Sustainable finance data for central banks: a new Irving Fisher Committee survey

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This policy brief sheds light on sustainable finance data needs, availability and gaps, leveraging on a survey conducted among the members of the Irving Fisher Committee. A first key insight is that environmental, social and governance (ESG) data are in growing demand from central banks to support their policies, particularly micro- and macroprudential supervision, asset and reserve management activities, the conduct of monetary policy and financial inclusion measures, as well as specific in-house risk assessment and statistical work. Second, central banks are making significant contributions to setting up statistical frameworks for sustainable finance; for instance, they have been instrumental in facilitating the development of green taxonomies. Third, being closely associated with other key stakeholders involved in climate-related data work has been an important element to facilitate the agenda. Fourth, and in a somewhat different way than in other areas, there is an abundance of data to be considered, not least with the growing role played by the large number of data providers located outside the traditional perimeter of official statistics. These various insights have helped to define three main recommendations for guiding central banks' work on sustainable finance statistics.

Introduction

Public authorities in general and central banks in particular are paying more and more attention to sustainable finance, defined as the integration of a wide range of environmental, social and governance (ESG) aspects when making investment decisions (IFC, 2022). This increased interest in sustainable finance reflects mainly widespread concerns about the impact of climate change, but also other factors such as inequality that can undermine economic resilience, as highlighted recently by the Covid-19 pandemic. Likewise, it is also a recognition of the important role that the financial sector can play to foster sustainable development, directly through its own corporate activities and, even more so, indirectly through its financing of external activities.

The brief leverages a survey conducted among the members of the Irving Fisher Committee on Central Bank Statistics (IFC) of the Bank for International Settlements (BIS). The purpose of this survey was to **identify ESG data needs, availability and gaps from the perspective of the central banking community**. Organised in close coordination with other international statistical initiatives, the findings showed that more than 1,400 ESG indicators are currently used or considered for various policy purposes at the global level (IFC, 2021). The survey also provided detailed information on the use of these indicators, including a geographical breakdown by region and country type (especially between advanced economies (AEs) and emerging market economies (EMEs)), the priority level assigned by the respondents and their degree of use.

This stocktaking exercise led to the establishment of a **list of almost 80 ESG metrics considered of particular relevance by central banks when pursuing their policy objectives**. The survey was complemented by the identification of core documentation references on ESG data issues by IFC members who ranked the metrics according to their priorities, current use and planning. Despite some variation across countries, the results have pointed to a relative consensus on the metrics to be used in priority. More information on the indicators, including on the specific metrics used by members and their respective policy purposes, can be found in a Excel file and a dashboard available on the [IFC website](#). The site provides a data visualisation tool for the compiled indicators and their main characteristics.
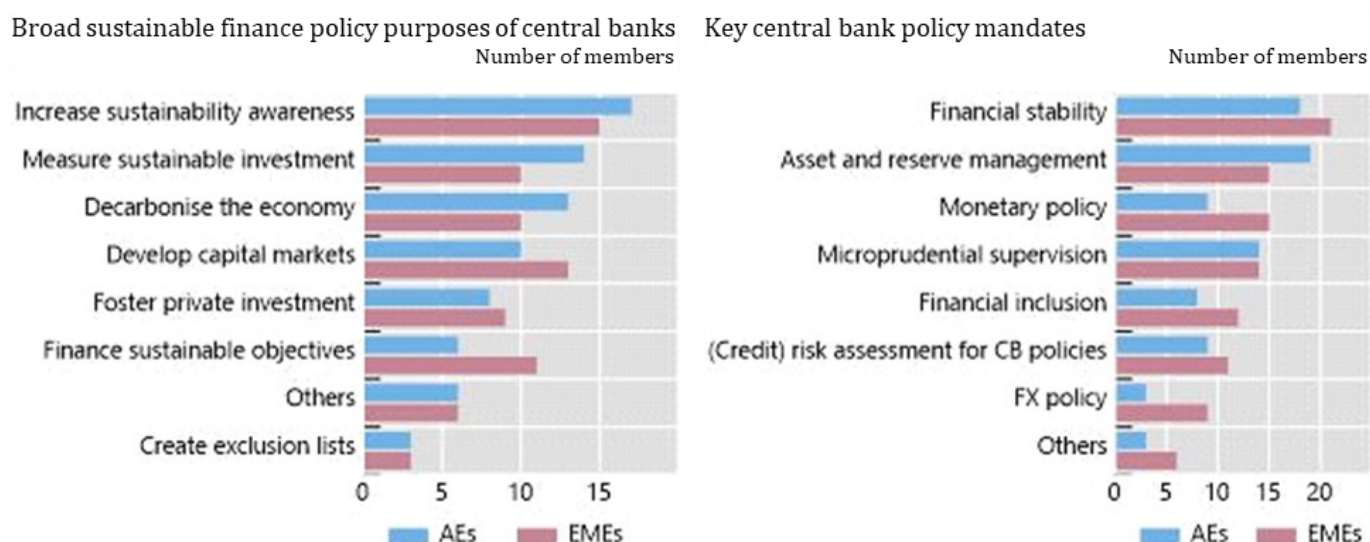
A central banking perspective on sustainable finance data needs, availability and gaps

A first main message from the IFC survey is that **statistics on sustainable finance are in growing demand from central banks in pursuing their core mandates**, with a key interest put on financial stability issues (Graph 1). One important aspect relates to the assessment of both the physical and transitional risks faced by the financial system and the macroeconomy at large. That is, the risks related, respectively, to the impact of climate change on the economy (eg environment hazards) and to the transition from a fossil energy-reliant to a low-carbon economy (BCBS, 2021).

The primary focus reported by central banks is on green finance, as a means to limit carbon emissions and address climate change risks: a large number of IFC members are already facilitating stakeholders' awareness of the risks associated with climate change. Developing "green" capital markets and identifying adequate sustainable investment are additional policy objectives pursued in this context.

As a consequence, **central banks have become crucial consumers of relevant sustainable finance data** to support the broad range of their activities, especially in AEs (Graph 2). Main purposes cover financial stability analyses (including in support of macroprudential policy as well as microprudential supervision for those central banks that are directly in charge), asset and reserve management activities, the conduct of monetary policy (including collateral policies) and financial inclusion measures, as well as specific in-house risk assessment and statistical exercises pursued in the context of these policies.

Graph 1: Central banks' key interest in sustainable finance relates to financial stability

Broad sustainable finance policy purposes of central banks
Number of members

Key central bank policy mandates
Number of members

Note: AE: Advanced Economies; EME: Emerging Market Economies. Source: IFC (2021).

Graph 2: Use of sustainable finance data by central banks

Is there a specific use of data?
Number of members

Purpose of data usage
Number of members
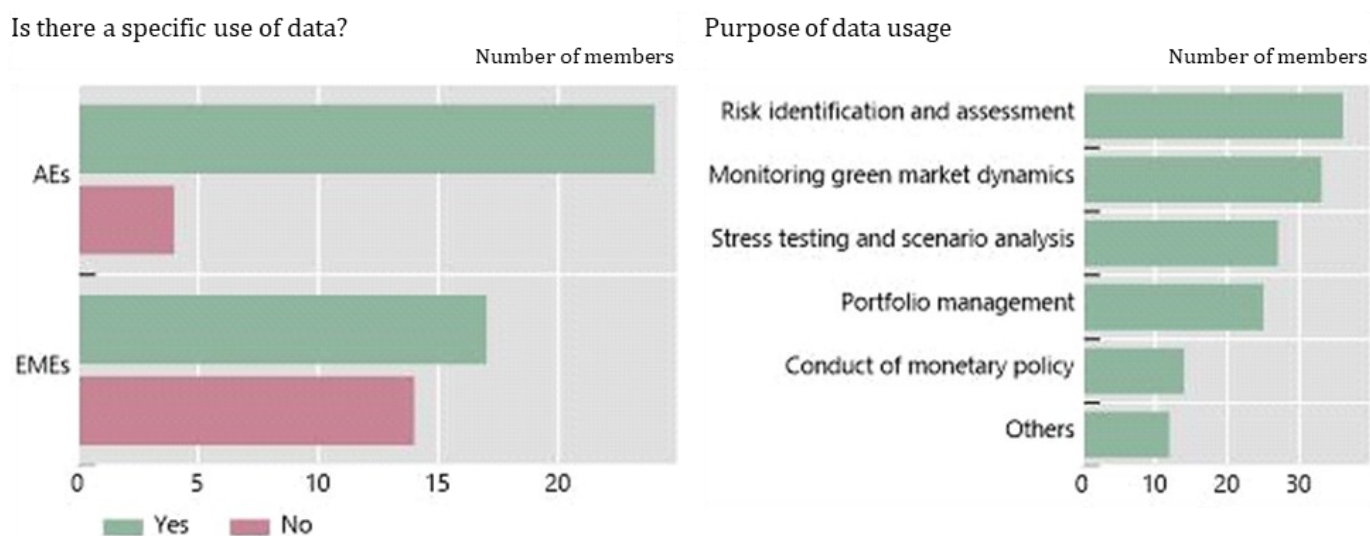
Source: IFC (2021).

A second insight is the **abundance of data to be contemplated in the area of sustainable finance** (Graph 3). Environmental and general sustainability aspects are seen as the most important elements, with a key focus on the indicators needed to properly support progress assessment, in particular on sustainable financial instruments as well as indicators related to physical risk, emission trading and energy use pricing. However, as many indicators are backward-looking, it is appropriate to complement them with forward-looking data to track commitments towards a greener economy. Leading indicators considered useful by central banks in this context are climate target indicators, followed by indicators on firms' scenario analyses and on transformation and enabling efforts. Yet, while these forward-looking metrics have become a new area of focus, and many jurisdictions plan to use them, actual implementation work is often still lagging in practice.

Graph 3: Environmental aspects are considered the most important
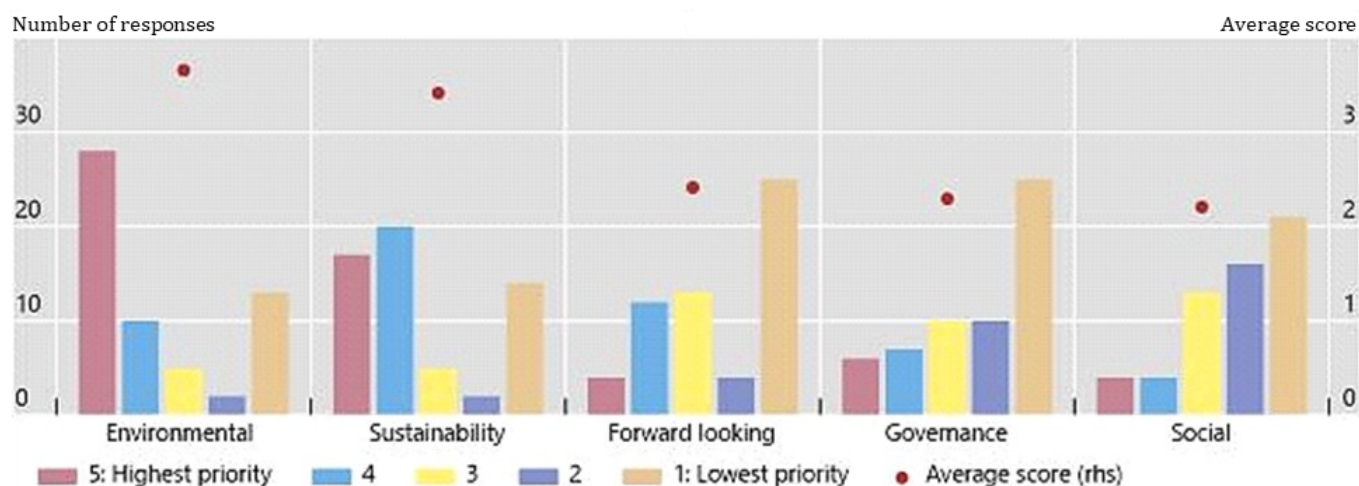
Source: IFC (2021).

A third lesson is that **central banks are also making significant contributions to setting up statistical frameworks for sustainable finance**; for instance, they have been instrumental in facilitating the development of green taxonomies, especially in Europe (Graph 4). They are also closely associated with other key stakeholders involved in climate-related data work, including government authorities (in the areas of eg environment, finance and economic affairs), regulatory institutions and national statistical offices (NSOs). The primary focus reported in the IFC survey was on establishing statistical definitions, developing related taxonomies and conceptual work, setting up reporting requirements, and dealing with data quality aspects and confidentiality issues (including those related to the impact of technology innovation).

Graph 4: Central banks' progress in establishing definitions and taxonomies for sustainable finance
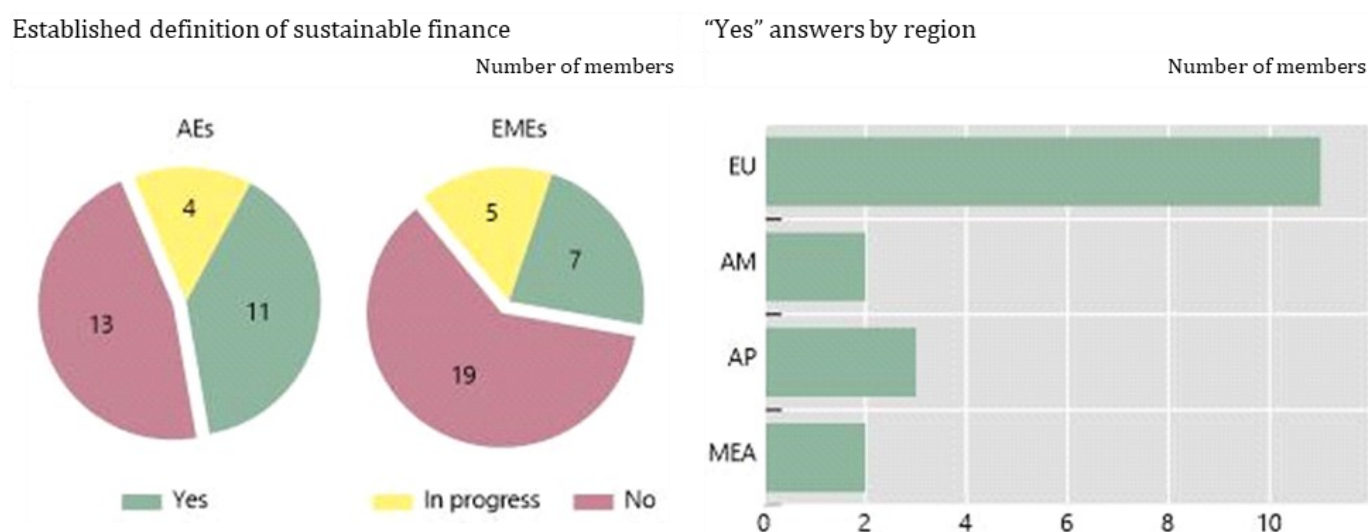
Notes: AP: Asia Pacific; AM: Americas; EU: Europe; MEA: Middle East and Africa. Source: IFC (2021).

However, while the availability of green finance data is increasing in general, there are **substantial differences across jurisdictions**. In particular, a large number of central banks in AEs (essentially in Europe) report that they already have in place standardised definitions and taxonomies (or are close to implementation), while such work is still at an early stage in many other jurisdictions, especially in EMEs. This disparity reflects a number of factors, including the diversity of central banks' mandates as well as different implementation stages in terms of taxonomies, conceptual work, reporting requirements, and data quality/confidentiality management processes.

Unlike for environmental indicators, **the use of social and governance indicators remains fairly limited**, although central banks are gradually showing more interest in these areas, too. The social indicators that are deemed the most relevant relate to financial inclusion as well as working conditions and human rights. As to governance indicators, transparency and disclosure on the one hand and board diversity on the other are considered to be top priority, mainly to support macroprudential supervision.

All in all, the survey results underline the **growing recognition of the important role played by the large number of ESG data providers located outside the traditional perimeter of official statistics** (such as commercial data providers as well as big data-based sources). Hence, a key objective for central banks is to improve cooperation among the various stakeholders involved in sustainable finance data work. Another goal is to support ongoing international statistical initiatives that aim at promoting a shared understanding of statistical needs (also by developing more unified taxonomies and regulations), developing conceptual aspects (eg how to assess financial stability risks arising from climate change) and addressing the related operational aspects of data management (eg data quality assurance processes, reporting requirements, and dealing with confidentiality/privacy issues).

How to organise central banks' work on sustainable finance?

The findings of the survey briefly summarised above have been instrumental to identify **three main recommendations that would usefully guide central banks' work on sustainable finance statistics**.

The first recommendation is to intensify the identification of data needed by central banks to support their policy objectives. This requires proper statistical definitions and taxonomies to be established as a key first step (OECD, 2021). In Europe, for example, a common taxonomy has become an important benchmark against which to measure environmental issues. Intensifying this "methodology" work calls for leveraging on the ongoing international initiatives undertaken to develop overarching conceptual frameworks. The central banking community is already playing a leading role in such initiatives – especially those led by the Financial Stability Board (FSB, 2021a,b), the Network for Greening the Financial System (NGFS, 2021), the Group of Twenty (G20) – including through the foreseen new Data Gaps Initiative (DGI) to address data issues that relate to various topics such as climate change, human wellbeing and inequalities, financial inclusion and data access (FSB Secretariat and IMF Staff, 2022). The various financial standard-setting bodies (SSBs) hosted by the BIS, including the Basel Committee on Banking Supervision (BCBS) and the Committee on Payments and Market Infrastructures (CPMI), are also actively involved. In addition, making further progress puts a premium on developing strong in-house research and analytical capabilities on sustainable finance in central banks. Lastly, it is essential to enhance the underlying statistical infrastructure to support related data collections; one important aspect from this perspective is to define clear data standards for supervised institutions and to establish sound reporting processes.

A second key recommendation is to enhance cooperation among the many traditional and new stakeholders that can be involved to close sustainable finance data gaps – ie central banks and financial supervisors, NSOs, government agencies, international organisations, commercial vendors as well as new providers of alternative data sources. Greater cooperation among them should cover pure statistical tasks but also more conceptual work as well as operational aspects. It would ideally be complemented by arrangements to facilitate data access and sharing, at least to support the exchange of data with a sufficient level of disaggregation (IFC, 2019). Specific attention should be paid to micro-level sustainable finance statistics in this context. Many macro indicators already exist in official sources, even though they may be available only for specific purposes and may eventually have to be enhanced in scope, timeliness and coverage to meet emerging data needs. In contrast, micro data are subject to important limitations, as they are often provided by third-party data providers and are thus not easily accessible to authorities or the public. A potential way of enhancing the disclosure of such information is to capitalise on the ongoing international initiatives (including the DGI) to develop the use of granular identifiers and data standards and also to facilitate access to alternative data sources. Another focus would be to develop innovative approaches to collect information based on appropriate IT systems and data science techniques (eg artificial intelligence, machine learning, web-scraping), not least by leveraging on the new initiatives undertaken by official statisticians after the Covid-19 pandemic (Rosolia et al, 2021).

A third main recommendation is to lead by example by improving the usage of sustainable finance data. One reason is that collecting data is not enough and should be complemented by efforts to make good use of them for policy purposes, ideally by covering the large spectrum of central banks' policy tasks (Caruana, 2017). This policy support should be accompanied by greater dissemination to the general public, recognising the large and various community of stakeholders interested in sustainable finance statistics. The vigorous and innovative dissemination efforts conducted by central banks, especially through the use of "business intelligence" tools, has already greatly improved access to existing data. At the international level, the IMF has established a global dashboard on climate change indicators, while the NGFS is working towards a data repository for climate data. The IFC survey suggests that these efforts should be pursued actively. In addition, and as outlined above, particular attention should be paid to facilitate access to micro-level sustainable finance data and promote their dissemination. Central banks have for now been leading various initiatives to improve the usage of (private) vendor data, including by addressing the related quality and confidentiality issues. Lastly, they have also been leading by example in reporting on their own green footprint. ■

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