Guide to a Sustainable Future.

Embracing a Systemic Change

However, modern problems require more than modern solutions. Addressing the current environmental and societal challenges requires a fundamental shift in values: a proper **systemic change** in how our economic and financial system is structured and a transformation of every individual's mindset.

Traditionally, the prevailing economic doctrine dictated that the primary purpose of investors and corporations is to maximize profits. "To change this perspective, there is an imperative to incorporate values into our conversations. Companies must break down the silos that separate issues like nature, climate, human rights, and human capital and recognize their interconnectedness (Sue Lloyd, ISSB)."

Education plays an important role as well. Education will make sure that not only "we recognize that there are **limits to growth**, but also (how to better) calculate externalities that we have not so far considered, as well as understand how climate change is really impacting communities around the world (Her Highness Sheikha Shamma Bint Sultan Bin Khalifa Al Nahyan, UICCA)."

As Professor Jean-Pierre Danthine (EPFL Enterprise for Society Centre) points out: "If prices are wrong because externalities are not priced, it will not always be possible to do well while doing good. We have to make sacrifices - **sacrifices in profits, sacrifices in returns**. In particular, if you want to prioritize the stability of our societies, we need to accept more redistribution from the rich to the poor, from the people in this room to those outside, and from rich to poor countries." Sigrid Kaag (Government of The Netherlands) warns: "Transitioning is tough, very tough, and it requires a behavioral change that people, especially in Western countries, are not ready to accept yet."

This shift in values should not only affect the individual investor but financial institutions as well. Currently, banks such as UBS have to adhere to a type of **fiduciary duty** that is not up-to-date with our challenges. Sergio Ermotti (UBS) explains that banks ultimately are not the assets' owners but simply intermediaries managing other people's money. While this is undoubtedly true, it also implies that we must **rethink** what fiduciary duty means in light of our current situation. It all boils down to developing a **common vision** and representation of the world (Rémy Rioux, Agence Française de Développement).

Addressing Environmental & Social Issues with Better Governance

With over 8 billion people facing substantial externalities due to climate change, sustainability has become a dynamic material business risk but, at the same time, also a great opportunity. In addressing such business challenges, finance has great power and influence. However, "finance is not a silver bullet; it is just one piece of the puzzle." (Richard Manley, CPP Investments).

Alongside the looming threats of biodiversity degradation and climate change, **social stability** is emerging as an equally crucial concern (Nik Gowing, Thinking the Unthinkable). Dominic Waughray (WBCSD) reports some interesting statistics to capture this perspective better: according to Moody's, 67% of ESG controversies are related to social issues, underscoring mounting social pressure. In addition, IMF's research has shown a 244% increase in social unrest, riots, and challenges against governments between 2010 and 2019. Our society faces significant structural risks and real challenges to its core values.

Too many people were left behind by globalization. Marcos Neto (UNDP) presents a troubling paradox: 76% of global wealth is controlled by a mere 10% of the population, while the bottom 50% holds just 2%. Furthermore, the top 10% of the world population is responsible for a staggering 52% of greenhouse gas emissions, compared to the meager 12% from the bottom 50%. These facts underscore the urgency of elevating the **social** criteria to the same level as environmental concerns. **Inequality** is preventing us from breaking the necessary silos and working together at a fast pace. It is the duty of politicians to lead the way and build bridges instead of riding the waves of discontent. Sigrid Kaag (Government of The Netherlands) points out that winning elections is not enough if, in the meantime, you lose climate and biodiversity.

From a trade policy perspective, for instance, changes in tariff regimes could go a long way in fostering a green transition. Around the world, tariffs on fossil fuels-related goods are generally lower than tariffs on renewables. At the same time, subsidies amount to 1.2 trillion USD towards trade-distorting environmentally unfriendly businesses. It takes political will and courage to phase out this type of financing, but it is what we need right now (Ngozi Okonjo-Iweala, WTO).

Good **governance** matters; **institutions** matter. To achieve a **just transition**, we need to ensure that the burden of change does not fall disproportionately onto the vulnerable. Transitioning without providing income and job security can lead to an even greater societal backlash. Responsible institutions must be equipped to respond to the needs of the people. Good governance is critical to achieving our goals in a short period. To manage this transition, we need politicians and institutions equipped to respond to all the people's anxieties and desires (Marcos Neto, UNDP).

Participation and **inclusion** are crucial. **Local communities, workers**, and **indigenous people** should be part of the decision-making process. Transparency and inclusiveness are vital to understanding investors' interests and building successful strategies for value creation.

For instance, an institution such as the WTO can become a vital center where it is possible to discuss and implement a just and inclusive transition. Moreover, while it is true that the WTO's consensus-based system can be slow, it also makes it possible for the smallest member to be heard. Multilateral Development Banks can also bring about change, especially if ready to take more risks by investing in **catalytic** projects. By growing the size of public banks and fostering cooperation with private ones, funds can be allocated towards more impactful programmes. More generally, "institutions can contribute by putting the right information in the market, such that the public can push towards the right direction" (Rémy Rioux, Agence Française de Développement).

One of the greatest obstacles down the road is the lack of clarity on a common framework that heightens the risk of **greenwashing**.

Creating a Common Sustainable Development Framework

It is important "to avoid reinventing the wheel and build upon existing systems, adopting **standards** like the International Sustainability Standards Board (ISSB) and incorporating the Task Force on Nature-related Financial Disclosures (TNFD) and Task Force on Social-related Financial Disclosures (TSFD) into a holistic, **sustainable development framework** (Marcos Neto, UNDP)."

The Building Bridges Summit hosted the European launch of the Taskforce on Nature-Related Financial Disclosures. The Taskforce is a private-public partnership comprising 40 members representing financial institutions, corporates, and market service providers with over 20 trillion USD in assets. The TNFD aims to improve the measurement of business' impact on nature and vice versa, given that over 44 trillion USD of economic output depends on nature. The European launch of the TNFD is another milestone for developing a science-based **sustainable investment framework**. It follows the 2022 adoption of the Kunming-Montreal Global Biodiversity Framework (UN GBF), considered a fully-fledged "**Paris Moment for Nature**." Business and financial institutions have come to terms with the fact that "climate change and nature loss are intrinsically connected and that solutions to climate change will not happen if they are taken in isolation and not in an integrated fashion with nature loss (Elizabeth Maruma Mrema, TNFD)."

The TNFD's recommendations (and the associated tools) should allow companies to better understand nature-related risks, impacts, and dependencies associated with their investment and allow them to put safeguards. In addition, they will help "make sure that the money goes not to brown but to green investments, to move investment from negative activities to nature-positive activities, and to move away from negative incentives to positive incentives for nature (Elizabeth Maruma Mrema, TNFD)." This set of recommendations supports annual reporting by corporations and financial institutions. The work of the TNFD is intended to complement that of the Taskforce on Climate-Related Financial Disclosure (TCFD) while adding three additional core suggestions:

- Focus on upstream and downstream value chains
- Take into account the sensitive ecology of a particular geographical context
- Engage with stakeholders, in particular, indigenous people and local communities.

The TNFD recommendations are structured around strategic disclosures **on governance**, **strategy**, **risk** and **impact management**, and **targets** and **metrics**. They are developed following a scientific assessment of risks, opportunities, impacts, and dependencies relating to natural resources and ecosystems.

The more companies adhere to TNFD's work, the higher the investment impact on nature and the lower the risk of greenwashing.

Accurate nature-related disclosures will contribute to creating a common sustainability framework that will benefit all investors and stakeholders. However, instead of making the TNFD immediately mandatory, TNFD Co-Chair Elizabeth Maruma Mrema believes in a more phased approach.

Voluntary adoption will give companies the time to master the tool properly. At the same time, countries are taking the lead in making nature-related disclosures mandatory such that, in the future, everyone will adhere to a common system. More than 400 companies are calling for making TNFD mandatory to push for a **level playing field**.

While widespread adoption is key to TNFD's success, capacity building can also improve the general framework. Further plans have already been put in motion to raise awareness and build expertise concerning identifying, assessing, managing, and disclosing nature-related issues in an integrated way. We now have the facts, framework, and money; we are still missing cohesion and unity of intent to move these tools from paper to action.

Promoting Interdependence to Avoid Fragmentation

The current period of global geoeconomic fragmentation is one of the reasons why we are not collectively moving towards a more sustainable economy at the right speed. Globalization has lifted billions of people out of poverty, and interdependence has helped reduce global conflicts.

The worry that globalization, especially international trade, makes countries more vulnerable, persists. However, as WTO Director-General Ngozi Okonjo-Iweala points out, we should blame **overdependence**, **not interdependence**. The international economic infrastructure heavily depends on a few sectors and few economies. This threatens to lead to geoeconomic fragmentation. Therefore, "let us reimagine globalization and **re-globalize to build resilience**; that is what the world is looking forward to!" (Ngozi Okonjo-Iweala, WTO).

An outcome of the current backlash against globalization is trade fragmentation. This stems from the misconception that trade, not technology, causes job losses.

Trade fragmentation is very costly: splitting the world into two trade blocs, we will lose around 5 percent of world GDP in the long term. The costs will increase exponentially for any additional block. This is a problem from a sustainability perspective, as we cannot get to net zero without trade. Fast and efficient adaptation and mitigation require **ideas**, **technology**, **goods**, and **capital** to flow as smoothly as possible wherever they are needed. In this sense, trade contributes, like very few other things, to creating international bridges.

Empowering the Global South to Accelerate the Green Transition

To achieve a green transition, what needs to be done "has to happen in Africa, Latin America, Asia and not just Switzerland (Marcos Neto, UNDP)." Compared to the Global North, countries around the equator suffer four times the costs of loss and damage due to climate change. That is why **we need to understand the world as a whole**. Avinash Persaud (Government of Barbados) underlines the importance of investing in emerging and developing economies that, even though not historically, are currently among the biggest emitters. This has to happen quickly. A country like Barbados does not have time until 2050 on the current trajectory. Unfortunately, the financial gap is exceedingly large in least-developed countries.

The Private Infrastructure Development Group (PIDG) aims to reduce the gap. It has just approved a new strategy to foster cooperation among key private and public financial actors to invest in energy, transport, and infrastructure in developing countries, focusing on climate change (Alain Berset, Swiss Government). Development banks can be strong drivers for the transition in developing countries, given the trillions of dollars they can unlock. However, these resources are currently not allocated correctly in the Global South, as everyone underestimates the size and quality of the financial sector in these regions (Rémy Rioux, Agence Française de Développement).

Capital is not reaching the Global South at the necessary scale due to the **high costs of capital**. This is due to hedging costs being too high compared to actual risks. Public finance can help reduce hedging costs to a risk-neutral level. At the same time, "we need to make these projects economically and commercially viable as we are not getting there in developing countries with altruism alone" (Avinash Persaud, Government of Barbados).

Economically viable projects, however, are not always enough. WTO Director-General Ngozi Okonjo-Iweala identifies an additional key issue: "There is too much talk about how we mitigate risk in the financial sector but not real action. Investments should flow towards the right environment. The issue is that even though there is the right environment in so many developing and emerging countries, they are not given the chance they deserve because of a strong **misperception of risk**".

We also need to ensure that environmentally-friendly policies in advanced economies will not damage the efforts in developing countries. This could be the case of green subsidies or measures against deforestation. Understanding that, for instance, a carbon tax that could push for a switch to renewables in advanced economies could simultaneously bring about economic distress in the developing world is very important (Ngozi Okonjo-Iweala, WTO). It is pivotal to keep the **international dialogue** alive and always consider potential economic, social, and environmental spillovers. At the same time, "the political voice in the Global South should take the lead when discussing the green transition (Sigrid Kaag, Government of The Netherlands)."

Be greater. Together.

In 2023, as we strive towards a sustainable future, it is clear that a shared sense of frustration underscores our journey. "We understand the sense of change, even if our routes may differ. To overcome this challenge, integration is key. We must stop approaching issues in isolation and begin to see them as interconnected parts of a greater whole (Mark Gough, Capitals Coalition)". The past few years have taught us that we need cooperation and that there is no real substitute for political will.

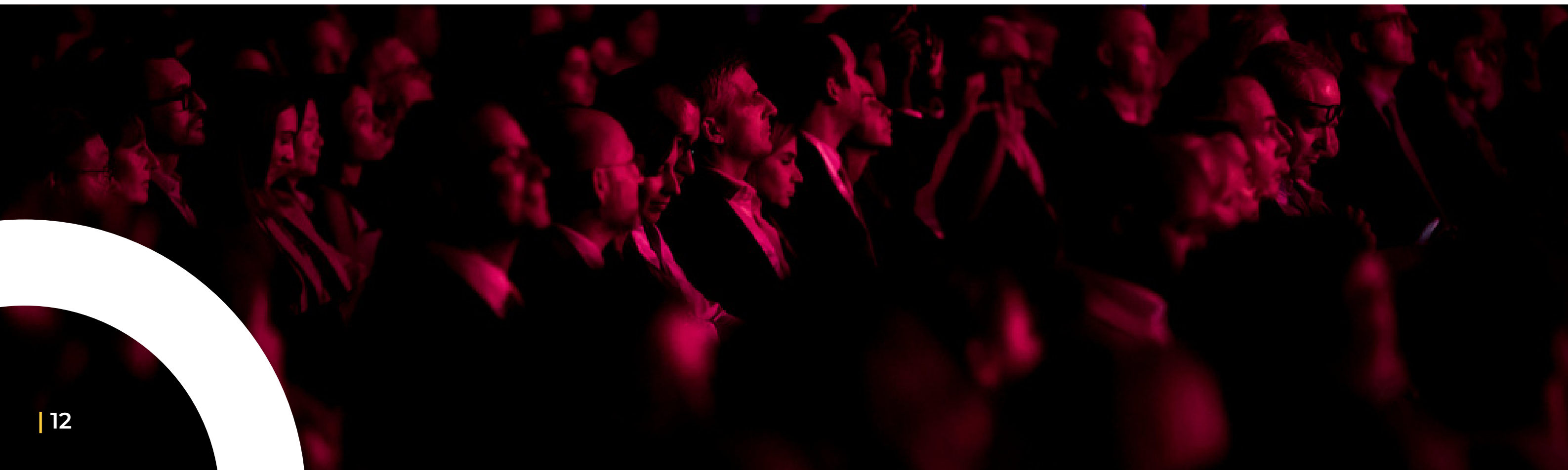
At the same time, individual investors and businesses can still make a difference. We need to highlight the cost of inaction: “you lose your market if you lose humanity. Risks might be there, but the ultimate gains are formidable, and, after all, we don’t have a plan B (Sigrid Kaag, Government of The Netherlands)."

While the transition towards sustainability gains momentum, we must shift our focus from damage control to **value creation**. This transition requires leadership and active participation from everyone, not just experts. "Bridges are being built, but more are needed (Patrick Odier, Building Bridges)."

Patrick Odier highlights four critical issues that demand immediate attention:

- We must tackle the financial barriers that obstruct sustainability efforts by addressing the **cost of capital**.
- The intricate task of **pricing negative externalities** like pollution and resource depletion calls for innovative financial solutions.
- We need to craft a **compelling narrative** that convinces society of the benefits of sustainability, dispelling the notion that it only incurs costs.
- The **human and social dimensions** of this transformation cannot be ignored if we aim to achieve a just transition.

Building bridges between finance and sustainability is not an option anymore but a necessity.



BUILDING BRIDGES

Aligninining finance with sustainability

Action Days Events

Better Regulations and Transparent Metrics for a Common Sustainable Development Framework.

“We have the facts, we have the competencies, and the resources. But we are not getting there fast enough. We need to move towards a different discussion, a discussion on how to finance this transition”. Patrick Odier (Building Bridges) identifies **four levers** through which we can accelerate the transition:

- **Change our mindset:** set our responsibilities and act upon them, whether as consumers, producers, or intermediaries.
- **Establish a common framework:** this is the duty of politicians and regulators.
- **Spread available technologies:** ensure our current technologies are used correctly worldwide.
- **Unlock capital at a faster pace:** putting the means at the disposal of those who already planned the projects but need the resources.

Private banks currently perceive a low demand for sustainable finance and ESG investments, partly due to the high perceived risks and long-term investment horizons that characterize these products. However, one of the primary issues preventing scaling up in ESG investing lies in the absence of consensus among stakeholders regarding **common definitions, datasets, and standards**. This lack of alignment not only dissuades potential climate investors but also gives rise to the problems of **greenwashing** and **impact washing** by insincere or ill-informed parties.

As an increasing number of corporations embrace sustainability reporting, they are also becoming liable to their investors for the authenticity of their sustainable practices. It is essential to boost confidence in **sustainability reporting**, but providing this assurance, whether limited or reasonable, is challenging. Governance experts stress the importance of awareness as a key driving factor in improved assurance.

Currently, the teams involved in company sustainability reporting generally include individuals specializing in marketing and communication (Cyril Motte, EY Switzerland). These departments must comprise experts in sustainability and data analytics; the **upskilling** of existing teams is also equally important.

Greenwashing may be the most significant risk of ESG investing. Since there are multiple official definitions of this practice, the lack of homogeneity and agreement makes it difficult to pinpoint precisely when a company is guilty of greenwashing. While greenwashing was primarily related to marketing, it now includes communications, product launches, point of sale, reporting, and client exchanges (Tadas Zukas, Vontobel).

Regulation is key to minimizing greenwashing and incentivizing the financial sector towards sustainable practices. To this end, **reporting should be mandatory**, cover both aspects of materiality (risk and impact), and leave no room for discretion. All stakeholders must play their part, as climate change is a global problem, and all share its burden.

Nowadays, **regulation is also very heterogeneous**, differing across countries depending on their regulators' approaches. While the EU's approach takes a proactive stance by encouraging a higher ratio of ESG investments, the US and UK have directed their efforts towards combatting greenwashing, prioritizing measures to ensure transparency and authenticity of ESG claims.

Switzerland instead emphasized a dual objective of heightened regulation while safeguarding the competitiveness of the Swiss financial sector by incentivizing the formation of a strong self-regulatory framework. With this in mind, in November 2022, the Swiss Federal Council mandated the implementation of the **ordinance on climate disclosures** for large Swiss companies that will enter into force as of January 2024. The new ordinance provides for the mandatory implementation of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Public companies, banks, and insurance companies with 500 or more employees and at least CHF 20 million in total assets or more than CHF 40 million in turnover are obliged to report publicly on climate issues.

While regulatory intervention is often considered a burden by the private sector, such ordinances aim to create harmonization in the private sector and enhance **transparency and accountability** and must be leveraged.

Over the past few years, increasing regulations have led experts to question whether the industry has reached a zenith regarding ESG-related rules. While adaptive regulation is necessary to tackle the new challenges of the transition, Gill Lofts (EY) warns against moving regulation too fast.

There has been a swift development in part conceptual and part technical on the legal side. From a **conceptual** perspective, for instance, the EU has officially integrated the term "sustainability reporting" as part of the more general financial reporting instead of "non-financial" reporting. On the technical side, companies have been witnessing a regulatory tsunami. Tadas Zukas (Vontobel) presents a clear guide to tackling these new rules:

- A company should master the sustainability field by creating **in-house know-how**.
- **Walk the talk:** ensure a holistic alignment between what you do and what you say.
- Take **sustainability-related communications** as seriously as **financial communications**.

The EU's Carbon Border Adjustment Mechanism

In the absence of a global (and adequate) carbon tax, the EU has developed its tool "to put a fair price on the carbon emitted during the production of carbon-intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries": the **Carbon Border Adjustment Mechanism** (CBAM).

The CBAM primarily intends to counteract "carbon leakage," which occurs when companies based in the EU move carbon-intensive production abroad to countries with less stringent climate policies than in the EU or when more carbon-intensive imports replace EU products.

The CBAM entered into application in its **transitional** phase in October 2023 and will initially apply to imports of certain goods and selected precursors whose production is carbon intensive and at most significant risk of carbon leakage: namely, cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen. Initially, this will entail only reporting embedded GHG emissions.

Once the **permanent system** enters into force (January 2026) importers will also need to acquire (and subsequently surrender at the border) the corresponding number of CBAM certificates, whose price will be calculated depending on the weekly average auction price of EU Emission Trading System's (ETS) allowances expressed in €/tonne of CO_2 emitted.

The phasing-out of free allocation under the EU ETS will occur in parallel with the CBAM phasing-in in 2026-2034.

Source:
Taxation-customs.ec.europa.eu

Given the heterogeneity and intricacy of the different regulatory frameworks, **adaptability and flexibility** have become critical skills for global financial institutions. Training is a pivotal theme, encompassing mandatory and non-mandatory modules to keep teams abreast of regulations and global challenges. Flexibility is crucial for adapting to the evolving regulatory landscape. It should comprise a three-layered training model covering **global perspectives**, **country-specific technical training**, and **cultivating a mindset** within the team to embrace and engage in broader sustainability initiatives.

Workforce training remains costly, especially for smaller companies. CelsiusPro and Pelt8's White Paper on **Climate Reporting** highlights the challenges that SMEs might encounter when tasked with expensive and complicated disclosures. The solution is to form **partnerships** and collaborations between big and small companies. For instance, synergizing their requirements and providing each other with information and talent support could go a long way in promoting transparency.

As Antonio Carrillo (Holcim) states: "If you want to progress, we have to work together, on a corporate level, as well as a personal level." When everybody wants to do the same thing, the best practice usually emerges (Matteo Passero, UBS). With the goals of transparency, accountability, and comparability in mind, AMAS and SSF developed the **Swiss Stewardship Code**. The Code is a significant step forward, not just a voluntary guideline but a reshaping of what fiduciary duty means for many in the industry. In addition, the Code is adaptable and can be implemented by both large and small investors for meaningful impact. Matteo Passero (UBS) is confident in the future of environmental stewardship, as it seems that: "We are moving to a scenario where paying for stewardship is the same as paying for investment analysis."

Despite the expectations that "climate reporting in a few years will be the same as financial reporting" (Oliver Marchand, MSCI), there still exists a wide gap between the approaches of expert analysts in these two fields. The social aspect of ESG is complex: making greener portfolios is easier than creating portfolios that yield positive social outcomes. Social impact is also more challenging to quantify and measure. The time frame also plays a key role and creates another inconsistency for analysts. Sustainable practices and their outcomes are realized over a much longer horizon than financial ones, with the former taking at least 3-5 years while the latter conventionally takes around 18 months.

Nevertheless, financial and sustainable analysis will eventually need to converge. To this end, the World Business Council for Sustainable Development (WBCSD) recently launched its **Sustainability and Valuation Primer**, which offered a structured framework for evaluating intrinsic sustainability in various steps of a supply chain, thereby fostering the inclusion of ESG in Discounted Cash-Flow (DCF) models.

At the same time, companies must acknowledge that: "Reporting is not enough. We need ESG commitment from executives who need to understand that it should not be done for fun but because it makes money and it is the right thing to do. ESG investing means that you are **reducing downside risk**" (Simon Fössmeier, Vontobel). Disclosures, while useful, are only a tool. In addition, while ensuring reliable and trustworthy data are gathered at the company level (James d'Ath, TNFD), how we interpret and use these data is more important (Romie Goedicke, UNEP FI). As Julian Hill-Landolt (WBCSD) aptly puts it: "Disclosure is not the end goal; it is just an essential first step towards a much **broader systemic change.**"

The change needs to be driven by both private and **public** entities. Sovereign commitment is central to the net-zero agenda. State-owned or state-controlled energy and utility companies significantly contribute to global emissions. The sovereign's role in setting agendas through tax incentives, frameworks, and national standards is indispensable. This requires a global reporting framework sensitive to local conditions and challenges based on **standardized metrics**, **transparent practices**, and **effective engagement strategies** to hold countries accountable for their sustainability pledges.

Robeco's SDG framework and Country Sustainability Ranking (CSR) are the clearest examples of a data-driven sustainable investment framework. At its core philosophy is the complete **avoidance of significant harm** as a goal, with the scoring system not allowing companies to compensate for harmful impact (Paul Rujis, Robeco). This framework is based on three fundamental principles:

- Measurement of Significant Impact
- Global and Absolute Approach
- Avoidance of Harm

Recognizing that ESG primarily focuses on risk assessment is pivotal, while the **SDGs are inherently concerned with impact assessment**. This does not designate one as superior or inferior; **they are complementary**. Consequently, they can and should be utilized in tandem. In the case of Robeco, the SDG rating takes precedence, and the subsequent ESG rating further scrutinizes risks and opportunities. In addition, Robeco's Open Access Initiative is disclosing the company's proprietary SDG data to foster transparency, comparability, and in-depth research and ideas.

Collecting data at an aggregate level is as important as firm-level voluntary disclosures. The advent of the New Space Era, characterized by an increasing number of satellites, and the **space-data revolution** constitute great opportunities to generate actionable environmental insights through data-driven ESG reporting (Anna Dawson, Terrabotics). Satellite data can be exploited for various applications, such as **validating greenhouse gas emissions**, **assessing climate risks** in investment portfolios, and **monitoring mortgage risks** based on environmental factors.

Allan Cannon (Krucial) succinctly summarizes how important quality data is: "If you can't measure it or manage it, you can't improve it." However, our current system is flawed due to its heterogeneity and lack of a standard view regarding quality data and standards. Its inconsistencies give rise to **incomparability and manipulation**. That is why each player in the market has to do its part to move towards a viable solution:

- **Financial Institutions** need to ensure data consistency, tracking, and accountability. Specifically, their role implies engaging with the real economy, giving relevant feedback to other stakeholders, and educating clients.

- **Authorities** need to ensure data reliability, comparability, and general quality. They must set science-based and forward-looking targets with simple but robust indicators.
- **Real Economy Companies** need to urgently close the data gap because it attracts capital and talent.
- **Asset Owners** need to overcome information asymmetries and have faith in financial returns on climate investments.
- **Data Providers** need to make sure that everyone understands that data collection is necessary but not sufficient. Data analysis that generates applicable and comparable insights is more significant.
- **NGOs** need to advocate for robust requirements and act as watchdogs, pressuring corporations to do more.

While most of the disclosures discussed are climate-related, if we are to develop a comprehensive framework to address the current crisis, we cannot overlook the importance of **nature**. **Climate change and biodiversity loss are interconnected crises**. Over half the world's GDP is dependent on Nature, and almost 75% of food crops rely on pollination, but due to pollination loss, hundreds of billions of dollars are at risk (Mary Wenzel, TNC). While countries like France have started to enforce mandatory reporting on climate and biodiversity, there is still much heterogeneity in approaches worldwide.

To this end, the Taskforce on Nature-related Financial Disclosure (TNFD) has developed an efficient framework based on recommendations to enable business and finance to **integrate nature into decision-making** and ultimately support a shift in global financial flows toward nature-positive outcomes. The TNFD is a market-led and science-based initiative supported by various actors, from national governments to businesses and financial institutions worldwide. The European launch of the TNFD marks a milestone towards this end, promising to transform how we measure, report, and safeguard nature and biodiversity.

TNFD's recommendations are relevant to market participants and enablers. For instance, Holcim, the world's largest cement producer, has incorporated nature-related impacts into its country monitoring framework (Renata Pollini, Holcim).

The TNFD is also a great example of how collaboration among different institutions can build a powerful framework that will empower companies. For example, UBS worked closely with TNFD to tailor disclosure recommendations for financial Intermediaries to better evaluate nature-related risks and opportunities, and allocate capital accordingly.

The TNFD overlaps in some cases with the TCFD framework, especially in governance metrics. These two frameworks should be considered complementary in the same way climate change and biodiversity loss are. The TNFD highlights **14 recommended disclosures** that organizations should provide alongside financial statements. It is however not necessary to focus on all 14 metrics, but primarily address core ones, and later deepen research. To better adhere to the TNFD framework, businesses should foster internal buy-in and collaboration by ensuring that CEOs, CSOs, and Boards align towards the same reporting goal (Renata Pollini, Holcim). At the heart of the TNFD method is the so-called **LEAP** approach.

According to the LEAP approach:

- Firms should **locate** their interface with nature,
- **evaluate** their dependencies and impacts on nature,
- **assess** nature-related risks and opportunities,
- and, finally, **prepare** to respond to these risks and opportunities and report on material nature-related issues.

In conclusion, transparency and disclosure are crucial in addressing nature-related risks. Organizations should assess and disclose their risks, dependencies, and impacts to achieve desired outcomes and reduce risks (Simon Pickard, UBP). Through stringent regulations, collective engagement, transparent practices, and commonly accepted standardized frameworks that focus on climate and nature, the financial landscape can proactively address the pressing challenges at hand, fostering a resilient and sustainable future.

Finance for Nature and the Planet.

Even though over 50% of the World's GDP depends on nature, we are just starting to understand how much we rely upon it. Ecosystems worldwide face existential threats from a changing climate and environmental degradation caused by humans. One-fifth of countries now face the threat of near-term ecosystem collapse, posing grave environmental, social, and economic repercussions (Nora Ernst, SwissRe). The threat to nature is like never before. Animal, fish, and reptile species populations have declined 69% since the 1970s. We know climate change and nature loss are **interdependent**, so we must act faster and more decisively than ever (Michael Baldinger, UBS).

Even though over 50% of the World's GDP depends on nature, we are just starting to understand how much we rely upon it. Ecosystems worldwide face existential threats from a changing climate and environmental degradation caused by humans. One-fifth of countries now face the threat of near-term ecosystem collapse, posing grave environmental, social, and economic repercussions (Nora Ernst, SwissRe). The threat to nature is like never before. Animal, fish, and reptile species populations have declined 69% since the 1970s. We know climate change and nature loss are **interdependent**, so we must act faster and more decisively than ever (Michael Baldinger, UBS).

Nature markets encompass various financial instruments, including nature credit markets, nature insurance, and nature debt, with the potential to address climate and nature equality and social equity. **Biodiversity credits**, aligned with the 30x30 goal of the Global Biodiversity Framework, are an additional useful tool to channel finance into conservation efforts, especially where fragmented markets might not support such activities.

Financial institutions have indeed started to realize that **nature impacts financial flows and financial risk**. Therefore, it is essential to discuss how we choose to govern the financial system in the current context of climate change and biodiversity loss. **Collaboration** among private and public entities is necessary. We cannot afford to have powerful institutions such as central banks and financial supervisors completely oblivious to the green agenda (Alexander Barkawi, CEP).

Correctly evaluating the planet's natural capital is crucial for our economy to move forward (Angelika Delen, Impact Investing). As Hannah Wood (UBS Optimus Foundation) asserts: "The notion of the biosphere allows us to understand how much our economy depends on the environment's conservation and exploitation." The "**Natural Capital Valuation**" (NCV) framework is designed to assess the value of our natural resources, responding to the **misconception that nature is an infinite, free resource**. Different landscapes have varying levels of biodiversity, making it necessary to assess nature risks and opportunities with a standardized framework tailored to each specific region. NCV processes involve creating a baseline assessment of a landscape's natural capital, identifying potential risks, and prioritizing actions. By doing so, one can create scenarios that emphasize sustainability, helping to guide investment decisions that protect natural resources.

Oceans are a central component of the planet's natural capital. Oceans play a crucial role in regulating the environment, absorbing excess heat and CO2, and being one of the main repositories of the world's biodiversity. They also provide ecosystem services worth an estimated 2.5 trillion USD, making them the world's eighth-largest economy.

Climate change poses existential threats to oceans, becoming warmer, more acidic, and deprived of oxygen. As Minna Epps (IUCN) argues: "We need to save the oceans so the oceans can save us."

The "**Making Oceans Count**" Initiative has three primary areas of focus:

- the engagement with financial institutions for portfolio analysis and risk assessments,
- the need for granular data and more actionable information,
- collaboration with the academic sector, particularly the future generation of financial economists and business professionals, that is essential to drive change.

Financing the protection of oceans through **blue bonds**, for instance, can bring substantial benefits.

Financial institutions may need to use a **combination of different tools** to get a holistic view of climate change exposure and start their journey toward alignment with nature-positive outcomes.

Climate- & Nature-Related Macroeconomic and Financial Risks

Climate change can affect macroeconomic outcomes, financial markets, and institutions through two main channels: climate-induced physical risk and transition risk (McKibbin et al., 2020):

- **Physical risk** emerges from the interaction between higher average temperatures, more frequent weather extremes, and the exposure and vulnerability of economic systems to these hazards (ECB, 2021).
- **Transition risk** arises as a result of climate change policies. It might influence the financial system's resilience by causing economic losses due to stranded capital (Brunnermeier and Landau, 2020), by lowering future profit prospects from carbon-intensive investments (NGFS, 2019) and increasing price levels and price volatility.

ENCORE (Exploring Natural Capital Opportunities, Risks, and Exposure) is a free online tool that is key for TNFD's LEAP approach. It helps businesses and financial institutions understand their potential impacts and dependencies on nature and their associated nature-**related risks and opportunities**. The latest update of ENCORE includes a biodiversity module available for the agricultural and mining sectors. It links all the components between processes and impact drivers in ecosystem services and helps visualize dependencies and impact flows. The module enables financial institutions to assess to what extent their financial activities potentially drive **species extinction** and **ecological integrity risks**. The module then provides engagement guidance on the minimum level of biodiversity management practices required to be considered aligned with global biodiversity goals (Mariana Martinez del Rio, UNEP-WCMC).

The ENCORE tool is maintained and continuously improved by Global Canopy, UNEP FI, and UNEP-WCMC, who together form the ENCORE Partnership. While already an impressive tool, it still has ample room for improvement. The SUSTAIN Project, for instance, aims to update and validate ENCORE's natural capital knowledge base by incorporating the latest scientific and empirical research as well as improving its structure to enhance usability (Rodrico Cassola, UNEP-WCMC). This next iteration is scheduled to be released in 2024: it will include a user-friendly ISID Industry Classification and divide natural capital into ecosystem types and biomes.

Other useful tools include the WWF Biodiversity Risk Filter and Water Risk Filter for assessing biodiversity and water-related risks (Amandine Favier, WWF Switzerland). Similarly, the SEED index provides a unique approach to measuring biodiversity complexity in a standardized way and informs decision-making on a global scale (Tom Crowther, Crowther Lab).

Regarding agriculture, forestry, and land use, local **Nature-based Solutions** (NbS) have the potential to strongly contrast climate change and biodiversity loss while also contributing to the general welfare of communities that have sometimes been left alone to suffer the consequences of the climate crisis.

NbS financial mechanisms typically require patient capital with long pay-back periods, making family offices and corporate financial philanthropies suitable investors. However, having an asset manager carefully explain the project to investors and its longer maturity could make local NbS projects more bankable (José Pugas, JPG Asset Management). It is, therefore, pivotal to educate investors about these solutions, enabling them to make informed decisions aligned with their investment mandates (Martha de Sà, VERT).

A practical example of how finance can empower local NbS is offered by Steven Ripley (Sustainable Investment Management): investors could provide low-interest credit loans to forest-owning farmers contingent on halting deforestation or conversion of the native vegetation. These loans can be secured and listed on the public stock exchange, providing investors with green bonds and revenue streams to support deforestation prevention. Farmers are critical actors for the green transition.

As Yann Vuillerod (Nestlé) aptly frames it: "We have no business models without farmers." Farming is the backbone of many industries worldwide and provides indirect support to every single one. Moreover, it is the source of livelihood for about 30% of the world's workforce, besides being the main food source for everyone. Local farmers can also influence the international level by participating in the value chains of big multinational entities. For instance, Nestlé's carbon footprint is indeed intertwined with how farmers maintain soil health, manage water cycles, and protect biodiversity in their value chain. A healthy planet and robust ecosystems are critical for Nestlé's business model. **Climate-change effects on bee populations**, for example, have strong negative impacts on **food value chains**, as "one out of every three bites of food eaten worldwide depends on bees' pollination" (Alison Bewick, Nestlé).

Food, both how we produce and consume it, represents an enormous threat to the environment. "The food sector needs to play the same role for the nature transition as what energy entails for the climate!"(Marianne Haahr, TNFD).

The **food system** accounts for about 80% of territorial biodiversity loss and is worth 8 trillion USD. It is thus a massive transition opportunity for the financial sector. Its negative impacts are priced at 12 trillion a year, which also represents a potential source of risks.

Progress on Agenda 2030 cannot be achieved without transforming agriculture into a sustainable and equitable industry. Regenerative agriculture can not only help fight climate change, but also generate between 15 and 25% of return on investment.

Organizations like The Nature Conservancy (TNC) are working on identifying key focus areas - like lack of money, equipment, and seeds - and are working with corporations and banks to provide financial incentives to farmers to use regenerative practices. Solutions are out there; scaling is needed now - there is a need to move beyond pilots and toward large-scale integration. Long-term relationships must be cultivated with farmers, providing them with technical education, risk sharing, and downstream finance.

Other actors have a significant role to play in empowering practices of regenerative agriculture:

- **Regulators** can incentivize regenerative farming through subsidies.
- **Governments** have been quick to demand support from the private sector, but they need to show their commitment by using subsidies correctly in this case.
- **Insurance providers** must innovate and produce diverse de-risking mechanisms feasible for farmers of different scales. They have trouble pricing this risk due to the question of who will pay the premium, but they have been working on developing appropriate products and can look to the private and public sectors for support.

There is also a need to create a social systemic change through **awareness** and **education** amongst masses all around the globe to improve diet practices, and transition towards healthier nutrients.

The food system is central to climate change, pollution, nature loss, and outcomes on well-being and health. It also constitutes the **largest source of employment** in emerging markets and one of the largest sources of income for **indigenous communities**. Funding gaps in food systems are still a big part of the problem in emerging and developing economies. Big companies have their supply chains in low-income countries where the agricultural sector is one of the most underinvested, meaning that the risks and production costs are outsourced to the weakest link in the value chain: smallholder farmers. Small-scale farmers have become less and less keen on producing due to either income or climate change-related issues. Swiftly addressing **financing gaps** in core segments of the green transition, such as food systems, is in everyone's best interest.

Climate Finance and the Energy Transition.

Throughout history, every single economic transformation has always needed to respect three main criteria to be considered viable and accepted: **affordability**, **efficiency**, and **scalability**. The transition to a sustainable economic system is simultaneously the greatest challenge and the biggest opportunity of the century. It requires capital to flow where needed and can have the greatest impact. The good news is that climate finance has nearly doubled over the past decade, reaching a staggering 4.8 trillion USD in private and public climate-related projects. However, 75% of this capital flows exclusively into developed countries (Barbara Buchner, CPI). While capital is flowing at scale in some specific sectors, such as the energy systems of OECD countries, thanks to the irresistible economics of **renewable energy**, the same level of investments is not yet devolved towards nature or other relevant sectors (Hubert Keller, Lombard Odier).

Mahmoud Mohieldin (COP27) highlights 4 of the main reasons behind the disparities and inefficiencies that we currently see in climate finance:

- Too many **banks**, including the Top 30, are not yet fully aligned with Net Zero targets.
- The scale and impact of green investments in the **Global South** is still too small.
- **Rating agencies** are not adequately factoring in their scores countries' efforts in climate action.
- **Regulators and supervisors** are often not performing well enough regarding rules of engagement and monitoring.

Ultimately, we need **sound policies** to make investment destinations in the Global South more attractive (Avinash Persaud, Government of Barbados). With good policies, Europe became the leader of the green transition. In particular, Germany, of all countries, became a leader in solar energy.

In contrast, a more suitable country such as South Africa has not reached its potential due to the high capital costs faced by non-OECD countries.

Green policies should not be restricted to subsidies, especially in developing countries, as the scale of the investment needed for a green transition is in the trillions. We need ways of **diversifying risks** and **lowering the cost of capital** in the Global South. Avinash Persaud (Government of Barbados) offers a solution: "We need to do this by looking at capital **risk premia**. And we need the public sector to play the role of a risk-neutral player rather than a risk-averse player. This will allow us to save four or five percentage points in risk premia and will mainstream institutional investors, mainstream you, the individual, into these investments. **And that is how we will transform the South, transform the world, and preserve our planet.**"

With good policies, **financial innovations** could go a long way in fostering the transition in less developed economies. Hubert Keller (Lombard Odier) asks for innovative solutions to lower the cost of capital and diversify risk through "**pause clauses**" in financial instruments.

Institutions, such as **Multilateral Development Banks** (MDBs), should also play a more significant role in channeling investments to developing countries. However, they are currently not big enough. A more adequate capitalization for MDBs and a greater collaboration with the private sector will contribute to bridging the gap between supply and demand (Mahmoud Mohieldin, COP27).

Despite growing momentum, the world is still not on track to meet Paris Agreement commitments to limit global warming to 1.5 degrees. As a result, there is a growing urgency for investors to accelerate the financing of the energy transition. Climate change affects lives worldwide, with some countries experiencing its adverse effects several orders of magnitude higher than others. Over the past 50 years, we have witnessed an exponential increase in natural disasters caused by climate change. These disasters have substantial social repercussions.

Social issues are intrinsically connected to environmental challenges. The last decades of natural disasters in the Pacific Islands, for instance, have taught us that the climate crisis is also a child rights crisis, with more than 1 billion children currently exposed to climate risk (Carla Haddad Mardini, UNICEF).

Climate-induced natural disasters cripple public infrastructures, thereby increasing the scope of their negative effects. Investing in **resilient infrastructure** and ensuring that, once a natural disaster hits, enough emergency funding is made available to restore services such as transportation, clean water, hospitals, and schools is critical. **Climate finance** can have a powerful effect when properly channeled.

Climate investments today are at the receiving end of controversies and criticism for their large claims and yet little measurable impact. Internalizing an externality as large as climate change is undoubtedly difficult, and thus, even though these investment strategies are borne out of good intentions, there have been unexpected outcomes that can raise questions about whether "green" investments sometimes cause more harm than good (Dan Grandage, Abrdn).

Without **transparency and comparability**, even the most well-intentioned efforts could fall flat (Adrian Schaztmann, AMAS Switzerland). Due to the lack of standardized and globally accepted norms of what should qualify as a "green" investment, companies can do little and brand big. This further widens the gap between commitments and claims and their real-world outcomes. **ESG ratings** have been widely regarded as a tool to overcome greenwashing. Both **regulatory and cultural** pressures have made ESG scores more relevant over the past few years. Despite this movement, some challenges remain, such as the lack of standardization.

For accurate calculations of ESG metrics, we are still heavily relying on voluntarily disclosed data from suppliers that use their metrics, making data difficult to compare. There is a significant demand for data to be as **transparent, regulated, and standardized** as possible (Virginie van Doorn, Conser).

In addition, ESG scores suffer from over-simplification. Even though many data providers have developed comprehensive models for reporting on climate metrics, financial markets have pushed for simpler ones, easier to work with. This simplification can often cause investments to be less impactful than forecasted.

Finally, one if not the biggest flaw in ESG ratings is the absence of a **forward-looking view** that prioritizes real-world impact. As much as it is about emissions, one has to remember that the end target is net zero, and thus, the focus has to be on the trajectory of companies to ensure that these investments yield positive outcomes. **ESG scores must evolve dramatically or fade away** (Elisa Benito, Coninco).

Investors are not satisfied anymore with evaluating companies' past performances using heterogeneous data. This fallacy has created a foundational disconnect between climate-friendly portfolios and their effective achievements. A prominent example of how these fallacies have caused the financial system to not effectively recognize where sustainable investments should be allocated is illustrated by the **real estate sector**. Most buildings and constructions are not environmentally friendly. This poses long-term severe threats. Despite this, green investments in real estate still do not have the necessary relevance in portfolios.

Alfred Ledermann (UBS Switzerland) presents some insightful statistics to understand the importance of real estate for the transition: "37% of global emissions are coming from the building sector, whereas 28% comes from existing buildings." There is a substantial gap between the current **renovation rate** (1%) and the 3% rate per year needed to meet emission reduction goals in the real estate sector (Patrick Schmucki, KPMG AG). Buildings are central to the decarbonization process, and we cannot afford to rebuild everything from scratch. The recently launched UBS Sustainability and Impact Institute's whitepaper suggests reducing emissions from existing buildings through efficient **retrofitting**.

Oliver Seux (Mirabaud) points out that while the commercial real estate sector provides a big opportunity for the transition, **large-scale renovations in the residential real estate sector** can be even more disruptive from a sustainability point of view.

Reforms in **taxation policies** on new buildings or refurbishments should be implemented to incentivize environmentally friendly practices. Additionally, we should consider alternative sustainable building materials, including **sustainable timber and recycled construction** products. **Circular economy** approaches in the real estate sector will bring substantial economic and environmental gains. This implies that a fully-fledged systemic change is urgently needed in the real estate sector. We must **re-think**, **re-build**, and **re-imagine** our world while laying the foundation for better buildings.

From a more global perspective, one should not overlook the impact that rapid urbanization in developing countries can have on climate change. Financing and supporting sustainable urbanization in the Global South is critical. Local problems have global foundations. The link between climate change, sovereign debt, and local financing conditions means that growing debt burdens for developing countries are increasingly threatened by climate change, resulting in a deterioration of the investment environment as credit risk increases at both sovereign and corporate levels. As the Global Sovereign Debt Roundtable shows, governments, industry experts, and financial institutions at a national and international level must collaborate. By addressing policy gaps, fostering innovation, and anticipating future needs, stakeholders can bridge the gap between aspiration and action, paving the way for a truly sustainably built environment worldwide.

Commodity trade finance constitutes another critical sector that can foster the energy transition by providing goods and new technologies where they are most needed. Commodity traders meet demand and supply in a cost-efficient manner. They must do so following ESG principles as well. Due to increasing global trends of rapid **electric vehicle deployment and renewable infrastructure installation**, the demand for minerals for the energy transition is increasing. Efficiently providing **critical materials**, such as nickel, can have an important role in the decarbonization of our economy.

The **electrification** of the world economy is a great financial and environmental opportunity. By 2030, $24.5 trillion in Capital expenditures (CapEx) investments will be deployed into clean electricity production, distribution, and consumption activities. This investment will accelerate the shift in the energy sector from the current ratio of 30% clean energy to 70% fossil fuel today to 74% and 19%, respectively, by 2050. The electricity sector is approaching a tipping point that will yield exponential growth.

This has been predicated based on three trends:

- **Affordability:** the cost of batteries, wind, and solar technologies have fallen by 60 to 90%.
- **Functionality:** electric applications like heat pumps, electric motors, and LED lights are three times more efficient than fossil fuel alternatives.
- **Accessibility:** facilitated by the previous two trends.

Even though the future of electrification looks bright, equities in the clean energy sector are slowing down, while investments keep flowing into the extractive sector. This is due to the difference between the economy, where the clean energy sector is expanding, and the **stock market**, which is currently driven primarily by the **high-interest environment** pushing investors into safer assets and away from riskier startup or project financing.

Instead of focusing on the overall stock of capital committed to the energy transition, we should focus on the **financial flows**.

Stimulating the energy transition entails “directing new flows into hard-to-abate sectors and emerging economies where capital is scarce, to develop proofs of concept and seed innovation” (Mahesh Roy, Institutional Investors Group on Climate Change). In more nascent sectors and markets, a multi-stakeholder approach is required to shift risk perceptions and demonstrate value to encourage investment at scale.

The energy transition is well underway. However, to achieve net-zero goals by 2050, investments will need to triple by 2030. The financial sector has a critical role to play in the energy transition. First, by **bridging the funding gap** for firms actively working towards net zero goals but need capital to scale their model. Second, by **engaging** with firms that are not committed to the energy transition to encourage the incorporation of climate and nature considerations into their disclosures, targets, and strategy. Third, as a last resort, **divesting** from firms unwilling or unable to commit to the energy transition.

Marie-Laure Schaufelberger (Pictet) stresses that we must incorporate social considerations into the transition of brown industries. A **green and just transition**, focusing on **decent work and community engagement**, is necessary to achieve sustainable growth (Patricia Richter, ILO). After all, **sustainable growth is equitable**; without the social aspect, we do not have sustainability (Jean-Philippe Desmartin, Edmond de Rothschild).

Green Central Banking: a Debate

Inflation targeting is a policy standard adopted in advanced economies since the 1990s and recently in emerging market economies. According to this standard, the primary duty of a central bank is to implement monetary policy to ensure price stability and general trust in the value and stability of the national currency (strict version) as well as macroeconomic stability. However, a "**twin mandate**," a **macroprudential** one for supervising the economy's financial stability, became prominent after the global financial crisis of 2008 (Lastra and Alexander, 2020).

Climate risk, either transition or physical risk, may affect monetary policy transmission through financial markets and the banking sector, leaving the central bank with **less scope for its interventions** (ECB, 2021). From this point of view, central banks should actively have a role in contrasting climate change.

However, acquiring "green" assets in a higher proportion than what can be found in the market might violate the central bank's **market neutrality** (Schoenmaker, 2021). In addition, "green" investments could potentially be riskier and require higher capital buffers, affecting a central bank's **balance sheet** (Brunnermeier and Landau, 2020). Finally, Tucker (2018) argues that expanding monetary operations for climate change purposes might affect the credibility of its **independence**.

While balance sheet risks of central banks may be overplayed, **there is no consensus** on central banks' appropriate response to climate risk, some monetary authorities have a more proactive approach. The ECB, for instance, has a **secondary responsibility** of supporting general economic policies of the EU, which include sustainable development. On the other hand, other central banks, most notably the Federal Reserve, are still keeping a more conservative attitude.

Elevating Social Issues in the Sustainable Finance Agenda.

Environmental and **Social** issues should be considered at the same level during the transition to clean energy. Transitioning to clean energy sources should be done orderly, considering **human rights** impacts throughout the supply chain, especially in fragile regions. As Suzanne Spears (Paxus LLP) warns: “Financial institutions must be prepared for potential human rights challenges, and engagement is key (to overcome them).” The Geneva Center for Business and Human Rights is among the most active actors in promoting human rights in the corporate world by urging financial institutions to consider the well-being of communities and workers affected by the energy transition and engage with their clients to help them navigate the complexities of sustainability.

The Brazilian Gold Value Chain represents a good exemple where environmental and social issues are addressed. Brazilian rainforests are currently facing extinction due in part to illegal mining practices. “Protecting the Amazon is a central aspect in mitigating climate change. We want the Amazon to keep its forests alive, its species preserved, and its people empowered. **Illegal mining** destroys nature and causes immense **social problems**” (Raul Jungmann, IBRAM). Istituto Igarapé has developed a technology to monitor the regularity of activities in different gold mining areas in the Brazilian Amazon region: research using these data shows that illicit gold mining is not only an end in itself but also leads to other illegal activities and promotes violence and environmental degradation beyond gold production processes such as the exploitation of indigenous youth or the contamination of waters with mercury, jeopardizing biodiversity and poisoning local communities (Melina Risso, Istituto Igarapé). Combating illegal mining and promoting socially responsible practices is the need of the hour.

These can include electronic tax receipts and partnerships with civil society to control and reduce these activities (Raul Jungmann, IBRAM).

Concomitantly, importing countries can launch domestic and international initiatives to raise the responsibility standards for gold value chains. As Frédéric Dawance (de Pury Pictet Turrettini) explains: “Half of the world’s gold is going to central bankers and other financial actors because it is an asset that is very resilient in crises. Gold is not good or bad; it depends on the way it is mined and produced. It is time for the financial community to make their gold holding more responsible”. Investing in clean gold value chains and certifications for responsible gold is an excellent opportunity for the financial sector and policymakers to learn how to effectively value tradable nature goods in a manner that incentivizes nature conservation and social welfare. This entails engaging with small-scale local producers, who contribute significantly to gold extraction, in adopting cleaner technologies and better working conditions.

The shift towards responsible gold is part of a broader financial agenda that scrutinizes the responsibility of all assets. Investors are increasingly considering the social and environmental risks associated with their investments. The tipping point towards responsible gold will occur when the price reflects the true externalities, encompassing impacts on people and the environment. Incentives are crucial in driving this transformation, and collaboration among stakeholders is essential to share knowledge and drive progress (Marie-Laure Schaufelberger, Pictet).

Examples of just transitions underscore the importance of **human capital.** Robust human resource practices within corporations bring the added financial benefit of decreased investment risk volatility. When employees are well-trained, motivated, and engaged, they contribute to a stable and reliable workforce, an attractive prospect for investors seeking long-term value.

Human capital is a paramount determinant of economic and social development. It encapsulates not only the technical proficiency and knowledge that individuals bring to the table but also their social and emotional capabilities.

To harness the full potential of human capital, we must be prepared to **embrace and navigate complexity**. This necessitates experience and willingness to be concrete in our actions and invest time developing these crucial skills. Companies that recognize the significance of both quantitative and qualitative aspects of human capital tend to thrive in today's highly competitive and dynamic business environment.

Indeed, companies' present and future value increasingly rely on the intangible facets of their operations. As automation and **artificial intelligence** (AI) continue to reshape industries, it is vital to balance efficiency and human well-being. AI undeniably enhances productivity, but its deployment should be guided by a strategy that does not result in widespread job losses. Instead, we should focus on compensating individuals with new opportunities and skills through **training, education, and upskilling** for the future.

Young people constitute the largest pool of human capital. Sustainable development is an ideology centered around **preserving the future**; why are the change-makers and leaders of tomorrow, not the ones influencing the agenda today? Engaging young people in sustainable finance is not a good-to-have; it is a must-have! The young have a key role to play as they have the potential and skills to contribute towards tangible transformations and thus need to be given the space to contribute (Anthony Giannoumis, Inclusive Creation). This cannot be possible without other influential stakeholders' active efforts in encouraging young minds' participation and integrating their talent into the global system of decision-making and implementation.

We should: "Empower young people wherever they are in the world!" (Omar Bawa, Goodwall). New technologies, such as **Web3**, are important in empowering younger generations. However, a substantial talent gap exists worldwide due to the absence of **connectivity and education**. Web3 is a tool that could level the playing field, especially through platforms that help GenZ upskill and showcase its talents independently of where they come from. It is important to understand that "Connectivity goes beyond connecting schools; it goes to connecting students." (James Mwangi, Equity Group Holdings). As Doreen Bogdan-Martin, the Secretary-General of ITU, rightly pointed out, digital development can accelerate the progress of 80% of the targets under Agenda 2030.

However, we live in a world where, despite experiencing technological advancements, 2.6 billion people, including 500 million students, do not have access to the internet, with the majority being women and girls.

Larger countries with low population densities, like Botswana, are challenging to connect due to high fixed costs. Governments mainly lead connectivity efforts in such countries. Even though there are high-profit margins, private capital does not flow towards these initiatives. That is because investors prefer to finance what they understand. Given the risk perception in these markets, governments should give an example and encourage investors and new intermediaries to connect the demand and supply. Regulatory red tape has to be reduced. Instead, governments should focus on credit risk sharing and commercial guarantees to stimulate private investments. In this regard, **blended finance** projects could provide an adequate boost.

In addition, there are a few added challenges to the long-term sustainability of **digital education projects**. First and foremost, providing a device and internet connection to every child is insufficient if they cannot recharge them. Regions and individuals around the globe have to be provided access to **sustainable sources of electricity** to ensure their technical advancement. Connectivity at the town and village levels will also contribute to ensuring universal access to **digital education**, i.e., people who do not have the privilege to afford a formal education can still learn online. Naturally, the quality of the education provided has to be assured.

With this in mind, UNICEF and ITU have collaborated to launch the **Giga initiative** - the ambition of connecting every school worldwide to the internet (Alex Wong, Giga).

It works on three crucial aspects:

- **Mapping schools** in the relevant region to see the number of schools, as well as how digitally adept they are;
- **Model infrastructure policies, regulations**, and **investments** needed to achieve the objectives;
- **Assist governments** in contracting connectivity for schools.

A just transition empowers some overlooked social fringes, such as refugees and migrants. When arriving in a host country, these groups face challenges that often make accessing financial services particularly difficult. This is exacerbated by precarious employment and limited access to essential services. "Not extending financial services to refugees is a missed economic opportunity" (Rooh Savar, Welcome Place). It also implies that countries are missing out on the skills that refugees and migrants possess. "In the long-term, humanitarian aid is not the answer; it is the integration of these populations into the labor force" (Yousra Hamed, ILO)
.

The arrival stage of a refugee or migrant is an essential moment for intervention. Providing cash to newly arrived refugees is a way of restoring their dignity and allowing them the freedom to make financial decisions. Banks often consider refugees as a risk rather than an asset. However, inclusion is essential to tap into their potential and prevent recourse to a parallel economy outside mainstream finance. Several steps can be taken to facilitate financial inclusion, for instance, bringing down costs through digital access and technologies such as Digital IDs. Know-Your-Customer (KYC) requirements can also be adapted so that banks can accept alternative documents as proof of legitimacy and reliability.

The **ILO Social Finance programme** engages with financial institutions, insurers, and microfinance institutions interested in the Decent Work agenda.

Some of the key challenges they face and seek to address are:

- **Policy advocacy for migrants' and refugees' integration** into national financial systems through recognition of their documents;
- Convincing financial institutions to see refugees and migrants as **opportunities rather than risks**;
- Making **financial education accessible to refugees and migrants** to be able to use existing products.

Trust building is a crucial pillar in financial inclusion from the banks' and clients' sides; as such, it should be at the core of any policy aiming at integrating refugees and migrants into the host country's economic system. Technological innovations are also critical for these groups. Blockchain, for instance, can facilitate cross-border transactions, particularly in the context of **remittances**.

We have previously highlighted the profound challenges of **electricity** access in fragile and conflict-affected countries. These challenges also present an opportunity for accelerated private investments in renewable energy projects to address the energy gap and contribute to the global energy transition. Initiatives such as Kube Energy's creation of the Baidoa Solar Power Plant in Somalia aim to do just that (Kristen Petillon, Kube Energy).

While it is incontestable that investing in renewable energy can have an enormous positive impact environmentally and socially in these high-risk countries, it should however be done by understanding the social context and in a conflict-sensitive way (Johannes Schreuder, PeaceNexus). New investments in this context have led to increased conflicts, as, for instance, access to land and water are usually at the heart of most conflicts. Climate and energy policies have to go hand in hand with conflict policies.

The newly launched SFG **Peace Finance Hub** aims to promote transparency, accountability, and education within the financial industry. By integrating peace and conflict considerations into investment strategies, investors can contribute to peacebuilding efforts and ensure the just and beneficial transition to renewable energy.

The financial industry can play an important role in driving **Peace Finance** by using its power and influence to engage with companies and promote conflict-sensitive practices. Legislative efforts, such as the EU corporate sustainability due diligence directive (business & human rights), are underway to make conflict sensitivity and peace finance a regulatory requirement. This means that responsible businesses must conduct conflict analysis and stakeholder engagement to see whether the company is causing or contributing to conflict. These efforts aim to ensure that companies with operations or supply chains in fragile contexts prioritize peace and stability in their business practices.

There are, however, strong complexities associated with investing in such contexts. Josie Lianna Kaye (Trustworks Global) explains: “Peace finance is sequential. We have to first minimize the negative impact, and then let us talk about the positive impact on peace.” Usual challenges include political instability, weak governance, corruption, land tenure issues, and conflicts. The lack of infrastructure, high energy prices, and limited fiscal space compound the challenges. However, the potential for solar power and the need for private investments make these contexts attractive despite the risks.

Overcoming these barriers to investment is possible by establishing dialogue and consultations with key local stakeholders, including communities, at an early stage of project development.

Engaging with the **local communities** and signing up **credit-worthy anchor clients**, such as international organizations, can make projects more bankable and mitigate risks.

The benefits of financing the electrification of less developed countries plagued by conflicts of this scale range from improving education and income generation to better **healthcare**. Health and Health Equity must be at sustainable finance's core (Ty Greene, WEF). With this in mind, the World Economic Forum launched the **Global Health Equity Network**, uniting over 50 members from diverse industries to address health disparities. Bridging global health disparities is necessary. Innovations such as portable vaccine carriers and atmospheric humidity water extraction can bring substantial progress. However, it is by breaking silos between health and climate sectors that one can achieve the most impact (Pradeep Kakkattil, Health Innovation Exchange).

The Global Health Security Fund aims to break these siloes by bridging academia, the private sector, consultants, and government entities to develop a framework that can be applied to future pandemics (Lisa McDonald, GHSF). In fact, “bringing people together provides a pathway and keeps everyone honest” Nadya Wells (Geneva Graduate Institute). Gavi, a public-private partnership, leverages financial tools like Advanced Market Commitments and guarantees to incentivize manufacturers, ensuring vaccine supplies. They partnered with institutions like the European Investment Bank for swift funding during emergencies (Raphael Ferry, Gavi).

Exploring various financial tools beyond debt to maximize impact is pivotal for pushing the just transition everywhere globally. Impact financing has a considerable impact on fragile countries. More generally, it is impossible to conceive a just and efficient transition without **inclusion**. If we are to invest in the transition, we have to **invest in humans**.

Innovative Finance Solutions.

Innovative finance has great potential in addressing global challenges. Leveraging finance creatively can help build resilient infrastructures, strengthen health systems, fund climate adaptation projects, and support marginalized communities, fostering social and financial inclusion. Too many segments of our societies are not granted access to the necessary finance. James Mwangi (Equity Group Holdings) lists the two primary causes of barriers to access to finance:

- **Risk classification**: traditional finance has templates that do not work for everyone and exclude certain groups.
- **Current regulation**: risk-averse regulations prevent impactful projects and parts of society from being driving forces of the transition.

We need to work around these barriers and reimagine them where possible. Financing models in the form of **guarantees** and **grants**, for instance, can help overcome these hurdles and promote financial inclusion, essentially contributing to a more sustainable world where no one is left behind.

An example of innovative finance solutions is given by UNICEF's Today and Tomorrow Initiative and their **parametric insurance** focused on children victims of cyclones. This innovative financial product is **pre-designed** to deliver rapid finance for relief and recovery with an explicit focus on children. It results from a **public-private partnership** with Willis Towers Watson (WTW). Parametric insurance differs from an indemnity as the loss assessment is decided in advance, based on a specific set of metrics (i.e. the cyclone's wind speed) that, once reached, will trigger a payout within 2 to 4 weeks after the natural disaster happened (Viktoria Seifert, WTW).

This differs from classic humanitarian finance, which can take up to 6 months to be made available. Given the already scarce resources in the humanitarian sector and the fact that climate change risk might constrain them even more, **efficiency** is of the essence (Karina Whalley, AXA).

We should make no mistakes; we are not moving fast enough. "Only 12% of the 163 SDG Targets are on track, and unless something shifts significantly, unless thinking shifts, in the absence of some transformative change, 2030 will come and go without anything having changed" (Shipra Narang Suri, UN-Habitat).

The SDG4, **quality education** for all, represents a key objective to foster social inclusion worldwide and is also on a failing trajectory, amplified by the pandemic (Christian Frutiger, SDC). While technological advancements such as the ones in the field of Artificial Intelligence have the potential to make education more accessible and less expensive, more funds are still needed. Innovative financing mechanisms in the form of **Outcome-Based Financing** (OBF) could potentially shift the paradigm in this regard (Miléna Castellnou, The Education Outcomes Fund). OBF mechanisms in education are designed to attract private-sector investments while ensuring that the desired educational outcomes are met. Governments and other donors would then repay the delivery partners based on the outcomes achieved.

OBF mechanisms can also bridge the financial gap for nature conservation. OBF initiatives can efficiently connect biodiversity conservation with capital and could help deliver infrastructure projects centered around nature.

Quantified Ventures' projects in agriculture give an active example of OBF. The strategy involves collaboration with farmers, who often operate on thin profit margins. To safeguard their financial stability, these projects offered direct funding for initiatives such as crop covers and conservation practices. After a comprehensive ten-months cycle, the outcomes were meticulously measured. These included reductions in phosphorous and nitrates in soil, as well as the sequestration of carbon. These quantifiable outcomes were successfully monetized, finding favor with potential buyers. (Eric Letsinger, Quantified Ventures).

Sustainable finance is affected by both macro and micro factors. While macro components such as **debt levels** and fiscal constraints impact the availability of funds at the country level, micro-elements, including **governance transparency and historical performance**, play a crucial role in de-risking projects and attracting investments (Richard Manley, CPP Investments).

Public-private partnerships at an international, national, and local level will break the silos necessary to unlock sustainable finance at scale and enable local governments to attract more sustainable investments. Shipra Narang Suri (UN-Habitat) aptly says, "Too often, we speak in different bubbles." Enabling PPPs that promote sustainability will bring substantial benefits at the micro level, where **cities** operate. **Local governments** are at the center of the transition. "A place where lots of projects fall over is actually good governance. The G in ESG is absolutely key!" (Dan Grandage, abrdn). Well-functioning infrastructures guarantee higher chances of success for projects in general. At the same time, many investment areas at the local level are not only economically profitable but necessary for the green transition such as investments in **sustainable real estate, urban regeneration, and climate adaptation.**

Nevertheless, the financing gap at the local level is still too big. Innovative financial instruments such as **catastrophe bonds** can help cities in countries more exposed to climate change to turn risks into financial opportunities and reduce the gap (Dmitry Mariyasin, UNECE). That said, even when funds are available, local governments often face insurmountable hurdles in accessing them. These challenges range from unfriendly investor environments and inadequate public financial mechanisms to regulatory constraints and capacity limitations. There is a strong need for **coordinated financing strategies** to avoid wastage, maximize local resources, and strengthen local, regional, and national environments before even seeking external investments (Shipra Narang Suri, UN-Habitat). With strategic planning and international support, local governments can pave the way for sustainable, resilient, and prosperous communities.

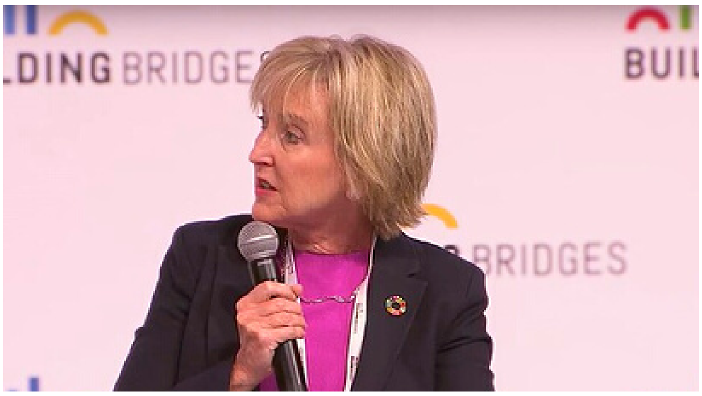
We should also empower firms invested in the circular economy at the local level. The circular economy is estimated to create 65 million new jobs by 2030 and generate around $26 trillion. Small and Medium Enterprises (SMEs) are crucial for bottom-up solutions in this scenario. However, they are currently overlooked. SMEs are also critical for providing jobs and increasing social welfare, as two-thirds of outputs and jobs worldwide are from SMEs (Pavan Sukhdev, GIST Impact). **Start-ups** can foster the circular transition, especially in EMEs. Currently, these firms face challenges in structuring their projects to attract finance, especially during international macroeconomic instability.

These challenges range from the source of funding and finding the right partners to high costs due to **auditing, accounting, and legal fees**. Banks and insurance companies have a great role to play in ensuring the growth of Circular Start-ups, as they can guarantee steady **flows of capital** that an enterprise desperately needs in its early stages. National governments can help find efficient ways for these types of companies to become **bankable** and approach the **technological frontier**, for instance, through social impact incentives, guarantees, or structured/layered funds.

Another challenge that start-ups face is the data gap, which, in some instances, is still gigantic (Oliver Marchant, MSCI). **Green fintechs** are instrumental in making high-quality data available (Thomas Puschmann, University of Zurich). Companies require standardized data and impact metrics in order to scale and attract funders. As Christoph Baumann (SIF) argues: “We need a common source of truth through standardized data (...) available without intellectual property attached”. **Government support** can facilitate the creation of larger data sets and enable the availability of open data. The Swiss government spearheads efforts to make quality data available as part of its 2030 Sustainable Development Strategy.

Financial institutions and asset owners should change their **mindset** regarding supporting circular start-ups, as taking more risks and embracing a long-term view is crucial for financing innovative entrepreneurship that can bring a sizable change. However, private capital tends to reward private profits. Whenever an SME has a public goal in mind, it becomes much more difficult to find the necessary private source of finance. In this regard, **blended finance** can make a big difference, especially by including less conventional asset owners in the financing process. Another example of innovative finance solutions that can foster engagement from more traditional investors is given by **Impact-Linked Finance** (ILF), which connects financial rewards to environmental and social outcomes.

On the macroeconomic side, one of the greatest challenges sustainable finance encounters, especially in Emerging Markets and Developing Economies (EMDEs), is the **misperception of risk**. For instance, Africa is often perceived as a single entity. Extreme geo-political events or environmental catastrophes in one African State significantly affect the remaining 53 nations (James Mwangi, Equity Group Holdings) . Not only is this unjust, but it is also not environmentally sustainable as it drastically constrains funds for a critical transition actor. To bring change on a global scale, it is critical to improve the investment environment (actual or perceived) in developing economies (Sonja Gibbs, Institute of International Finance).



Outcome-Based & Impact-Linked Financing

Impact-Linked Finance (ILF) and Outcome-Based Finance (OBF) are both approaches within the broader field of impact investing, where investors seek to generate positive social or environmental outcomes alongside financial returns. However, there are distinctions between these two concepts.

According to the OECD (2014), Outcome-Based (or Results-based) Financing "involves a mechanism through which a funder is willing to make payments to an agent who assumes responsibility for achieving pre-defined results. Results are pre-defined, and funding is only released upon the achievement of these results that are verified independently."

However, Impact can be conceptualized as the **longer-term effect of an outcome**.

Baic et al. (2019) define Impact-Linked Finance (ILF) as financial solutions for **market-based** organizations that directly link **financial rewards** to achieving positive environmental and social outcomes.

According to the authors, ILF lies at the intersection of blended finance, OBF, and impact investing:

- It aims to mobilize additional private-sector investments blended with public or philanthropic funds;
- It overlaps with impact as it enables investors to target financial returns while creating a positive impact;
- Financial rewards are tied to generated results as OBF.

However, ILF differentiates itself from other pay-for-success schemes as it focuses on market-based enterprises, functions with simple contractual structures, and disburses incentives directly to the enterprises driving positive social outcomes.

Source:
OECD (2014) Results-Based Funding, www.oecd.org

We must identify new methods to relieve the immense pressure that developing economies face and carve out **fiscal space** to work towards achieving the SDGs. Developing countries are entangled in a challenging dilemma: whether to allocate resources to pay off their debts or invest in critical areas such as healthcare, education, and climate initiatives. **Around 25% of developing countries carry debts exceeding more than 20% of their revenue, severely limiting their investment ability**. It is critical to balance debt servicing with the provision of essential social services and environmentally friendly measures. **Debt swaps** with ESG components, or aligned to specific SDGs, offer a potential solution. Léonardo Puppetto (Lazard) stresses that debt swaps do not represent a complete debt restructuring; instead, they involve issuing standalone bonds, such as green or blue, while alleviating the recipient's debt burden. Other financial mechanisms, such as **pause clauses** in the event of a natural disaster or a pandemic, are also essential not to overload the already strained fiscal systems in EMDEs in times of crisis.

International institutions such as the World Bank or UNDP, as well as Multilateral Development Banks (MDBs), are critical actors for the success of the transition in EMDEs. We must reinforce **global multilateral institutions** if we are to solve a global problem such as climate change: we are not going to solve the climate crisis in an increasingly fragmented world (José Manuel Barroso, Gavi). Simultaneously, international organizations can contribute to the transition in EMDEs by creating impactful PPPs and providing **capacity-building**.

Gavi has given us multiple examples of successful PPPs that contributed to mobilizing innovative finance and promoting sustainable development in low-income countries. One such mechanism is the International Finance Facility for Immunization (IFFIm), which saw Gavi working with the World Bank to leverage donor pledges, raising more than $8.7 billion between 2006 and 2023. Gavi also collaborates with the African Vaccine Manufacturing Initiative by designing an **Advance Market Commitment** (AMC) to subsidize African-made vaccines. Under the AMC, donor countries will commit to purchasing vaccines at a guaranteed price, providing African manufacturers with the financial certainty they need in order to invest in vaccine development and production.

Innovative finance solutions, therefore, can reduce inefficiencies in the international financial system and drive capital towards EMDEs at a much higher pace. This is critical, given the prominent role of these countries in realizing the SDGs.

Investing in the SDGs in Emerging Markets and Developing Economies.

We are finally starting to see a shift in perception about Africa in the financial world. Challenges in these world areas are now considered more investment opportunities. However, the financing gap for sustainable ventures in the continent remains. James Mwangi (Equity Group Holdings) describes: "Whether you are trying to fill in the gap of hunger or poverty, Africa has the resources to make good. What needs to change is the **courage** of investors to invest in the continent. Investors do not have the risk appetite. They are keeping away from 25% of the future world market. They are keeping away from 33% of the labor force." Concomitantly, "we need to drop our egos, logos, and silos and converge towards impact!" (Arif Neky, SDG Partnership Platform Kenya).

We have previously seen that one of the greatest challenges preventing capital from easily flowing in Africa is the misperception of risk. Leticia Ferreras Astorqui (Allianz Global Investors) stresses the importance of assessing and proving actual risks and probabilities of default rather than relying on perceptions. She also advocates for long-term infrastructure projects capable of self-sustainability to move beyond sovereign debt reliance.

Large African regions also lack efficient **pipelines** connecting international and regional investors with bankable projects. In the case of Nigeria, part of the issue is related to the fact that oil projects are predominant and traditional investors are not drawn towards investing in SDGs. Inefficient infrastructure coupled with a lack of courage from key investors seriously hindered Insta Products' efforts in delivering necessary goods to combat infant malnutrition in Nigeria, resulting in the loss of millions of children's lives (Nikita Chandaria, Insta Products).

At the same time, there is also a severe lack of **awareness** about climate change risks in the country. Lagos is, in fact, one of the 11 large cities at risk of being flooded. Building pipelines to more easily identify impactful projects and creating **partnerships** between investors and African entities will contribute to financing the transition in an important country such as Nigeria (Emmanuel Etaderhi, F4CS Lagos).

Habiba Ali (Sosai Renewable Energies Company) identifies women as key actors in fostering investment in the country by reducing overall social unrest. In fact, "in many regions of northern Nigeria, men have 4 wives and 10 children per wife. They do not take care of their children. Empower women, and you will have fewer insurgents."

Carbon trading systems and substantial venture capital investments in innovative projects constitute plausible and readily achievable solutions that can significantly impact countries such as Nigeria or Kenya. Furthermore, Oscar Njuguna (Nairobi International Finance Center) identifies issues of **tax predictability** and **strong legislation** as critical to attracting investments. A stable and predictable environment that can contribute to **risk mitigation and reducing fiscal concerns** is necessary to increase regional SDG opportunities.

Kenya has an ambition of becoming a leading destination for private sector investment by 2030, concomitantly to the realization of the 2030 Agenda. Complementing Oscar Njunga's recommendations, James Mwangi (Equity Group Holdings) identifies three additional key enablers to achieve this goal:

- Address **infrastructure** challenges;
- Enhancing **financial inclusion** through Internet access, banking, and logistics;
- Leveraging Kenya's strategic **location** as a trade hub.

Countries need **consistent regulation** to establish a level playing field and **quality standards** across multiple sectors. This way, entities such as the Catalytic Finance Foundation (CFF) can be put in the best conditions to incubate and provide technical assistance for projects aligning with impact and bankable criteria (Jiao Tang, CFF). Establishing clear metrics to track progress and outcome is also essential, as all project parties usually aim for measurable impact (Joanne Manda, UNDP Africa).

"Rwanda's story is one of mission and hope. It is a testament to what can be achieved when nations come together for a better future. We invite you all to join our journey as we build Rwanda for the future". With these powerful words, Ambassador Marie Chantal Rwakazina (Embassy of Rwanda) sets the stage for the discussion around the sustainable future of Rwanda and Africa. Jean-Marie Kananura (Kigali International Financial Center) shows how Rwanda could become an attractive platform for serving the entire continent. While Rwanda's conducive business environment, rule of law, and anti-corruption efforts have improved drastically, there is a need to attract additional foreign investors through tax incentives, exemptions, and **flexibility in currency usage**.

Today, EMDEs face a $50 billion financing gap for **impact enterprises**. Access to financing remains a critical issue, mainly due to the mismatch between impact enterprises and investors. Brian Milder (Aceli Africa) offers this striking example: "In East Africa, 65% of the population depends on agriculture for livelihood, but only about 5% of the commercial bank lending is going to the sector, and the question is. Why?" Investors often shy away due to perceived risks in these markets, low returns, high transaction costs, or lack of visible pipelines (Santu Boethius, Impact Hub Geneva).

Impact-linked finance emerges as a promising solution to all these issues. ILF has three key characteristics that can make it an attractive solution to finance the SDG in emerging markets:

- Market-based focus on enterprises to incentivize positive impact;
- Outcomes-based rewards;
- Catalytic investment support for high-impact enterprises.

Moreover, the more social and environmental value a company generates, the lower its capital costs are, benefiting not only the enterprise but society as a whole (Peter Beez, SADC).

ILF can be applied in various financial instruments, including blended finance examples like the Mirova solar fund, which uses a tiered system of tranches to address specific risk returns and appetites and impact-linked loans that incorporate reduced interest rates as rewards for achieving predefined outcomes. Collateralized loan obligations (CLOs) are also seen as successful structures for ILF (Mathieu Saint-Cyr, Tameo).

Catalytic Finance

The concept of catalytic finance has been historically linked to the role of the IMF as a lender-of-last-resort in the context of a debt crisis, mostly for developing countries.

According to Morris and Shin (2005), the doctrine of catalytic finance rests on the idea that the provision of official assistance to a country undergoing a financial crisis spurs other interested parties to take actions that mitigate the crisis.

More recently, catalytic finance has gained prominence in the context of sustainable finance.

USAID (2023) provides the following definition: "Catalytic funding is the provision of resources to an investment fund or vehicle designed to mitigate risk and improve the fund's overall viability to attract new investment for sustainable development goals. These intermediaries pool resources and distribute risks among investors and are a primary vehicle for blended finance".

Source
USAID (2023) Catalytic Funding Learning brief, www.usaid.gov

In discussing the potential for ILF and its **scalability**, it is important to overcome the ideological impasses, find means to redirect commercial capital towards impact enterprises, and create a robust financial marketplace (Brian Milder, Aceli Africa). "Impact-linked finance is not rocket science; it is a natural alignment of financial terms with impact." Moreover, ILF can operationalize impact by aligning stakeholders and promoting long-term collaboration (Michael Rieser, UBS Optimus Foundation).

While some challenges remain, the prospects are promising. With the right strategies and commitment, ILF can be a transformative force for positive change to bridge the financing gap for impact enterprises in EMDEs.

Mainstreaming Impact Investing.

According to the Global Impact Investing Network (GIIN), as of June 2022, the private equity sector reached a whopping 11.7 trillion USD of assets under management. However, only a fraction of it, approximately 260 billion, is allocated to impact investing. The **impact-driven private equity** space has a tremendous opportunity to grow.

It is important to **distinguish between Impact and ESG investing**. Impact investing focuses on achieving measurable results aligned with investment goals. It extends beyond internalizing externalities to **transforming business models**. ESG, on the other hand, primarily serves as a compliance tool and lacks the depth of purpose and innovation found in impact investing. While ESG, historically, can be regarded as a stepping stone for the finance industry to understand impact, it is primarily a **monitoring tool** that is insufficient for achieving the SDGs (Risto Väyrynen, The Impact Office). While ESG may benefit corporations and employees, it falls short of addressing societal and environmental challenges.

Impact-Driven Private Equity has significant potential for delivering robust, long-term returns. As Pierre Stadler (Pictet Alternative Advisors) highlights: “Impact does not compromise returns. One could even assume that impact will give better long-term returns since sustainable companies have lower climate risk”. Research shows it often delivers returns in the 3-4% range. At the same time, **investor intentionality** plays a crucial role, as it is critical that alongside financial returns, there is a strong commitment to finance change (Benjamin Firmenich, Impact Finance Management SA).

So, how can we scale impact-driven private equity? Michael Fiebig (responseAbility Investments AG) offers a solution: “It is important to stop seeing the gaps as risks and start seeing them as opportunities.

.

While some say that impact-driven private equity implies risks that retail investors cannot bear, the industry will have to be innovative in finding solutions to make impact-driven private equity more accessible by creating products that are suitable to retail investors.”

Is Impact Investment impactful? This dilemma belongs to the realm of measurement and reporting of impact assessments. Multiple case studies highlight the difficulties in adequately estimating if a company or a company’s specific project has positive effects. Beyond Meat, for instance, contributes to the SDGs related to sustainable agriculture, responsible consumption, and climate action. Assessing its impact requires comparing it to traditional meat production and evaluating externalities and internalities, a process that is not only difficult but also expensive. Zoom reduces the carbon footprint of business travel; however, due to the difficulties of estimating the counterfactual, it has no official impact certification label. The case of Coca-Cola is even more puzzling. The company is the largest holder of BlackRock’s Impact Fund and the world's largest plastic producer. Estimating a company’s impact is not straightforward but requires a nuanced and scientifically sound approach.

Furthermore, few impact investors have frameworks assessing their investments' catalytic effects. Most actors only evaluate **direct impacts**, leaving a significant gap in our understanding of the broader consequences of sustainable investments. This is particularly problematic when assessing the quality of impacts, which often eludes quantification. At the same time, the impact measurement frameworks currently employed fail to capture negative externalities, further complicating the net impact assessment, and are too specific for each investor, company, and project to ensure proper **comparability**. Creating a systematic approach that generates comparable measurements is essential to achieve harmony in impact measurement.

The journey towards a **unified impact measurement framework** is complex. A recent Geneva Finance Research Institute study examined the feasibility of creating such a framework. The researchers used **Measurability, Feasibility, Intentionality, Incrementality, and Comparability** as criteria for selecting impact measurement indicators for advancing impact performance assessment. Surprisingly, they found that no single indicator, selected among the most plausible and widely employed in the field, met all five criteria. This underscores the challenges in harmonizing impact assessment across various industries, investors, and companies. **Practitioners and academics** should collaborate effectively to drive advancements in this regard.

As this industry develops, the impact investment community must streamline its efforts to foster greater **transparency and comparability by prioritizing universal metrics and harmonizing data interpretation**. While challenges persist, including the difficulty of quantifying certain impact aspects, pursuing unified impact measurement remains crucial to driving meaningful change in sustainable finance.

Implementing **legally binding impact reporting regulations** could potentially offer a solution. However, some challenges exist, mostly related to **costs and consensus**. Currently, regulators in Switzerland are actively working to make impact investing more accessible and attractive, emphasizing alignment with market needs and investor appetites rather than imposing impact goals from above (Xenia Karametaxas, SIF).

Simplifying impact measurements is a top priority, with efforts to make them transparent and intelligible, often using **indicators tied to specific SDGs**. Ensuring broader access to impact investing and implementing legally binding reporting mechanisms were suggested as possible solutions to further scale impact-driven Private Equity and promote greater **standardization and transparency** in the industry.

Governments can play an important role in mobilizing private capital for impact investing, as exemplified by the case of the Green Outcomes Fund in South Africa. The fund, a blended finance structure initiated in 2016 and implemented in 2020, used government funds to incentivize investments in green small and medium enterprises (SMEs). Outcomes payments served to de-risk the investments of fund managers, catalyzing private capital flows into environmentally sustainable ventures (Jason Van Staden, Bertha Centre for Social Innovation and Entrepreneurship).

Collaboration with national authorities can help better understand local contexts. Arif Neky (SDG Partnership Platform Kenya) underlines the importance of thinking globally but acting locally to achieve greater impact.

At the local level, **family businesses** possess inherent qualities that render them well-suited to drive transformative change. Their long-term outlook, driven by a commitment to future generations, sets them apart. Alexis du Roy de Blicquy (Family Business Network) says, "We think in generations, not quarters." This intrinsic inclination towards sustained success aligns seamlessly with sustainable development goals. Furthermore, family businesses are often emotionally invested, fostering a sense of responsibility beyond immediate gains. Embracing impact investing will enable them to align their financial objectives with positive environmental and societal outcomes. By strategically investing in projects that yield financial returns and foster local development, they can become agents of change.

At the same time, philanthropy becomes a powerful instrument for family businesses seeking to make a tangible impact. Philanthropy serves as a demonstration of social responsibility and a catalyst for broader community engagement and capital mobilizations that can empower smaller enterprises such as family businesses.

Philanthropic organizations also have great potential in impact investing. As Anne-Catherine Frogg (Swiss Philanthropy Foundation) points out: "(We should make sure to put in place a system) so that philanthropy has an advantage and freedom to be able to allocate grants without needing financial returns so that we can also be completely mission aligned in what we do."

Finally, traditional financial actors such as **pension funds** can be drivers of impact investing. Their long-term obligations and investment horizons uniquely position them to contribute to SDGs via impact investments (Ameenah Gurib-Fakim, Council of Women World Leaders). Currently, only 2% of total pension funds' investments are impact-related. The untapped potential within the pension fund industry represents a reservoir waiting to be harnessed for transformative change. Despite this potential, some barriers still hinder pension funds from robustly engaging in impact investing: regulatory complexities, information gaps, and risk exposures are part of the list of prominent obstacles.

A multifaceted global approach is imperative to overcome these barriers and encourage pension funds to commit to impact investing. A solution centered around harmonizing standards and regulations fostering transparent assessment and reporting should be embraced collectively. Engaging governments, syndicating investors, and fostering **private-public partnerships** are essential to an impactful investment strategy. These collective strategies found successful implementation in Denmark, showcasing the efficacy of a well-defined framework (Morten Elkjaer, IFU Denmark). Spreading these strategies is essential to harness the full potential of pension funds and more traditional asset owners in general.

The journey towards mainstreaming impact investing requires **collaboration, innovative thinking, and a concerted effort to align values and incentives across diverse stakeholders**. Through these actions, we can build a thriving ecosystem where impact investments can flourish and incentivize asset owners to invest their resources into more impactful endeavors.

Impact & ESG Investing: Commonalities and differences

The terms ESG and Impact investing are often used interchangeably. However, while similar in some aspects, they are also conceptually very different. Both terms belong to the realm of sustainable finance. However, while ESG is a framework that primarily focuses on risk **assessment** of sustainability issues, Impact investing is a **forward-looking strategy** that **intentionally** aims to generate measurable social and environmental benefits.

Foroughi (2022) identifies additional critical differences:

- While ESG faces **fiduciary scrutiny**, impact does not.
- ESG can **be risk-mitigating or an opportunity** whereas impact is both.
- ESG is generally a financial-first framework. Impact investing generally equally weights financial, social, and environmental impact.

Finally, while **all impact funds are ESG-compliant, not all ESG funds are Impact**.

Source:

Foroughi, J. (2022) ESG Is Not Impact Investing and Impact Investing Is Not ESG, SSIR

The Role of Asset Owners.

With $275 billion in global economic losses from natural disasters in 2022 alone, the **insurance sector** is extremely vulnerable to climate change. At the same time, it can contribute to the transition by insuring natural assets. Aligning claims management with climate and biodiversity goals is crucial. Insurance companies should not just be risk assessors but also provide clients with valuable risk advice.

We need a **climate-aware underwriting system** to drive sustainable investments. With rising climate-induced incidents, there is a growing protection gap for such natural catastrophes. We are witnessing a triple climate change crisis, nature and biodiversity loss, pollution, and waste, raising the pressure on the insurance industry. The **insurance** sector can simultaneously play three key roles: **insurer, risk manager, and investor.**

There is substantial heterogeneity in the insurance sector when it comes to sustainability. A recent survey and study by the Institute for Financial Services, Zug (IFZ), show that larger insurance companies are the frontrunners in integrating ESG underwriting. In contrast, smaller ones still have a long way to go. While companies operating in Switzerland focus mostly on the Environmental aspect of ESG, companies operating in developing countries place greater emphasis on the S and the G (Florian Schreiber, IFZ).

Additionally, insurance can have a strong influence by taking exclusion criteria seriously. However, these efforts are hindered by the indirect nature of the relationship between insurance companies and their clients. Nevertheless, as Amandine Favier (WWF Switzerland) explains: "The insurance industry can be made more resilient by trying to be a catalyst for positive change and not work towards activities that increase environmental risks."

Finance should act as a **catalyst** (Aaron Bennett, UPP). While asset owners are necessary supporters of the sustainable transition, they are not the drivers (Sonja Gibbs, Institute of International Finance). Nevertheless, asset owners of any kind and size should contribute to the green transition to the best of their possibilities.

Philanthropic foundations, for instance, belong to a category of actors that are becoming increasingly important in sustainable finance. These entities have moved outside the narrow scope of charity and into proper financial intermediaries and development vehicles of catalytic finance (Barbara Buchner**,** Climate Policy Initiative).

Philanthropies are entities capable of bearing risks associated with innovations and usually ensure that the necessary pipelines are in place for institutional investors to mobilize enough capital. However, philanthropic capital is usually scarce, and few philanthropies have environmental issues in their core mandate (Maximilian Martin, Lombard Odier).

Foundations focus more on outcomes than financial output (Guillaume Taylor, Hanaku AG). This perspective makes foundations the driver of innovative financial solutions. An overreliance on financial benchmarks could bias the vision and impact of foundations' work. Traditional finance could learn from the more qualitative analysis foundations have carried out for over a century (Tony Berrada, UNIGE). Philanthropies are financial mechanisms for all intents and purposes; if we bridge these two types of finance, we can multiply available financial assets. Unlocking funds at the **local level** is an efficient way to tackle environmental and social issues. To this end, philanthropies can contribute to the transition as they effectively constitute bridges between giving and investing (Maya Ziswiler, UBS Optimus Foundation). However, philanthropies are constrained as they generally lack in-house technical skills. Legal, compliance, and tax consultation fees constitute obstacles that prevent philanthropies from moving capital fast enough in many instances. To this end, foundations such as the UBS Optimus Foundation operate at a more general ecosystem level by ensuring that the proper framework and regulatory environment are in place for philanthropic funds to flow as smoothly as possible.

Foundations are very heterogeneous in their available assets, statutory chapters, and **risk appetite**. Regarding investments, especially more risky ones, for foundations, it eventually boils down to **fiduciary duty** (Rajna Gibson, UNIGE).

One of the greatest challenges preventing the entire finance sector from fully engendering the transition is **fiduciary duty**. As Alexander von Allmen (Retraites Populaires) puts it: "Our primary mandate is not to finance the energy transition; it is to achieve a required rate of return." There is a sizable mismatch between clean energy investments' time horizon and the portfolio manager's near-term fiduciary responsibility.

Fiduciary duty is central to the discussion as it constitutes the main challenge and opportunity for banks to adopt a sustainable approach. Banks should inform clients of their non-financial risks and the wider, long-term picture around their investments. Reframing the issue to be about "better investment" rather than "sustainability" could help in some cases. At the same time: "The best way to know clients' interests is to ask, hence removing assumptions from the equation" (Damian Payiatakis, Barclays).

On the other hand, Frederique Seidel (World Council of Churches) argues that: "Fiduciary duty is not an obstacle, but a reason to finance renewable energy." In fact, "fiduciary duty is not an impediment to sustainable finance; it could be the element that drives us to balance" (Aaron Bennett, UPP). Traditionally, fiduciary duty has been narrowly defined as a legal obligation to act solely in the financial best interests of clients. However, this conventional understanding is undergoing a significant transformation, particularly in light of pressing global environmental and social challenges that can no longer be ignored.

Re-thinking fiduciary duty in the context of the climate crisis to include the concept of **"double-materiality"** can have a disruptive effect and provoke the entire finance industry to change its approach. This broader scope does not necessarily conflict with the traditional goal of making a profit. Instead, it introduces layers of complexity and nuance that asset managers and owners must skillfully navigate, especially when considering long-term investment horizons.

Engendering a Systemic Change.

“The Climate Emergency is now! It is not in 2030. This is **systemic**; we are all part of the problem, and we are all part of the solution.” Even though some progress has been made, one thing the Building Bridges 2023 Conference showed: this is not enough. We cannot keep going with business as usual.

The **BreakFree Collective**’s protests before the beginning of the Building Bridges’ 2023 Summit presents us with some stark facts:

“The climate crisis is already affecting weather and climate extremes in every region across the globe, leading to more frequent and severe weather extremes. With the forest fires in Valais and the storm in La Chaux-de-Fonds, Switzerland is already experiencing these impacts, though other regions of the world have been affected much more severely. The list of disasters experienced this summer alone is endless, and the extent of the destruction is horrifying. To mitigate further destruction, everything possible must be done to limit global warming. The finance sector holds immense power in determining which corporations and which projects receive funding, making it a key player in addressing global challenges like the climate crisis.”

Discussions and exchange of opinions should always happen within any organization. To this end, it **is even more critical that financial institutions support activism** and whistleblowing to expose inconsistencies, while at the same time, regulation should protect those brave enough to come forward. There is an urgent need for a multistakeholder approach involving financial institutions, NGOs, and civil society to drive climate-focused initiatives. **Building these bridges** is necessary and an **urgent mandate** for a sustainable future.

Boards can embrace this new mandate and engender a **cultural shift** by pushing critical goals such as net-zero and gender equality (Monique Mathys-Graaff, WTWco). We need women at each level of responsibility in the pyramid (Jean-Louis Nakamura, Vontobel Asset Management); research shows that managers perform better when there are diverse boards (Monique Mathys-Graaff, WTWco). The importance of **diversity** in creating a **purposeful** culture cannot be overstated. Diversity brings different perspectives and experiences to the forefront and speeds up the problem-solving process, allowing for more impact to be generated.

Banks are crucial in facilitating the transition to a more resilient and sustainable global economy. They have the power to enhance transparency and improve the classification of companies to encourage their clients to make responsible investments. However, realizing this vision requires a profound shift in how wealth managers operate and interact with their clients and other key stakeholders. David Reiling (Sunrise Banks) advocates for driving a **purposeful culture in banking**. Having a strong purpose is pivotal for any organization. A house is, in fact, only as strong as its foundations. Society has high expectations for wealth managers, and they must live up to these expectations by having conviction in their roles and defining their path towards sustainability. It is pertinent for wealth managers to engage in **open dialogue and deep introspection** about their roles and responsibilities.

According to Patrick Schmucki (KPMG AG), **purpose gives direction and focuses on a firm's mission and goals**. This is especially important when resolving conflicts in an environment where there are competing interests and expectations from different stakeholders. The key to a firm attaining a purpose-driven culture is to **start from the top** and ensure that board members, shareholders, and other leadership have aligned values. Firms must also ensure they hire **people who align** with these values. The most crucial yet challenging step towards embedding a purpose-driven culture may be that management needs to **reinforce and reward** sustainable values in the workplace.

Systemic change springs from embracing our humanity. Embracing the practice of "**heart-thinking**" can help us envision solutions and a better path for the financial system and society (Enrique Alvarado Hablutzel, Chi Impact Capital). "Some of us already know that the gut is instinct, but what most do not know is that the intelligence of the heart is intuition. When you really know how to use all of those in a coherent manner, you develop trust, within and in life – and that is powerful" (Leyla Salvadé, Standing Light).

Trust is intrinsically connected with fiat money as a means of exchange (Arkan Akin, Toronet). Technological innovations, such as **blockchain**, are also driving the change in money by providing an increased level of trust. According to Prof. Nathan Sussman (Geneva Graduate Institute), one of the achievements of blockchain (and bitcoin) has been making financial institutions seriously think about **digital currencies.** Central bank digital currencies can be used to unleash systemic change in financial inclusion and formalization of the economy.

Money is not necessarily a **neutral** means of exchange. For instance, in emerging or developing economies such as Ghana and Kenya, where corruption of traditional banks prevails due to its historical ties with colonialism, there exists a deep distrust in banks in general. Therefore, using digital money provided by telecom companies instead of traditional banks is a safer means of exchange. This shows how people's or society's perception of money is greatly influenced by history.

In the same way as we are rethinking money, we should **re-think finance, economics**, and their implications for the world to come. Systemic change implies a complete overhaul of how we envision our economic future, a **post-growth economy**.

After all, if we are going to pursue the human journey on this planet, we need to ensure long-term prosperity, which our current system is failing to deliver.

Sandrine Dixson-Declève (The Club of Rome) aptly says, "Inequality and poverty are central to addressing sustainability." Finance has major problems: shareholder value continues to shape short-term profit, and wage inequality has exponentially risen over the past 50 years. This is resulting in decreasing levels of social trust and social instability. A post-growth society depends not solely on economic growth but other components, such as the well-being of its people and the planet. Peter Haberstich (Greenpeace) identifies three principal features of the post-growth economy that we shall keep in the highest consideration:

- Focus on **well-being and prosperity**;
- **Dematerialization** of consumption;
- Strong **interconnections** between consumers and producers.

To conclude, courageous and forward-looking governments, financial institutions, and civil society will contribute to spurring the necessary systemic change the world needs. Embracing a cultural change for a society that values the well-being of its people and the planet above anything else is now more important than ever.

The Future Belongs to Bridge Builders.

We can no longer afford a fractured world, as increasing polarization is causing our planet and our people to fall behind. With a dramatic course correction, we can steer a bright future by harnessing our enormous opportunities and limitless potential. The ingredients of success are available to drive positive change if technology, science, and finance are properly leveraged. It is time to **rethink** how we tackle our pressing challenges and reassess our decision-making to focus on swift action with **stronger partnerships that foster cooperation**.

We do not have until 2050 because geopolitical events and a general pushback against the SDGs have watered down short-term goals. At the same time, we now have technology, money, and regulations to act, but we are not fast enough and not at the right scale. "We bent the curve, but we are still creating problems at a faster rate than we cure them: to solve these issues we need courage; **we cannot be linear thinkers to solve an exponential problem** (Paul Polman, Net Positive)."

"At the moment, there is still an assumption that technology will fix whatever problem we have, but the only technology that could do that is a time machine (Sandrine Dixson-Declève, Club of Rome)." It is not the technology we need, but for the economics paradigm and the financial architecture to shift towards a more sustainable system, together with a different mindset and bold leadership. The growth narrative needs to collectively change by building a more resilient society that embraces innovation instead of rejecting it. As Sandrine Dixson-Declève (Club of Rome) points out, our current growth model is flawed; this is not to say that we need to move to a de-growth type of economic system, but simply that growth calculated using productivity and GDP as unique indicators is not sufficient anymore. More specifically, we need to move to an economy that primarily values the people, the planet, and widespread prosperity.

Investing in social cohesion and ecological resilience instead of pure economic growth can build the bridges necessary to strengthen our democracy. Social tensions have been rising for decades, with inequality and poverty at the core of the issue. People do not believe that political elites are on their side anymore. This has led to a phenomenon of blaming the leaders. Nevertheless, leaders must resist this pushback and do what is right (Daniela Stoffel, Federal Department of Finance).

A strong democracy will allow us the giant societal leap we currently need. The Club of Rome proposes a giant leap by investing 2 to 4 percent of GDP per annum in the SDGs, a system approach to achieve a certain level of well-being for the majority of humankind based upon 5 main goals:

- Ending **poverty**
- Achieving full **gender equity**
- Creating **sustainable food systems**
- Transitioning to **clean energy**
- Drastically reducing **inequality**

This is not a blueprint but a guide for systemic transformation towards a circular and efficient economic model. As Sandrine Dixson-Declève (Club of Rome) puts it: "This giant leap will be everything, everywhere and all at once, and it will be disruptive."

Systemic change is not achieved only at the macro level. Concrete actions can be taken at an individual level. Instituto Terra demonstrates just that. Sebastião Salgado, the project co-creator, is living proof that the change is possible with the necessary will and resilience.

At the core of his work is one simple idea: we need to **plant trees** as they are the most efficient, if not the only, machines capable of capturing CO2 by themselves. Instituto Terra has planted more than 3 million trees, a stunning achievement that benefits everyone, and in doing so, it restored an entire ecosystem and fostered biodiversity. Sebastião Salgado raises an excellent point of discussion: if we want to achieve this systemic change, we need **farmers**. Most of the money is still going to the industry and very few to peasants. Integrating farmers all over the world in this transformation is critical. This will lead to a proper rehabilitation of our entire ecosystem, revolving around one goal: to be human again and create **a world where people are central** (Sebastião Salgado, Instituto Terra).

Therefore, how do we drive these tipping points, and what can the finance sector do? We are currently on the verge of a breakthrough, with interests more aligned than ever. Any change of this magnitude has bumps on the road. However, it is possible to tackle these challenges, and it is profitable. By **building bridges**, we can more easily put down these fictional barriers preventing us from doing what is right and what is needed. Partnerships usually provide better returns as sharing risks lower costs and create new opportunities. At the same time, financial actors should also hold to the greater level of standards the companies they give their money to, keep higher levels of transparency and accountability, and create more innovative solutions while actively advocating for the proper framework to be put in place (Paul Polman, Net Positive).

There is no shareholder value on a dead planet. Therefore, as Daniela Stoffel (Federal Department of Finance) provokingly concluded: "Put your money on the future, not on the past."

BUILDING BRIDGES

Aligninining finance with sustainability

Leading action in sustainable finance

United Nations Climate Change

COP27 SHARM EL-SHEIKH EGYPT 2022

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Office for the Environment FOEN

Second Workshop under the Sharm el-Sheikh Dialouge.

At COP27 in Egypt, Parties to the Paris Agreement agreed to launch the Sharm el-Sheikh dialogue between relevant organizations and stakeholders to exchange views and enhance understanding on the scope of Article 2, paragraph 1(c) of the Paris Agreement on making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development, and its complementarity with Article 9 of the Paris Agreement on the financial support from developed to developing countries in support of climate action.

On October 3rd and 4th, Building Bridges welcomed the second workshop under the Sharm el-Sheikh Dialogue co-hosted by UNFCCC and the Swiss Federal Office for the Environment (FOEN). This event brought together over 148 public, private and civil society stakeholders from 80 countries to discuss the challenges and opportunities of implementing Article 2, paragraph 1(c) of the Paris Agreement at the international level.

During two days of interactive sessions, the second workshop under the Sharm el-Sheikh dialogue facilitated:

- the understanding of the scope, challenges and opportunities of implementing Article 2, paragraph 1(c), of the Paris Agreement, and its complementarity with Article 9;
- the mapping of the potential intended and unintended consequences of actions to implement Article 2, paragraph 1(c), of the Paris Agreement and potential safeguards;
- the exploration of country-driven action to realize Article 2 of the Paris Agreement, and the role of Article 2, paragraph 1(c) in relation to Article 9;
- the analysis of linkages inside and outside the intergovernmental process relevant to Article 2, paragraph 1(c) of the Paris Agreement, and its complementarity with Article 9.

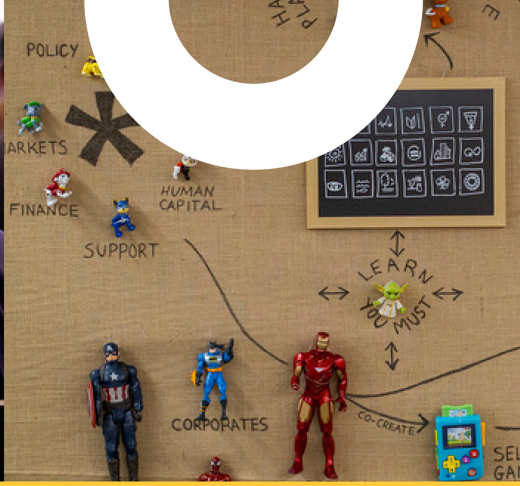
Outcomes

Complementing the insights from the first workshop held in July 2023 in Bangkok, the deliberations during the second workshop under the Sharm el-Sheikh workshop informed the report of the Dialogue, prepared by the UNFCCC Secretariat under the guidance of the COP27 Presidency, to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA5) taking place during COP 28. The report on the Sharm el-Sheikh Dialogue was published in November 2023.

→ **Read report**:
unfccc.int/topics/climate-finance/workstreams/sharm-el-sheikh-dialogue/sharm-el-sheikh-dialogue

The insights from the Sharm el-Sheikh Dialogue between Parties and stakeholders on the scope of Article 2, paragraph 1(c) of the Paris Agreement and its complementarity with Article 9, informed Parties' in their deliberations at COP28 and CMA 5 in Dubai on the topics of making finance flows consistent with a pathway towards low greenhouse gas emissions, climate resilient development, and on climate finance more broadly.

Scan the QR code for more information.



seedstars

Seedstars' 10-year journey.

Seedstars celebrated its 10-year journey of growth and impact at Building Bridges 2023 with a rich programme of panel discussions and interactive sessions.

Over the past decade, Seedstars has steadfastly utilized technology and capital as a conduit to empower entrepreneurs and Small & Growing Businesses (SGBs) in emerging markets. After a successful global tour across Asia, MENA, Africa, USA, and LATAM, the Seedstars community met in Geneva to celebrate 10 years of impact.

The Seedstars Villa provided an immersive experience where 435 participants from 56 countries connected with global leaders, and discovered investment opportunities in emerging markets.

"We've always believed in the power of collaboration. Building Bridges 2023 was more than a milestone celebration for us. It was a call to action for everyone to join and shape the next ten years."

Alisée de Tonnac, Co-Founder of Seedstars

Amid the celebrations, Seedstars also unveiled its 10-year impact report, capturing a decade's worth of achievements, from its inception with the Seedstars World Competition, which became the flagship start-up event in over 100 countries, to driving over $100 million in impact funds that touched over a million lives.

"This 10-year impact report not only showcases our milestones but the undying passion behind each entrepreneurial venture we've supported."

Pierre-Alain Masson, Co-Founder of Seedstars

Seedstars is a company of change makers across Latin America, Africa, the Middle East, Central-Eastern Europe, and Asia who are passionate about making a difference in emerging and frontier markets through entrepreneurship and technology. As an international investment and education company headquartered in Geneva, Switzerland, their work spans 90+ countries with 15 offices around the globe. The organization supports the world's most ambitious and dedicated entrepreneurs in growing and scaling their companies to create meaningful and lasting change.

Seedstars partners with governments, developmental financial institutions, foundations, corporations and investors to build sturdy and healthy entrepreneurial ecosystems that drive purposeful social and economic development.

Scan the QR code for more information.

open GENEVA

Sustainable Finance Hack 2023

SFH 2023: A hackathon to imagine the future of sustainable finance.

Since 2019, Open Geneva has been organizing an annual Sustainable Finance Hack with the support of Geneva's top finance institutions and the University of Geneva. This year, the Sustainable Finance Hack was hosted within the Building Bridges week and brought together 78 participants. This 24-hour hackathon aimed at finding practical solutions to concrete problems in the field of sustainable finance. Multidisciplinary teams came together to develop solutions to 11 innovation challenges led by banks, international organizations, start-ups, and academic institutions. After 24 hours of collaboration, the 11 teams pitched their solutions through a 2-minute presentation, and participants voted for their favorite projects.

The Sustainable Finance Hack aims to promote the collective development of bold innovations, which in turn may continue their journey as entrepreneurship (e.g., impact start-ups, not-for-profit organizations), intrapreneurship, or scientific research projects based on concrete needs. The hackathon aims to unleash creativity and intense self-learning. It fosters long-lasting horizontal collaborations across organizations by removing institutional and intergenerational barriers.

The hackathon also acts as a catalytic force for the Geneva ecosystem by uniting students with institutions from different sectors. It has been instrumental in forging trust, nurturing existing relationships, and creating new connections between stakeholders who are shaping a greener and more sustainable future.

> "The first word of my hackathon experience is collaboration, the second one is belongings and the third one would be that everybody seems to be interested in skinning the game. Skinning the game means that all of us have to take the risk and also be involved."
>
> 2023 Hackathon Participant

2023 Upvoted Projects

- **Challenge no 6:** "AI-Powered Impact Evaluation for Philanthropy" led by Fondazione AIS
- **Challenge no 7:** "Building bridges over the AI expertise gap: the case of philanthropy" led by the Geneva School of Economics and Management (UNIGE)
- **Challenge no 1:** "The responsible bankers of tomorrow" led by the Institut Supérieur de Formation Bancaire (ISFB)

Scan the QR code for more information.

17 96

LOMBARD ODIER

LOMBARD ODIER DARIER HENTSCH

On the Road to an Electrified Economy.

The Greatest Opportunity in the History of Capitalism

A rewiring of our economy is underway as an environmental transition unfolds across key system changes. In Land and Oceans, 20% of agricultural land and 30% of oceans have been pledged to be returned to nature. In Materials systems, our growth model is being decoupled from resource extraction. And Carbon Markets are pricing externalities, incentivizing firms to accelerate their net-zero commitments.

The world's energy system is changing and at the heart of this transformation lies the electrification of our economies. We believe that between now and 2050 we will move from 20% economy-wide electrification to 70%, driven by innovations in both supply and demand-side technologies. Electrification has entered an exponential growth phase.

Renewable energy is now cheaper than fossil fuels, with the costs of wind, solar and batteries plunging by 60-80% in the last 10 years; and heat pumps, electric vehicle motors and LEDs are 3-5 times more efficient than incumbent technologies. The three conditions that hold the key to unlocking green growth – affordability, functionality and accessibility – have all been met.

This system-wide transformation is creating cascading impacts across all sectors and systems, and will ultimately catalyze change across the entire economy towards mass electrification.

At Lombard Odier, we believe that electrification is one of the greatest investment opportunities of our time and that it will play an essential role in building a sustainable future based on a Circular, Lean, Inclusive and Clean (CLIC®) economy. We estimate that USD 25 trillion of capex investment will be deployed between now and 2030 to push the electrification transformation forward, disrupting value chains and unlocking new profit pools, often in unexpected places.

On the supply side we are moving away from a fossil-fuelled, centralized energy system at speed and scale – in 2022, for the first time, more capital was pumped into renewables than into upstream oil and gas. Simultaneously, the demand-side shift from fossil fuels to electricity is creating a powerful feedback loop. Lithium-ion batteries are disrupting transport; electric heat pumps are replacing gas boilers in huge numbers and zero-emissions hydrogen is being produced from renewable electricity, ready to replace fossil fuels in heavy industries. Carbon-free, zero-marginal-cost electricity is driving down the cost of doing business and accelerating the rollout of sustainable solutions in multiple sectors.

Our Future Electrification strategy aims to capture opportunities associated with new and shifting electrification revenue pools. It follows a high-conviction stock selection process to create a global equity portfolio of 40 to 50 holdings, with a bias towards high-quality companies with sustainable financial models, business practices and business models that support:

- Demand – including the clean electrification and increased efficiency of buildings, transport and industry and production processes alongside changing consumption patterns
- Supply – recognizing that global energy supply needs to be completely decarbonized by switching from fossil fuels to renewable energy sources
- Enablers – including hardware, software and raw materials needed to further enable and accelerate the pace of the transition.

Entire new economic systems are rapidly unfolding – the investment imperative is to understand the trajectory of these economic systems and seize the investment opportunity. Electrification will be a cornerstone of tomorrow's economy; today's investors have a unique opportunity to be part of it.

Decarbonizing Real Estate to Meet Global Climate Goals.

According to the UNEP, the built environment is responsible for ~40% of global greenhouse gas emissions, with existing buildings accounting for 28% and new construction for 9%. Coupled with its long lifespan, this makes it a key transition sector to reach the global net zero target [1].

The recently launched whitepaper "*Rethink, rebuild, reimagine. Laying the foundation for better buildings*" released by the UBS Sustainability and Impact Institute, argues that buildings must undergo an unprecedented retrofitting ramp-up if the Paris Climate Agreement 2050 net zero targets are to be met. Using examples, the paper explains that retrofitting existing building stock to make it greener can increase yields and prolong lifespans, while new builds can benefit from emerging materials and technologies to lower emissions and optimize energy usage.

"With an estimated $7.5 trillion worth of real estate that could be stranded in the coming decades, the stakes are high if we do not decarbonize the industry. It's clear we need to adapt, making sure we mitigate the risks and capture the opportunities as we transition our building stock toward a more sustainable tomorrow."

Michael Baldinger
Chief Sustainability Officer, UBS

Whitepaper Highlights

- **Need for a retrofit revolution:** Most of our existing building stock is inefficient, using far more energy than it should, and most of it will still be standing by 2050. Improving, renovating, and retrofitting the buildings we already have is therefore imperative.

.

- **Build only what we must:** Many new buildings will be needed to accommodate growing and shifting populations, but these will likely be unevenly distributed, with the developed world's 2050 building stock mostly built, and most of the developing world's in the pipeline.
- **No longer fit for purpose:** Demographic changes, urbanization, altered work practices, sustainability concerns, and rising physical risk are changing the optimal mix and location of building infrastructure. As a result, some buildings and even whole settlements may no longer be required in their current form and are likely to be better off being adapted and reused, demolished and rebuilt, or simply decommissioned altogether.
- **Laying the foundation for better buildings:** The direction of travel for the buildings sector seems clear. With over 90% of GDP covered by Net Zero targets, governments have implicitly signed the sector up for full decarbonization by 2050 [2]. An annual 3.6% reduction may seem achievable, but left unchecked the sector's emissions could double by 2050. Changing mindsets and new approaches to regulation and capital allocation will prove key.

"Most of today's buildings will still be standing in 2050, so we need to start retrofitting now."

Alfred Ledermann
Co-Head Client Needs, UBS Switzerland

Scan the QR code for more information.

References
[1] UNEP (2022), 2022 Global status report for buildings and construction: Towards a zero-emission, efficient, resilient buildings and construction sector.
[2] UBS (2023), Rethink, rebuild, reimagine: Laying the foundation for better buildings.

abrdn

Investing in industries that are switching to renewable energy.

The energy transition offers a once-in-a-generation investment opportunity that can help investors address the climate crisis and generate attractive returns. Abrdn's investment philosophy is based on a three-pillar framework – Leaders, Adaptors and Solutions.

Analyses show that sustainable portfolios can generate consistent returns while mitigating risks and contributing to positive change. Responsible investments are a growth industry in Switzerland. Sustainable funds now have a record total volume of CHF 799.5 billion (as of June 2022). Investors currently have more opportunities than ever to make a difference, and bond investors play a crucial role in this field.

As capital providers, bondholders have an important say. The transition to the emission-free world of the future will only succeed with unprecedented changes in industries of all kinds – from transport to energy to manufacturing. The energy transition will require investment especially in industries in need of modernisation and renewal. Investors who want to make an impact on energy transition do not necessarily have to invest in "green" bonds. There are numerous bonds from non "green" issuers that contribute to climate change mitigation. As an example, a company producing high emissions but wanting to switch to renewable energy can reduce important CO_2 outputs compared to a company that hardly produces any emissions. These types of companies can become market leaders, changemakers, adaptation facilitators or solution providers.

Market leaders include companies such as a Portuguese multinational energy company leading the transition to renewable energy, as well as American based technology computer manufacturers that are pursuing ambitious targets for reducing energy consumption, transitioning to renewable energy and mitigating emissions within the supply chain.

A supplier of aluminium packaging to the beverage industry and a manufacturer of personal care and household products can also be market leaders. These companies are aggressively seeking to reduce their carbon footprint and offer aluminium products that can be recycled infinitely. These companies see more growth opportunities in switching from plastic packaging to sustainable aluminium.

Adaptation facilitators include sovereign green bond issuers such as Chile and the Netherlands, which use the proceeds from bond issues to finance practical adaptation measures, such as protection against flooding due to climate change. Other examples include a manufacturer of drainage pipes that supports and facilitates the management of water flows in drought- and flood-prone areas of the world.

Solution providers include companies such as Brazil's largest railway operator. Rail transport is five times less carbon intensive than road transport. In addition, the company invests in engines that consume less diesel. Around 85% of total sales are considered green sales, as they are generated by transporting goods with automated, energy-efficient locomotives.

When thinking of buying bonds, the in-depth analysis of companies is crucial. Projects that can be convincing from a climate protection point of view must not be at the expense of other environmental goals, for example, dams that generate electricity from hydropower must not endanger biodiversity and access to water. Investors in credit securities play a crucial role in the transition to a more sustainable economy.

Scan the QR code for more information.

EDMOND DE ROTHSCHILD

Fostering sustainable changes in local communities.

Since 2017, the Insetting Programme of Edmond de Rothschild allows them to integrate socio-environmental commitments at the heart of their value chain. Edmond de Rothschild has therefore chosen to support the reforestation of rural areas isolated from the sphere of influence of their impact investing activities. The first programme to plant precious wood and fruit trees on these small farms ended in June 2021 but the company has been pursuing these activities. The monitoring of the first programme will continue until 2026.

Edmond de Rothschild's programme supports technical assistance in agroforestry for small-scale coffee producers. It helps them convert their degraded or abandoned plots into productive agroforestry systems capable of developing long-term economic security. It targets the fight against coffee mildew.

This support involves:

- an inclusive landscape approach;
- research and development programmes;
- capacity building in the face of climate change;
- the adoption of agroforestry systems that improve their livelihoods and preserve the region's biodiversity and forests;
- and two technicians hired full-time for the establishment, maintenance and monitoring of trees.

The development and training of smallholders enables them to obtain a diploma in agricultural management from the Escuela Nacional de Café de Nicaragua.

Improving the livelihoods of rural communities

In addition to acting as a catalyst for agroforestry and sustainability, Edmond de Rothschild's Insetting Programme generates environmental, economic and social benefits on several levels.

Globally, it helps to adapt to climate change and reduce the damage it causes. For local communities in reforested areas, the Insetting Programme pools resources to protect water sources, preserve biodiversity and enrich the soil. The smallholders who benefit from the programme have to agroforestry and can thus ensure the food security of their families by planting and diversifying their crops, and enhancing the value of their property. All the technicians on planting and people monitoring the programme are local talents.

Scan the QR code for more information.

BlackRock

Coming soon.

Deloitte.

TrendRadar – Future of Sustainability.

Sustainability has become a crucial focus for organizations across all industries. As the world moves towards a more sustainable future, companies are progressively adopting socially and environmentally friendly practices. Consumers are becoming increasingly conscious of their impact on the environment both through their own actions and purchasing decisions and are demanding more sustainable products and services. Understanding and staying up-to-date on the relevant trends helps companies maintain a competitive edge, whilst mitigating the risk of falling behind. It enables proactive identification of business and market opportunities, the ability to adapt strategies and business models accordingly thereby resulting in business resilience and commercial success. Deloitte's TrendRadar: Future of Sustainability provides a systematic overview of the most relevant sustainability mega and macro trends to help assess companies' readiness and take action where it's needed most.

Download TrendRadar: Future of Sustainability to understand today what you need to do for tomorrow.

Scan the QR code for more information.

EFG

Feeding the world without it costing the earth.

How can we achieve food security for the world's growing population without harming the environment and climate? The answer lies in the transition of our food systems.

As the world's population continues to expand, there is an urgent need to transition to a regenerative or "nature-positive" food system that has the potential to deliver food security for billions of people worldwide while protecting our planet.

Sustainable food systems can create a win-win situation: on the one hand, they foster sustainable food production and consumption, giving people better access to healthy, nutritious food. On the other hand, sustainable production methods enhance land and water management and preserve biodiversity, while lowering greenhouse gas emissions. These regenerative systems represent a tangible solution to drive change for the benefit of people and the planet.

Scan the QR code to explore this topic with Melanie Beyeler, Senior Portfolio Manager at EFG Asset Management.

Julius Bär

Julius Baer's ESG investment framework.

While ESG preferences aim to capture the clients' needs relating to sustainable or responsible investing, Julius Baer's methodology aims to provide clients with suitable investment solutions considering ESG risks and opportunities according to their ESG preferences.

The Julius Baer ESG scores are based on themes that aim to capture the most relevant client interests. They enable clients to evaluate and summarize performance along certain ESG themes in an easy and understandable way. The Julius Baer ESG scores take into consideration assessments based on external data and internal research, as well as Principal Adverse Impact Indicators as set out in the EU Sustainable Finance Disclosure Regulation.

In 2023, Julius Baer was recognized as the "Best Private Bank for Technology for ESG Reporting (Global)" by PWM's Wealth Tech Awards. The award highlights the company's commitment towards providing clients with transparent and easily digestible information, enabling them to make sound investment decisions.

Scan the QR code for more information.

Engaging on climate and nature: A practical guide.

Banks and investment managers play an important role in accelerating the transition to a sustainable economy, both through the way they allocate capital and via their conversations with clients and corporates in the investment value chain. For topics like climate and nature, reframing engagement as a partnership for change is fundamental for transforming current systems.

To help financial institutions engage on nature this way, the Cambridge Institute of Sustainability Leadership published the report “Let’s Discuss Nature with Climate: Engagement Guide”, which it has put together in collaboration with global banks and investors, including Union Bancaire Privée (UBP).

Integrating nature into established climate dialogues can accelerate the movement of capital towards activities that address both climate change and the restoration and protection of nature, preserving financial and natural capital for the long term. This practical guide gives frontline staff the tools to kickstart the right conversations.

Scan the QR code for more information.

BANK OF CHINA

Committed to global sustainable finance.

Bank of China actively implemented the strategy of ecological progress. As the most globalized bank in China, BOC gives full play to its advantages in global operation, supports its overseas branches to innovate green finance services, and spares no efforts to render customers worldwide with top-notch green and sustainable finance services.

Some recent achievements include:

- BOC Dubai Branch was appointed to lead a standalone water project in the Red Sea coast of Saudi Arabia. It was the first project in the region to convert a thermal water desalination plant into a greenfield reverse osmosis facility.
- BOC London Branch supported the world’s largest operational offshore wind farm as one of the lead banks.
- BOC Hungary Branch signed a bilateral financing agreement worth EUR 203 million with the Serbian government to participate in the project of municipal sewage and solid waste treatment system with efficient financial services. This is the first sovereign green finance structured financing business in Central and Eastern Europe.

Scan the QR code for more information.

Socially responsible investing policy built around transparency and client support.

As part of its mission, the cantonal bank BCV is committed to working for the sustainable development of society. BCV's socially responsible investing policy is in line with this commitment. The bank strives to communicate on its efforts in this area in a transparent, clear, and simple way, and to raise its clients' awareness of socially responsible investing issues.

BCV also considers the incorporation of ESG approaches into its broader investment policy as its fiduciary duty. To best serve its clients, BCV is expanding its range of in-house ESG products.

The bank solidified its position in this market by entering into a privileged partnership with independent service provider Ethos Services SA. Under that agreement, BCV's asset management team manages a range of investment funds covering the main asset classes, with Ethos serving in an advisory role.

Scan the QR code for more information.

A "humanitarian leave" programme for employees.

Indosuez Wealth Management is offering a "humanitarian leave" programme in partnership with the Planète Urgence association to all its employees.

This programme gives them the opportunity to actively participate in projects managed by local stakeholders in different regions of the world.

Proposed missions can relate to educational support, environmental monitoring of nature species, accountability or marketing support, to name just a few.

Since its inception, around 20 employees have been involved in these missions around the world.

Scan the QR code for more information or visit planete-urgence.org.

CAPITAL GROUP™

Market shifts drive considerations on ESG allocation – Capital Group ESG Study 2023.

Soaring inflation and sharp shifts in equity market leadership have taken their toll on investors over the past 18 months or so. But how are these market events playing out in the ESG arena?

As inflation shows signs of abating and investors look to put cash to work, nearly a third of professionals surveyed indicated they would increase allocations to ESG bond funds. In addition, volatile equity markets – notably the dominance of a small group of growth stocks – have motivated 35% of ESG investors to consider neutralizing style biases within their equity allocation.

These are just some of the insights revealed in Capital Group's 2023 ESG Global Study. This annual survey gathers the views of more than 1,100 institutional and wholesale investment professionals across Europe, the Middle East, North America and Asia-Pacific to gain insights on ESG attitudes and adoption.

"There is evidence that professional investors are looking to allocate more to ESG bond funds as inflation recedes and interest rates peak."

Jessica Ground, Global Head of ESG, Capital Group

DE PURY
PICTET
TURRETTINI

Swiss Positive Gold Fund.

The recent financial crises are a reminder of how gold provides great portfolio diversification. However, consumers and investors are increasingly concerned by gold mining's impacts.

In this context, supporting gold artisanal and small-scale mines (ASMs) may be critical as they have a crucial economic role for local communities and an important ESG footprint, which can be greatly improved with the right incentives.

For over 10 years, the Swiss Better Gold Association has been operating with the support of the Swiss Government and industry, helping a growing number of ASMs improve working conditions and practices as well as minimizing their environmental impact. De Pury Pictet Turrettini, the innovative wealth manager, uses the Swiss Positive Physical Gold Fund for its discretionary portfolios to access artisanal and traceable Swiss Better Gold, aiming at empowering markets and contributing to strengthening Switzerland as a leading sustainable finance centre.

Private Banking

LGT's commitment to transparency.

LGT believes that transparency is the most effective way for clients, employees, and other stakeholders to assess progress in addressing some of the world's most pressing challenges.

If we want to decarbonize the industry, we need more than just good solutions and instruments – we also need greater transparency for investors. That's why LGT has developed a Sustainability Rating, which provides investors with important guidance and helps them make their portfolios more sustainable. LGT has also been developing its reporting since 2012, and is now publishing a number of annual reports including its Sustainability Report, and for the first time, a global Stewardship Report. The company received several awards for its wide range of sustainable investment products and its high level of transparency.

Scan the QR code for more information.

ONE CREATION
Impact finance

Investing in environmental innovation start-ups.

ONE CREATION is an investment company created in June 2010, with the aim of financially supporting the development of environmental technologies. Since its inception, the board of ONE CREATION has been successfully financing growth-stage private companies through its private equity allocation in the field of environmental innovation as well as solar infrastructure projects.

With a proven investment process and in-depth due diligence capabilities, ONE CREATION focuses its portfolio on eight verticals: Renewable Energy, Energy Efficiency, Sustainable Materials, Sustainable Mobility, Waste Management, Water Management, Cleantech and Sustainable Food and Agriculture.

In 2022, the board of ONE CREATION recognized the need to encourage entrepreneurship and decided to launch the **Environmental Innovation Awards** competition. This year's edition held its final award ceremony at Building Bridges. The three winning companies were NoorNation (Egypt), Now Care (Switzerland) and Enerdrape (Switzerland).

Scan the QR code for more information.

pwc

Global Private Equity Responsible Investment Survey 2023.

According to PwC's survey of over 150 private equity firms, there has been a shift in their approach to environmental, social, and governance topics over the past decade. Previously, their main concern was risk management, but now they believe that ESG management can help create value. Around 70% of respondents consider value creation as one of the top three drivers for their organization's ESG activities.

The survey findings also indicate that it has become standard practice for PE firms to consider ESG factors throughout the investment process. This includes sourcing opportunities, conducting due diligence, forming post-acquisition plans, and deciding on deal terms.

When asked about the benefits of ESG activities, respondents mentioned various views. Brand enhancement, risk mitigation, competitive differentiation, and client attraction were identified as the main benefits, while revenue growth and cost efficiency were less commonly mentioned.

Scan the QR code for more information.

symbiotics

Symbiotics Impact Report 2022: Fostering financial inclusion for sustainable development.

Financial inclusion has emerged as a powerful tool for enhancing the resilience of households and fostering economic growth in emerging and frontier markets. Symbiotics, the leading market access platform for investing, is at the forefront of this movement, driven by a mission to expand access to finance for low- and middle-income households in emerging and frontier economies.

Access to financial services acts as a catalyst for more inclusive growth. Financial inclusion is a major strategy in achieving the United Nations Sustainable Development Goals. Symbiotics is responding to this increasing need for financial inclusion, contributing primarily to SDG 1: No Poverty, SDG 5: Gender Equality and SDG 8: Decent Work and Economic Growth, as well as other SDGs via specialized institutions.

The 2022 Symbiotics Impact Report presents the social and environmental impact of the company's portfolio.

Scan the QR code for more information.

BUILDING BRIDGES

Aligning finance with sustainability

Community Engagement

THANK YOU!

A collective effort to advance sustainable finance

Building Bridges gathers a large community of changemakers that share the same vision of sustainability. All members of the community are actively contributing to the transition of our economic system. Each year, these members share their knowledge, experiences and perspectives at Building Bridges to support the Sustainable Development Goals.

The 2023 edition was conceptualized and implemented through a collaborative effort. The event was supported by 18 founding partners representing the finance community, International Geneva and Swiss authorities; 32 sponsors that committed significant financial resources to the initiative; and 159 organizations that planned cutting-edge content during the week.

Led by Sustainable Finance Geneva, the activities of the initiative were also guided by a High-Level Group and an Operational Committee that collectively structured the 2023 edition.

PublicisLive and the Geneva Graduate Institute of International and Development Studies also played a key role in the development of the 2023 edition.

We would like to thank all the participants, speakers, moderators, organizers, sponsors, partners, volunteers, note-takers, photographers, and technicians who contributed to making Building Bridges 2023 a huge success.

2023 Team.

Building Bridges Team

Alix Mottet
Boris Le Montagner
Christine Caralis Wallier
Constance Wasserman
Ela Abbou
Emma Richon
Kali Taylor
Kelly Schatz
Lee-Lou Goettmann
Leila Sabeti de Raemy
Nora Sada
Sandrine Salerno

PublicisLive Team

Alma Terrones
Anthony Gazagne
Dan Herscovici
Gabriela Calvo Del Castillo
Justine Gilliot
Kim Dabbah
Lucie-Rose Innaurato
Melis Kamhi
Nastassia Grassi
Thierry Antoniewicz

Photographers, Videographers and Mobile App

Antoine Tardy
Bastien Dumont
Eugene Theodore
Guillaume Main
Jay Burton
Julien Leuenberger
Laurent Cipriani
Mark Henley
Nicolas Daniltchenko
Sebastian Van Eickelen
Thibault Levet

Geneva Graduate Institute Reporting Team

Main Author:
Giovanni Donato

Co-Editors:
Nathan Sussman, Patricia Arnold

Rapporteurs:
Abriana Saenz
Benjamin Butcher
Gregory Cerutti
Hussein Ghandour
Ishankaur Khalsa
Joshua Ostry
Juhui Oh
Keza Mbodje
Léo Chauvin Morisse
Liran Offner
Luz Stecca
Masa Awad
Puru Rohilla
Saloni Srivastava
Sameeksha Matta
Sophie Moens
Steve Ka Lok Wong
Tanushree Kaushal
Varun Vithalani
Yixin Du

Acknowledgements.

High Level Group

Adrian Schatzmann
Alfonso Gomez
August Benz
Daniela Stoffel
Delphine Bachmann
Eric Usher
Helene Budliger Artieda
Jürg Lauber
Laurent Ramsey
Marie-Laure Schaufelberger
Mark Halle
Patrick Odier
Peter Bakker
Sabine Döbeli
Stephen Nolan
Tatiana Valovaya

Operational Committee

Building Bridges Team
Alexandre Roch
Anastasia Outkina
Aurelia Faeh
Chantal Bourquin
David Uzsoki
Edouard Cuendet
Jean Laville
Luisa Bernal
Marie-Laure Schaufelberger
Nancy Détry
Nicholas Niggli
Trine Schmidt

Volunteers

Volunteers Coordinator:
Juliette Geisinger

Volunteers:
Alexandra Kramskaya
Alina Kozhevnikova
Alva Linnér
Angelica Aragiusto
Aram Jivan Chetirian
Audrey Pongracz
Benjamin Joost
Boonyapruek Sawongtrakul
Claire Bataillie
Carina Souza
Cynthia Bleu-Lainé
Diana Kuznetsova
Eini Kärkkäinen
Elena Timofeeva
Emma Lawson-De Roeck
Francesca Danieli
Francesca Serena Truono
Gabriela Soares
Grusha Victor
Ichrak Elabdi
Imran Khan
Iqra Ansari
Jade Nimusiima
Julie Bourdeu
Mahanoor Ahmed
Mario Nossent
Molly Acheng
Monica Suarez
Moses Rubibi
Pierre-Pascal Bavaud
Pui Shuen Kam
Ruth Abena
Sally Sow
Sarah Murphy
Shruti Nair
Simon Tochon
Teimo Isarasakdatikul
Veronika Neumeier
Yazid El Hajji

Committed Partners.

Diamond Sponsors

LOMBARD ODIER
PICTET
UBS

Gold Sponsors

abrdn
Edmond de Rothschild
ROBECO The Investment Engineers
Vontobel

Silver Sponsors

BARCLAYS Private Bank
BlackRock
BNP PARIBAS
Deloitte.
EFG
EY
J. Safra Sarasin
Julius Bär
KPMG
MIRABAUD
UBP Union Bancaire Privée

Bronze Sponsors

Amundi Asset Management
中国银行 Bank of China
BCGE
BCV
Indosuez Wealth Management
Capital Group
CCIG
De Pury Pictet Turrettini
LGT Private Banking
One Creation Impact finance
pwc
REYL Intesa Sanpaolo
symbiotics
WorldLifeSpaces

With Support From

Geneva Graduate Institute – Centre for Finance and Development
Finance Swiss
InTent

Special Collaborations

TNFD Taskforce on Nature-related Financial Disclosures
United Nations Climate Change
seedstars
open GENEVA

2023 Event Organizers.

Appendix of Actionable Items.

During Building Bridges 2023, many sessions introduced, reported on, and discussed applicable tools and solutions, as well as frameworks and initiatives to advance sustainable finance. Some were existing, some are new, and some could be adopted by Swiss financial insitutions. We hope that sharing this knowledge will inspire action.

Tools and Solutions

Debt swaps with ESG components: While not representing a complete debt restructuring, these swaps involve issuing standalone bonds (green or blue) while alleviating the 'recipient's debt burden.
→ Event: *Debt to Impact, Turning Sovereign Obligations Into SDG Investments*

Pause clauses in debt instruments, that in the event of a natural disaster or pandemic reduce overloading the already strained fiscal systems of EMDEs.
→ Event: *Debt to Impact, Turning Sovereign Obligations Into SDG Investments*

Catastrophe bonds are high-yield debt instruments designed to raise money for companies in the insurance industry in the event of a natural disaster. They can be applied to closing the financial gap at the local level by helping cities in countries most exposed to climate change to attract funding.
→ Event: *How to Increase Financing for the SDGs at the Local Level Through United Nations Action?*

Web3 is a generic term referring to technologies, such as blockchain, based on decentralized infrastructure and which can be applied for example as a tool to help empower younger generations by providing connectivity and education to reduce the talent gap worldwide.
→ Event: *Breaking Barriers: Web3's Potential for Digital and Economic Inclusion*

Satellite data can be exploited for various applications, such as validating greenhouse gas emissions, assessing climate risks in investment portfolios, and monitoring mortgage risks based on environmental factors.
→ Event: *Space Data, Earth Observation and ESG*

Impact-Linked Finance connects financial rewards to environmental and social outcomes with a market-based focus on enterprises while providing catalytic investment support for high-impact enterprises. It is often considered to be at the intersection of impact investing, blended finance, and results-based finance. Impact linked loans are simplified versions of some of the other outcome-based financing instruments.
→ Event: *Innovative Financing for Entrepreneurial Solutions in Emerging Markets*

The Education Outcomes Fund: designs Outcome-Based Financing mechanisms in education to attract private-sector investments while ensuring the desired educational outcomes are met. These delivery partners are repaid by governments (and other donors) based on the educational outcomes achieved.
→ Event: *Innovative financing for impact at scale in Education*

Gavi's Advanced Market Commitment subsidizes African-made vaccines. Donor countries commit to purchasing vaccines at a guaranteed price, giving African manufacturers the financial certainty they need to invest in vaccine development and production.
→ Event: *Innovative Finance: The Path to a Sustainable Future*

ENCORE tool: a free online tool to help businesses and financial institutions understand their potential impacts and dependencies on nature and their associated nature-related risks and opportunities. Its latest biodiversity module for the agricultural and mining sectors enables financial institutions to assess to what extent their financial activities in these industries potentially drive species extinction and ecological integrity risks. It also guides the practices to be considered aligned with the Global Biodiversity Framework.
➔ Event: *ENCORE tool: Latest updates and use cases in TNFD reporting*

WWF Biodiversity and Water Risk Filters: assess biodiversity and water-related risks.
➔ Event: *Tools for a Nature Positive Transition: Aligning Finance with the Global Biodiversity Framework*

SEED Index: measures biodiversity complexity in a standardized way and informs decision-making on a global scale.
➔ Event: *Tools for a Nature Positive Transition: Aligning Finance with the Global Biodiversity Framework*

Istituto Igarape's monitor: gathers data on the regularity of activities in different gold mining areas in the Brazilian Amazon region.
➔ Event: *Cleaning up the Brazilian Gold Value Chain*

Robeco's SDG Framework and Country Sustainability Ranking is a sustainable investment framework framed around the philosophy of complete avoidance of significant harm. Its outcome is a rating that considers SDG impact first and subsequent ESG risks and opportunities. It is complemented by 'Robeco's Open Access Initiative which involves disclosing the 'company's proprietary SDG data to foster transparency, comparability, and research.
➔ Event: *Robeco's Sustainable Investing Open Access Initiative*

World Business Council for Sustainable Development (WBCSD) Sustainability and Valuation Primer: A structured framework for evaluating intrinsic sustainability in supply chains to foster the inclusion of ESG in Discounted Cash-Flow (DCF) models.
➔ Event: *ESG in DCF: a not-so-magic formula to price in sustainability*

Frameworks and Initiatives

Taskforce on Nature-related Financial Disclosure (TNFD): A framework based on recommendations to enable business and finance to integrate nature into decision-making.
➔ Event: *How Much Does your Business Depend on Nature? Getting Ready for Nature-Related Financial Disclosures*

AMAS and SSF Swiss Stewardship Code: Stewardship, also known as active ownership, is considered best practice as investors have started to expand their goals to encompass the contribution to positive change in the economy, society, and the environment. The Swiss Stewardship Code was drawn up in the form of recommendations for the Swiss financial centre. The Code aims to reshape the meaning of fiduciary duty. In addition, the Code is adaptable and can be implemented by both large and small investors for meaningful impact.
➔ Event: *Introducing the Swiss Stewardship Code*

The **Natural Capital Valuation (NCV)** is a framework implemented by S&P500 and some countries, and is designed to assess the value of natural resources.
➔ Event: *Sharing experiences on natural capital valuation at landscape level for nature positive investment*

ILO's Social Finance programme: engages with financial institutions, insurers, and microfinance institutions interested in the Decent Work Agenda to facilitate the inclusion of migrants and refugees into the receiving 'country's labor force.
➔ Event: *Pathways to Financial Inclusion for Refugees and Migrants: Empowering Communities for a Better Future*

UNICEF & ITU's GIGA Initiative: aims to connect every school worldwide. To do so, it maps schools in poorly connected regions to see the number of digitally adept schools; it models infrastructure policies, regulations, and investments; it assists governments in contracting connectivity for schools.
➔ Event: *Unlocking Financing for Universal School Connectivity*

SFG's Peace Finance Hub promotes transparency, accountability, and education within the financial industry by integrating peace and conflict considerations into investment strategies.
➔ Event: *Peace Finance – The Case of Renewable Energy*

Global Health Security Fund is a framework that can be applied to future pandemics by bridging expertise from academia, the private sector, consultants, and government entities.
➔ Event: *Global Health Impact Investment Ecosystem*

UNICEF's Today and Tomorrow Initiative: developed the world-first parametric insurance focused on children victims of cyclones. This product is pre-designed to deliver rapid financial relief and recovery to children in areas hit by cyclones of a certain strength.
➔ Event: *Building Climate and Disaster Resilience Today and Tomorrow*

BUILDING BRIDGES

Building Bridges
Sustainable Finance Geneva

Avenue de la Praille 50, 1227 Carouge, Geneva, Switzerland

www.buildingbridges.org

Building Bridges

Sustainable Finance Geneva (SFG)
www.buildingbridges.org